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PROPOSAL FOR A JOINT EMPLOYMENT REPORT FROM THE COMMISSION AND THE COUNCIL

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KEY MESSAGES

The Joint Employment Report (JER) by the European Commission and the Council monitors the employment situation in the Union and the implementation of the Employment Guidelines, in line with Article 148 of the TFEU. The report provides an annual overview of key employment and social developments in the Union and of Member States' recent policy measures, in line with the Guidelines for the Employment Policies of the Member States[1]. It also identifies related key priority areas for policy action. Chapter 1 of the report presents an overview of key employment and social trends and of progress made on the 2030 EU headline and national targets, as well as horizontal findings based on the principles of the Social Convergence Framework (SCF). Chapter 2 analyses challenges and policy responses in the Member States for each of the four employment guidelines. Chapter 3 provides country-specific analysis for all Member States in line with the principles of the SCF. Based on the Commission's proposal, and following exchanges in the relevant Council advisory committees, the final text will be adopted by the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council. Addressing the challenges identified in the report will contribute to achieving upward social convergence, strengthen the Union's drive towards fair green and digital transitions and contribute to facing demographic change, as well as the achievement of the Sustainable Development Goals and the implementation of the Union of Equality Strategies[2].

The 2024 JER maintains a strong focus on the implementation of the European Pillar of Social Rights, in line with the Action Plan of March 2021, welcomed by the EU Leaders at the Porto Social Summit. This is done notably via thematic boxes covering key challenges in the areas of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion, in light of the socio-economic outlook and most recent policy initiatives. The report monitors progress towards the 2030 EU headline targets on employment, skills, and poverty reduction, also welcomed by the EU leaders in Porto, and by the June 2021 European Council. For the first time, this edition reports on progress towards the 2030 national targets put forward by the Member States, as presented and discussed in the June 2022 EPSCO Council.

Employment, skills and poverty reduction targets by 2030 are driving policy actions across the relevant policy domains at EU level and in the Member States. Solid employment growth, on average over the last two years, has put the EU well on track towards its headline employment target by 2030 (from the 2022 level of 74.6%, the employment rate needs to rise by another 3.4 pps in the EU until 2030 to reach the 78% target), although most recent quarterly data point to slower progress.

- Against the background of the post-COVID recovery and the good labour market developments, by 2022 all Member States had made progress towards their employment targets. For the large majority of them, further efforts in terms of employment and skills policies are needed until 2030 to reach their targets. In a significant number of Member States, the employment rates of the lower qualified harbour the largest scope for improvement, followed by the employment rates of older women (55-64) and young people (20-29) in a good number of countries.

[1] The last update of the Employment Guidelines was adopted by the Council of the European Union in October 2023 (OJ L 2023/2528, 14.11.2023).

[2] The Gender Equality Strategy 2020-2025, the EU Anti-racism Action Plan 2020-2025, the EU Roma strategic framework for equality, inclusion and participation for 2020-2030, the LGBTIQ Equality Strategy, the Strategy for the Rights of Persons with Disabilities 2021-2030.

- At the same time, significant progress is needed to reach the EU headline target of 60% of adults in learning every year in the EU by 2030, from a low level of 37.4% in 2016, in line with the ambition for Europe to remain competitive, innovative and inclusive, also in the context of the green and digital transformations.
- Finally, against the challenging socio-economic context over the past three years, and thanks to the decisive policy action at EU and Member States' level, the number of people at risk of poverty or social exclusion remained broadly stable in the EU (a decrease by 279 000 in 2022). While the majority of Member States registered some progress towards their national poverty reduction targets since 2019, several others experienced changes in the opposite direction. Significant further efforts and continuous monitoring will therefore be needed to ensure that the set national ambitions are met in order to reach the EU headline target of at least 15 million fewer people at risk of poverty or social exclusion by 2030, in comparison with 2019.

Together with cohesion policy funds, the implementation of the reforms and investments in Member States' recovery and resilience plans (RRPs) supports fair, inclusive and sustainable growth. Alongside the support provided to policy interventions in the respective policy areas by the European Social Fund Plus (ESF+), the European Regional Development Fund (ERDF), the Just Transition Fund (JTF) and the Technical Support Instrument (TSI), the Recovery and Resilience Facility (RRF) promotes the Union's economic, social, and territorial cohesion by improving the resilience, crisis preparedness, adjustment capacity, and growth potential of the Member States, and fostering high quality employment creation through relevant reforms and investment. In this way, the Facility also contributes to the implementation of the European Pillar of Social Rights.[3] A total of around EUR 139.6 billion allocated to Member States contributes to social spending, which represents about 28% of the total estimated expenditure.[4] To date, the Commission has disbursed around EUR 175 billion under the RRF in both grants and loans as well as pre-financing. Of the 6266 milestones and targets included in the 27 RRPs, 2045 are expected to contribute to social policies. Of the 808 milestones and targets fulfilled as of 13 November, 243 foster social policies, corresponding to around 30% of the total number of fulfilled milestones and targets, and almost 12% of the milestones and targets linked to social policies included in the 27 RRPs. As part of the policy response analysis, the JER also includes a selection of measures supported by EU funding, notably the RRF, ESF+, ERDF, JTF and the TSI. All these will support growth and employment prospects as well as social and economic cohesion and resilience in the Union.

The 2024 JER has a stronger country-specific focus in line with the principles of the Social Convergence Framework (SCF), following discussions in the EPSCO Council of June 2022, as prepared by the Employment (EMCO) and the Social Protection Committees (SPC)[5]. Relying on existing tools (the Social Scoreboard and the agreed JER traffic-light methodology), Member States' labour market, skills and social challenges are analysed in order to identify potential risks to upward social convergence that require deeper analysis in a second stage. In this sense, the country-specific analysis reinforces the monitoring of the

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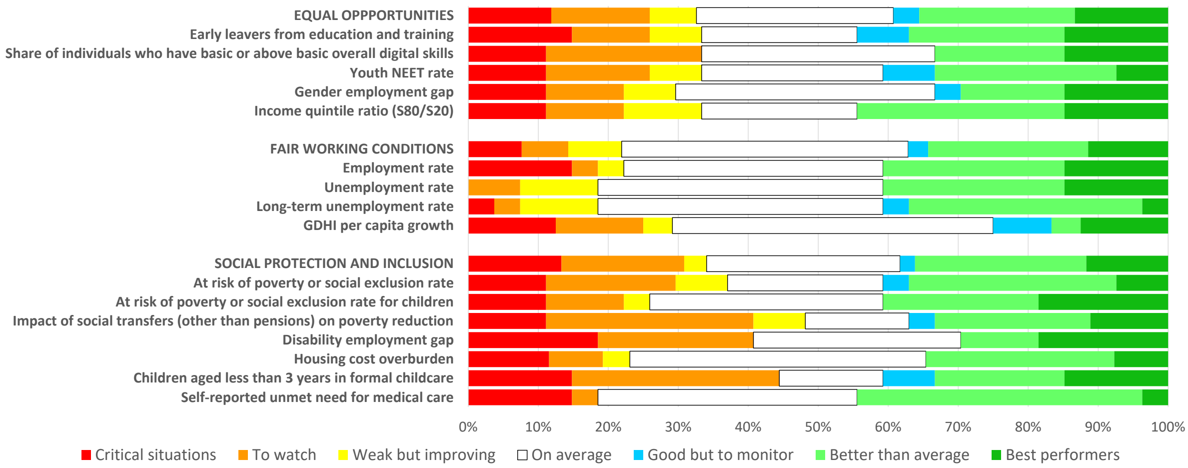
[3] Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17.
[4] Social spending categories are defined and applied based on the methodology adopted by the Commission in consultation with the European Parliament and the Member States in the Delegated Regulation 2021/2105.
[5] On the basis of the work conducted by the devoted joint EMCO-SPC Working Group from October 2022 until May 2023. See the Report of the EMCO-SPC Working Group on the introduction of a Social Convergence Framework in the European Semester and its Key Messages.

employment, skills and social policy domains in the European Semester, in line with Art. 148 of the TFEU. The JER contains a first-stage country analysis, mostly based on the Social Scoreboard headline indicators. All in all, the first-stage analysis of the SCF points at:

i. Member States starting with relatively worse overall employment and unemployment outcomes having improved more substantially in 2022, which points at convergence on these dimensions;
ii. potential risks to upward social convergence with regard to skills, despite the recent positive developments, which may pose employability challenges and raise inequalities unless policy action is significantly stepped up;
iii. social outcomes that are broadly stable overall in 2022 despite the multiple crises, but that should be closely monitored in light of the high cost of living.

More detailed second-stage analysis (using a wider set of quantitative and qualitative evidence, including on progress towards the 2030 national targets) will be conducted by the Commission services in relation to the countries for which potential risks to upward social convergence are identified in the first stage (Bulgaria, Estonia, Hungary, Italy, Lithuania, Romania and Spain, based on the analysis presented in this report).

Employment, skills and social challenges across EU Member States by headline indicators of the Social Scoreboard



Note: 1) Data for the indicator on adults' participation in learning is not yet available. 2) Data are missing for some indicators for some countries – see Table 1.4.1 in section 1.4. Legends for all indicators are presented in the Annex.

Overall, labour market outcomes were strong on average in 2022 and 2023, despite the exceptional shocks faced, and surpassed pre-pandemic levels in many cases. Although the EU economy has recently lost momentum, the labour market continued to show resilience in the wake of the shocks related to health, supply chains, energy and food prices, natural disasters and geopolitical instability. The exceptional measures put in place at the EU and the national level in the difficult socio-economic context of the last three years have contributed to this performance.[6] Overall, the employment rate reached 74.6% in the EU in 2022, and

[6] SURE, among others: out of EUR 122 billion of total public expenditure on eligible measures over the entire duration of SURE, 49% was spent on short-time work schemes, 31% on "similar measures" for the self-

rose further to 75.4% in Q2-2023, which is 2.5 pps above pre-pandemic levels (of Q4-2019). At the same time, the unemployment and long-term unemployment rates reached their lowest levels of 6.2% and 2.4%, respectively, in 2022 in the EU (further down to 6% and 2.1% in Q2-2023). Differences were nonetheless reported across Member States and regions, as well as across sectors. The energy crisis dampened employment growth in highly energy-intensive sectors, while the information and communication technology (ICT) sector saw the highest employment growth, adding more than one million jobs between Q4-2019 and Q2-2023.

A strong labour market despite the exceptional shocks faced

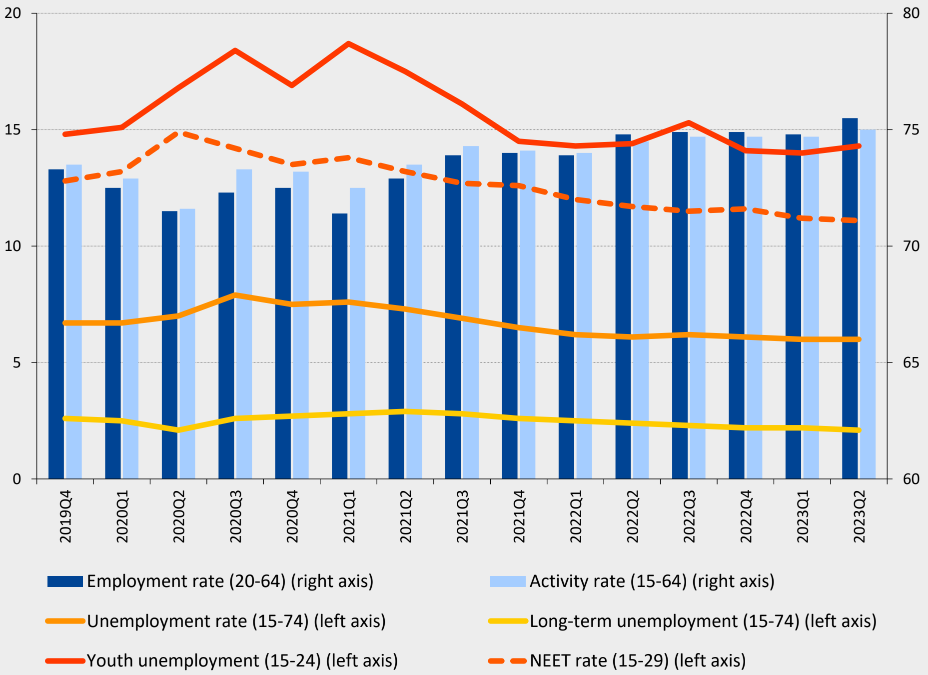
75.4 % **employment rate** (20-64) in Q2-2023 (+0.7 pps year on year)

75% **activity rate** (15-64) in Q2-2023 (+0.5 pps year on year)

6% **unemployment rate** (15-74) in Q2-2023 (-0.1 pps year on year)

14.3% **youth unemployment rate** (15-24) in Q2-2023 (-0.1 pps year on year)

Key labour market indicators in the EU-27 (%, quarterly)



Source : Eurostat [lfsi_emp_q], [une_rt_q], [une_ltu_q] and [lfsi_neet_q]. Seasonally adjusted, not calendar adjusted data.

Sizeable labour and skills shortages pose bottlenecks to economic growth and can slow down the green and digital transitions if not adequately addressed. Labour shortages are widespread across occupations and skills levels. Despite some easing in recent quarters, the job vacancy rate was at 2.7% in Q2-2023 in the EU, which is well above the average of 1.7% for the period 2013-19.[7] Sizeable shortages were reported in 2022 in sectors such as healthcare, STEM (particularly ICT), construction and certain service occupations. Labour shortages in sectors that are key to the green transition have doubled since 2015, while training provision in these sectors remains below average. In 2021, more than 60% of EU enterprises that recruited or tried to recruit ICT specialists had difficulties in filling such vacancies. Widespread labour shortages are driven by strong labour demand despite the

employed and 9% on wage subsidy schemes. See SURE after its sunset – final bi-annual report; COM(2023) 291 final.

[7] European Commission, *Employment and Social Developments in Europe, Annual Review 2023*, Publications Office of the European Union, 2023.

recent slowing of the economy, but factors limiting labour supply (such as population ageing and a falling trend in hours worked per employee) may also have played a role. At the same time, labour shortages are also importantly generated by the new jobs created by the green and digital transformations and the lack of labour market relevant skills in the workforce. A recent mapping of regional competitive sustainability shows shifts in employment towards greener and more productive sectors over 2008–18 and marked differences across regions (the more developed of them faring better in the transition than the less developed or the transition ones).[8] Finally, in certain cases and sectors shortages also relate to poor working conditions, especially in sectors like healthcare, residential care and transport. Improving access to the labour market, in particular through fostering the labour market integration of under-represented groups (women, young people, older workers, people with a migrant background) could help counterbalance the impact of demographic change on labour supply. An adequate provision of up- and reskilling is essential, in line with the European Skills Agenda. Addressing gender disparities in education, in particular in tertiary education attainment and in the choice of study fields, could help to increase high-skilled labour supply. Several Member States have started to develop their national skills strategies, including under the Pact for Skills, and defined national priorities and measures to modernise and future-proof vocational education and training (VET). Strengthening working conditions would also help attracting and retaining workers in certain sectors and occupations with shortages. Furthermore, promoting intra-EU mobility, as well as attracting skilled workers from third countries, while ensuring respect and enforcement of labour and social protection rights, and channelling legal migration towards occupations experiencing shortages with the support of EU Talent Pool can also contribute to addressing labour and skills shortages, in full complementarity to harnessing talents from within the Union. [9]

[8] See Anabela Santos, Javier Barbero, Simone Salotti, Olga Diukanova & Dimitrios Pontikakis, *On the road to regional 'Competitive Environmental Sustainability': the role of the European structural funds*, Industry and Innovation, 2023 30:7, 801-823, DOI: 10.1080/13662716.2023.2236048

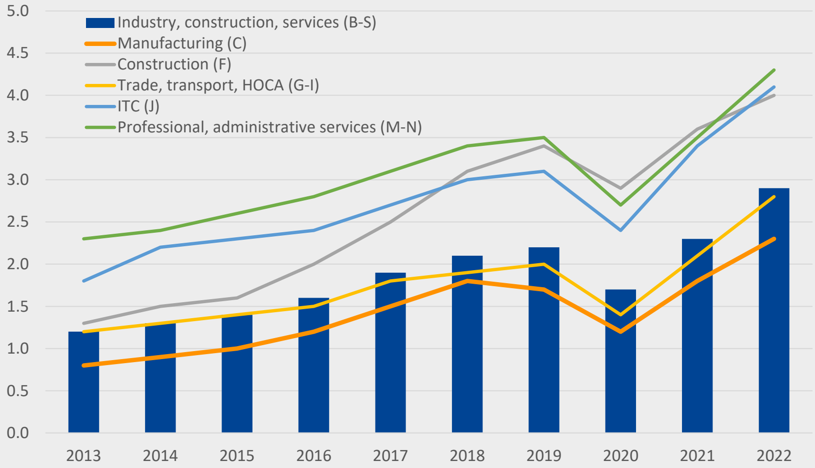
[9] The EU Talent Pool was launched as part of the Skills and Talent Mobility package adopted by the Commission on 15th November 2023.

Sizeable labour shortages in the Union

At or above 4% vacancy rates in professional, scientific, and technical activities, information and communication and construction in 2022

30% higher labour shortages in 2022 compared to 2019

Job vacancy rates in the EU by economic activity (%, annual data)



Note: NACE 2 activities, B-S (Industry, construction, and services (except activities of households as employers and extra-territorial organisations and bodies), C (manufacturing), F (construction), G-I (wholesale and retail trade, transport, accommodation, and food services), J (information and communication), M-N (professional, scientific, and technical activities).
Source: Eurostat [jvs_a_rate_r2]

Despite nominal wage increases, real wages fell in almost all Member States in 2022, to various degrees, highlighting the importance of well-balanced wage setting mechanisms. Tight labour market conditions and high inflation have put upward pressure on nominal wages. Nevertheless, at 4.8% in 2022 in the EU, nominal wage growth remained below inflation, causing real wages to fall in almost all Member States, and by 3.7% on average in the EU.[10] However, because of stronger wage growth and moderating inflation, the decline in real wages slowed down in the first half of 2023. Gradually recovering purchasing power and mitigating further losses is essential to contain the social effects of the high costs of living especially on low-wage earners. Developments in profit margins suggest potential room for further increases in wages in some sectors, while remaining vigilant about second-round effects on inflation. In this context, strong social dialogue and effective collective bargaining, in accordance with national practices, is crucial to achieving an overall wage growth that supports purchasing power, notably of low- and middle-wage earners, while supporting job creation and safeguarding competitiveness.

Adequate minimum wages can help protect the purchasing power of low-wage earners and decrease in-work poverty, while strengthening incentives to work. From January 2022 to July 2023, statutory minimum wages increased significantly in nominal terms in all Member States where they are in place, compensating for the impact of high inflation on the purchasing power of minimum-wage earners in half of those Member States. These rises reflected automatic indexation adjustments where such mechanisms are in place, and discretionary updates. In addition, in Member States without a statutory minimum wage, collectively agreed wages for the lowest paid occupations registered subdued growth, leading to substantial losses in real terms. Mitigating the effects of high inflation is particularly important with regard to low-wage earners, who are disproportionately hit by still elevated

[10] For recent wage developments, see European Commission, *Labour market and wage developments in Europe: annual review 2023*, 2023 (forthcoming).

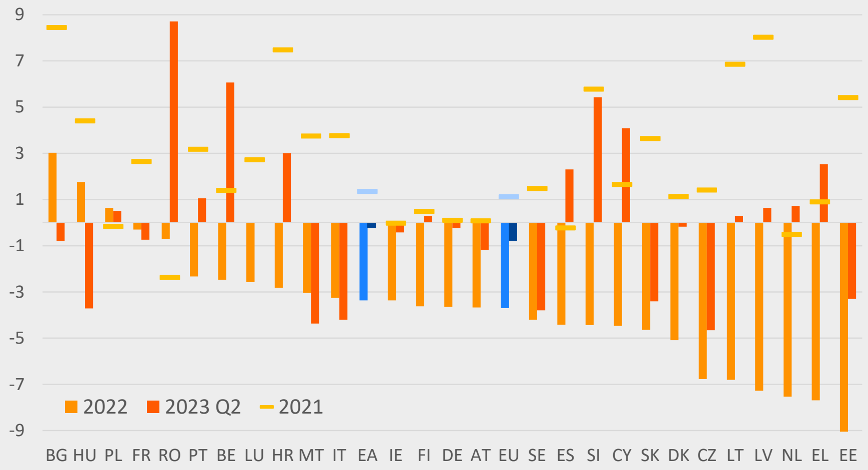
energy and food prices. The transposition of the Directive on adequate minimum wages[11] will be crucial to help protect the purchasing power of low-wage earners and prevent increases of in-work poverty, while strengthening incentives to work, with social partners playing a key role in its implementation. The Directive also contains provisions to promote collective bargaining and to enhance enforcement and monitoring mechanisms in all Member States.

Real wages decreased in 2022 and continue falling though at a slower pace

Nominal compensation per employee increased by 4.8% in 2022**,** and **by 6%** in Q2-2023 vs Q2-2022

Yet, **real wages declined by 3.7%** in 2022**,** and **by 0.8%** in Q2-2023 vs Q2-2022

Real gross wages and salaries per employee
(annual % change; 2021, 2022 and Q2-2023)



Source: European Commission, AMECO database, Nominal gross wages and salaries per employee [hwwdw]; deflator: Harmonised index of consumer prices [zcpih]. For Q2-2023: EMPL calculations based on Eurostat data, Wages and salaries [namq_10_gdp], Total employment (domestic concept) [namq_10_a10_e] and Harmonised index of consumer prices [prc_hicp_midx].

While different contractual arrangements also cater for varying individual preferences and needs, offering greater flexibility for both workers and businesses, labour market segmentation remains one of the multiple drivers of inequality. This is in particular the case when temporary contracts do not act as steppingstones to permanent jobs. Such contracts (and especially those with very short duration) are often associated with less favourable working conditions, fewer incentives to access or invest in continuous education and job training, and gaps in social protection compared to permanent employment.[12] In 2022, the share of employed people on temporary contracts among all employees was broadly stable in the EU (at 12.9%, with more than half being involuntarily on such contracts), yet the variation across Member States was substantial. The share was significantly higher among young people and migrants, while women were also relatively more often in temporary employment than men. Self-employed workers without employees are generally also subject to higher risks of precariousness. Self-employment may in certain cases conceal dependent

[11] Directive 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union (OJ L 275, 25.10.2022, p. 33).
[12] Eurofound, *Labour market segmentation, Observatory*, 2019.

employment relationships ('bogus' self-employment), on top of being linked to persisting gaps in social protection coverage.[13] More broadly, the widespread use of non-standard forms of employment can also make sectors and occupations less attractive for workers and thus contribute to driving labour shortages. A wide choice of contractual arrangements needs to go along with adequate access to social protection and to learning and development opportunities, in order to also prepare workers for the transformations ahead.

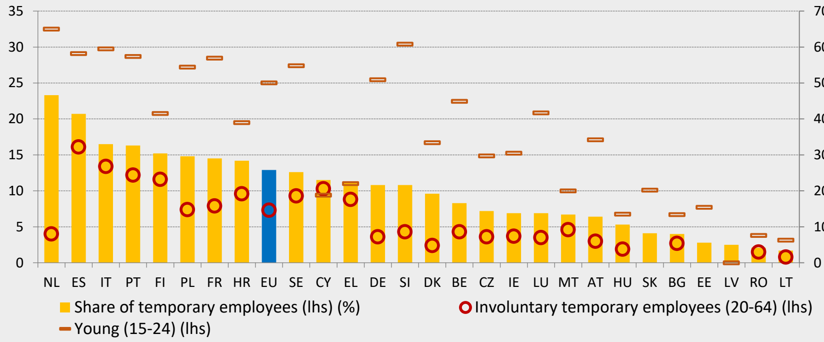
Large differences in the use of temporary contracts across Member States, with much greater incidence among young people

12.9% of workers (20-64) on **temporary contracts** in 2022

50% of **young people** (15-24) **on temporary contracts**

7.3% employees (20-64) on **involuntary temporary contracts**

Temporary employees as a percentage of the total number of employees by age (15-24) and gender (in %, 2022)



Source : Eurostat [lfsa_etpgan] and [lfsa_etgar], EU LFS.

The post-pandemic rebound of the EU labour markets has strengthened the role of the platform economy, which contributes to the creation of labour market opportunities, while it may also pose challenges to working conditions and social protection. Based on survey data, 2.4% of respondents provided work through online digital platforms in the EU in 2022, and 1.9% did so through on-location digital platforms, although the variation across Member States is large. Algorithmic management (AM) can contribute to enhancing efficiency and improving the overall quality of service in the platform economy. Algorithms use data on location, availability, skills, and past performance of workers to match tasks with the most suitable workers in real time. AM also allows to monitor workers' performance through consumer ratings and other metrics, offering real-time feedback for enforcing platform standards. However, the use of AM by companies may at the same time lead to heightened surveillance and assessment exposure of workers, which may curtail their autonomy and control over work tasks. The use of AM raises issues of transparency, accountability and fairness vis-à-vis workers. Furthermore, the integration of artificial intelligence with AM poses risks of reinforcing existing biases and discriminatory practices. Alongside challenges related to the opacity of AM systems and their influence on the allocation of tasks, and thus earnings, for platform workers, there are risks of misclassification of the employment status of these workers (who might find themselves falsely labelled as self-employed and thus not entitled to employee rights and protections). The proposed Directive on enhancing working conditions in platform work will serve to mitigate the potential hazards associated with algorithms for individuals engaged in digital

[13] European Commission report on the implementation of the 2019 Council Recommendation on access to social protection, COM(2023) 43 final.

labour platforms. It also establishes collective information rights for workers' representatives. These new rights will not only enhance the transparency of automated systems for platform workers but also mandate digital labour platforms to systematically assess the impact of such systems on working conditions. Furthermore, these rights will ensure that significant automated decisions are subject to human review in the context of platform work.

Studies on artificial intelligence (AI) point to a potentially strong impact of machine learning on labour markets, with white collars and creative occupations expected to be more affected, compared to past technological developments. According to the OECD, overall, 26.7% of the workforce in member countries were in jobs at high risk of automation in 2019.[14] Social dialogue and collective bargaining are crucial in such context to ensure a participatory approach to managing change due to technological developments, addressing potential concerns, while fostering workers' adaptation (including via skills provision). Effective active labour market policies, including up-and reskilling systems and employment services, are essential to accompany such changes and provide effective support for job-to-job transitions. As regards generative AI, according to Eurofound, the use of machine learning is seen as positive overall by the surveyed workers, as it may help free time from routine tasks and allow to focus more on tasks with higher value-added.[15] Overall, while AI and machine learning models, especially those based on generative pre-trained transformers (such as ChatGPT), bring great opportunities, they may have a strong impact on white-collar workers in the future,[16] and even affect creative occupations.[17] The rapid advancements in these technologies necessitate vigilant oversight to harness their benefits while anticipating potential negative impacts and crafting adequate and timely policy responses, including concerning labour markets and workers' adequate participation into the productivity gains generated by AI. In this context, AI presents challenges in terms of transparency, accountability, and its possible impact on workers' rights and incomes. For instance, the proposed AI Act designates AI systems used in recruitment and worker management as high-risk, imposing requirements for transparency, safety, accuracy, and human oversight.

Despite improvements, young people continue to face challenges integrating into labour markets in many Member States, warranting particular attention and tailored policy action. Youth unemployment has fallen by 3.1 pps since 2020 but, at 14.5% in 2022, it remains almost three times higher than for the overall working-age population in the EU. Regional differences persist with high levels recorded e.g., in the EU outermost regions. Similarly, the share of young people neither in employment nor in education and training (NEETs) has decreased significantly to pre-pandemic levels but remains at 11.1% in Q2-2023 in the EU and particularly high in some Member States, with significant differences also within countries. Women and young people born outside of the EU feature more prominently

[14] OECD, *OECD Employment Outlook 2023: Artificial Intelligence and the Labour Market*, OECD Publishing, 2023 and Gmyrek, P., *et al*., *Generative AI and Jobs: A global analysis of potential effects on job quantity and quality*, ILO Working Paper 96, 2023.

[15] Eurofound, *Ethical digitalisation at work: from theory to practice*, 2023; Eurofound, *Ethics in the digital workplace*, 2022; and Eurofound, *Digitisation in the workplace*, Publications Office of the European Union, Luxembourg, 2021.

[16] Gmyrek, P., Berg, J., Bescond, D. 2023. *Generative AI and Jobs: A global analysis of potential effects on job quantity and quality*, ILO Working Paper 96 (Geneva, ILO), https://doi.org/10.54394/FHEM8239.

[17] See, for instance, the agreement between the Writers Guild of America and the Alliance of Motion Picture and Television Producers to address existing concerns on the AI's influence on the film industry. The new contract includes regulations on the use of AI in film and TV projects, reached at the end of one of Hollywood's longest strikes.

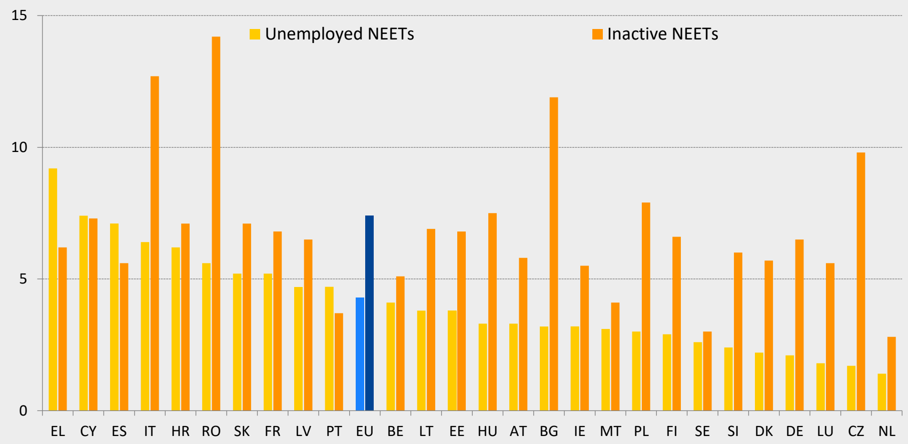
among NEETs. The adequate and timely integration of young people in the labour market, or in the education and training systems, is key for future career success. Unemployment spells early in the working life can harm future career prospects and earning capacity through 'scarring effects', with potentially also greater risks of poverty and social exclusion, or of physical and mental health problems in more extreme cases. The big transformations ahead related to the greening and the digitalisation of our economies increase the need to ensure that young generations are well integrated in the labour market and in society and are able to embrace change and steer the transformations ahead. Against this background, sustained efforts are needed to overcome the structural challenges that hold young people back on the labour market, particularly in the context of widespread labour and skills shortages. The reinforced Youth Guarantee can help target NEETs, offering quality employment, further education, apprenticeships, or traineeships within four months of becoming unemployed or leaving formal education.[18] To complement this, the Aim, Learn, Master, Achieve (ALMA) initiative helps disadvantaged NEETs to gain professional experience abroad.

Young people neither in employment nor in education and training are more frequently inactive than unemployed

In 2022, **7.4% of NEETs** in the EU were **outside of the labour force**

4.3% of NEETs were **not in employment** with **men being more frequently unemployed than women**

Young people neither in employment nor in education and training (NEET) by labour status (15-29, %) 2023



Note: Break in series for both CZ and SK.
Source : Eurostat [edat_lfse_20], EU LFS.

Older workers are more active in the labour market than ever before, yet there is still room for improvement, particularly for women. The EU population is rapidly ageing, with the median age expected to increase by more than 4 years from 44.4 years in 2022 until the end of the century, while the working-age population will shrink considerably. Some Member States and regions are more acutely impacted by demographic challenges than others, with the risk of widening existing disparities across the EU. The employment rate of older workers (55-64) increased markedly in the EU from 44.7% in 2010 to 62.3% in 2022, on the back of an increase in their participation rate. The gender employment gap for this age group, at 12.5 pps,

[18] Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee 2020/C 372/01, OJ C 372, 4.11.2020, p. 1.

was nonetheless larger than for the total workforce, though having narrowed since 2010. Population ageing is expected to have an impact on labour supply, reducing the labour force, while potentially exacerbating skills and labour shortages in the Union. In this context, longer working lives play an important role to support the supply of labour and ensure the fiscal sustainability of social protection systems, while guaranteeing social cohesion, solidarity and knowledge transfers between generations. The demography toolbox, recently presented by the Commission, sets out a comprehensive approach to demographic change. Member States are called upon to support healthy and active ageing, enabling people to stay in control of their lives and still contribute to the economy and society.[19]

Gender inequalities in the labour market remain widespread and are reflected in both gender employment and pay gaps. While slightly decreasing compared to 2021, the gender employment gap remained wide, at 10.7 pps in 2022 in the EU, with large differences across Member States and regions. Also, the gap was significantly higher when accounting for the greater share of part-time work among women (rising to 16 pps in 2022 'in full-time equivalent'). Furthermore, the gender employment gap was much higher for persons with children than for those without. Gender pay gaps were also wide in most countries (12.7% in 2021 in the EU), despite progress over the last decade. The latter can be partly linked to i) the over-representation of women in relatively low-paying jobs and in part-time work; ii) the under-representation of women in more senior job positions; and iii) greater difficulties for women in reconciling work with care responsibilities. Nevertheless, the largest part of the gender pay gap in the EU is not linked to objective and measurable characteristics of individuals, suggesting that other factors, including discrimination and non-transparent wage structures, are likely to significantly contribute to it. These pay gaps hamper the economic independence of women during working life, negatively affect their labour market participation and also contribute to gender pension gaps (26% in the EU in 2022) with greater poverty risks for women in old age. Tackling gender-based pay discrimination and inequalities and improving the functioning of tax systems can provide greater incentives for more women to become economically active, which is also important in light of the sizeable labour and skills shortages. Improving the availability of quality and affordable early childhood education and care and long-term care services is key for increasing women's labour market participation, in line with the European Child Guarantee,[20] the new Barcelona targets, the EU Gender Equality Strategy 2020-25 and the Council Recommendations on early childhood education and care and on access to affordable high-quality long-term care.[21] Finally, pay transparency measures, in line with the Pay Transparency Directive[22], are essential to reveal gender bias in pay structures and settings and enable workers to effectively assert their right to equal pay for jobs of equal value.

[19] See Communication from the Commission, *Demographic change in Europe: a toolbox for action*, COM(2023) 577 final.

[20] Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee (OJ L 223, 22.6.2021, p. 14–23).

[21] See Council Recommendation of 8 December 2022 on early childhood education and care: the Barcelona targets for 2030 2022/C 484/01; *Striving for a Union of Equality*, The Gender Equality Strategy 2020-2050 and Council Recommendation of 8 December 2022 on access to affordable high-quality long-term care 2022/C 476/01.

[22] See Directive of the European Parliament and of the Council to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms.

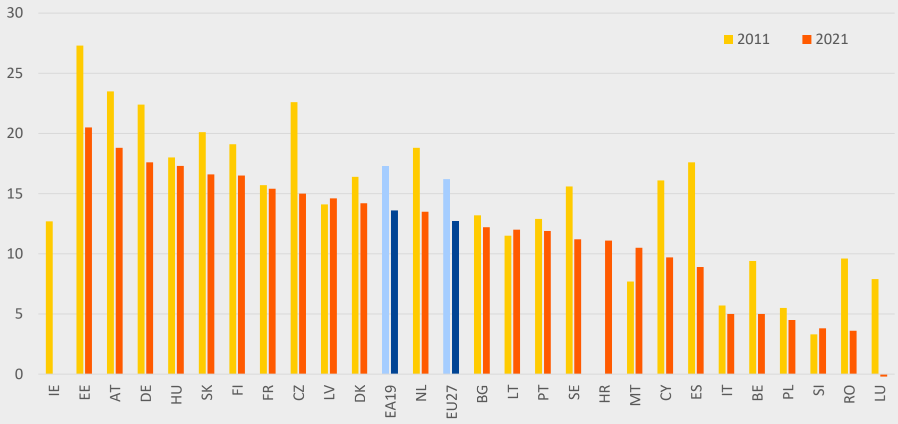
Gender pay gaps remain wide despite improvements

12.7% gender pay gap in 2021, in the EU, with large variation across Member States

10.7 pps gender employment gap in 2022 in the EU

26% gender pension gap in 2022 in the EU

Difference between average gross hourly earnings of male and female employees as a percentage of the former (%, 2021 and 2011)



Note: Sorted by 2021 values. Data are missing for EL for all years, for HR in 2011 and for IE in 2021.
Source: Eurostat [earn_gr_gpgr2].

Despite recent improvements, persons with disabilities still face significant barriers in the labour market. In 2022, the disability employment gap between persons with and without disabilities stood at 21.4 pps in the EU. Furthermore, in 2020 the unemployment rate of persons with disabilities was almost twice as high as for those without. Also, many persons with disabilities do not participate in the labour market, as reflected in an activity rate of 60.7% (vs 83.4% for those without). In line with the 2021-2030 Strategy for the Rights of Persons with Disabilities, further policy efforts and targeted measures, as described in the Disability Employment Package,[23] are needed to improve the labour market situation of persons with disabilities. Therefore, it is key to reinforce the capacities of employment and integration services, promote hiring and combat stereotypes, while ensuring reasonable accommodation at work, depending on their needs.

Reading competence has deteriorated across the EU, with socio-economic status remaining a strong predictor of it, while sizeable teacher shortages, also related to the low attractiveness of the profession, put the provision of quality education at risk. Based on the Progress in International Reading Literacy Study 2021 (PIRLS), almost a quarter of all fourth-grade pupils underachieve in reading, with a downward trend observed in practically all participating Member States over 2016-21. On average, the performance difference between children with a higher socio-economic status compared to those with low socio-economic status was substantial, roughly corresponding to two schooling years. This points at the challenges faced by the education system to equip all students with the basic skills needed to thrive in society and the labour market and to ensure equal opportunities. Even though the share of young people with at most a lower secondary degree that left education or training prematurely fell (slightly) further in the EU in 2022, there remained a considerable variation across Member States, as well as by gender, country of birth and place of residence. This poses challenges in terms of employability, learning and adaptation capacity later in life. At the same time, most Member States experience difficulties to fill teaching positions in all sectors of compulsory education, and in particular in STEM subjects, to attract enough teacher students and retain novice teachers in the profession. In most countries, becoming a

[23] See Disability Employment Package to improve labour market outcomes for persons with disabilities.

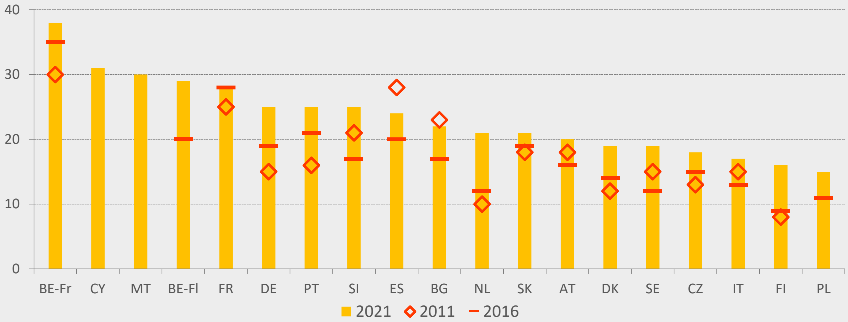
teacher is not an attractive career choice anymore for young people. The attractiveness of the teaching profession depends on a range of factors, including pay and working conditions. In 2018, only one in five teachers felt that their work was valued by society, while many teachers reported work-related stress and heavy workload.[24] Increasing the attractiveness of the teaching profession is key to keep the EU on track towards its education targets, set as part of the European Education Area,[25] and to meet the growing demand for skills, including against the background of the green and digital transformations.

Reading literacy has deteriorated across the EU

Almost a quarter of all fourth grade pupils **underachieve in reading**

Their **socio-economic background** remains a strong predictor of performance

Proportion of fourth-grade students reaching at most the low international benchmark in the Progress in International Reading Literacy Study (%).



Note: BE-Fr refers to the French community of Belgium, while BE-Fl refers to the Flemish community. Only education systems with data collections at the end of the fourth grade are shown. Data is not available for BE-Fl, Cyprus, Malta and Poland in 2011; for Cyprus and Malta in 2016.
Source: DG EAC calculations based on PIRLS 2021.

With a majority of workers in the EU is already using digital tools at work, significant further efforts are needed to improve the digital skills of the population, particularly for the low-qualified, older people and non-EU nationals. In 2021, between 60 and 70% of workers in the EU used digital tools at work that required basic or moderate levels of digital skills.[26] Yet, only 53.9% of adults had at least basic digital skills in the EU. The level of digital skills varies considerably across Member States but also across population groups. In 2021, young people (16-29) were more than twice as likely as older people (55-74) to have at least basic digital skills; rates were particularly low among the low-qualified, the unemployed and inactive. Moreover, a significantly smaller share of non-EU nationals had at least basic digital skills compared to EU nationals. A survey from 2023 conducted in the framework of the European Year of Skills showed that for almost half of all SMEs that reported skills shortages as limiting their general business activities the challenge concerned in particular the use of digital technologies. Low levels of digital skills in wide segments of the population, and stark differences in opportunities to develop such skills, bear the risk of producing important divides in the context of increasingly digitalised economies and societies (including in relation to access to education and training, public employment services and digital services more generally). To close the digital divide, digital skills programmes are needed for the population at large, complemented by targeted training, tailored to the skills profiles and labour market situations of specific groups, and with companies playing a role in

[24] OECD, *TALIS 2018 Results: Teachers and School Leaders as Lifelong Learners*, OECD Publishing, Paris, 2019.
[25] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 30.09.2020 on 'achieving the European Education Area by 2025'.
[26] Cedefop, *Setting Europe on course for a human digital transition: new evidence from Cedefop's second European skills and jobs survey*. Luxembourg: Publications Office. Cedefop reference series; No 123, 2022.

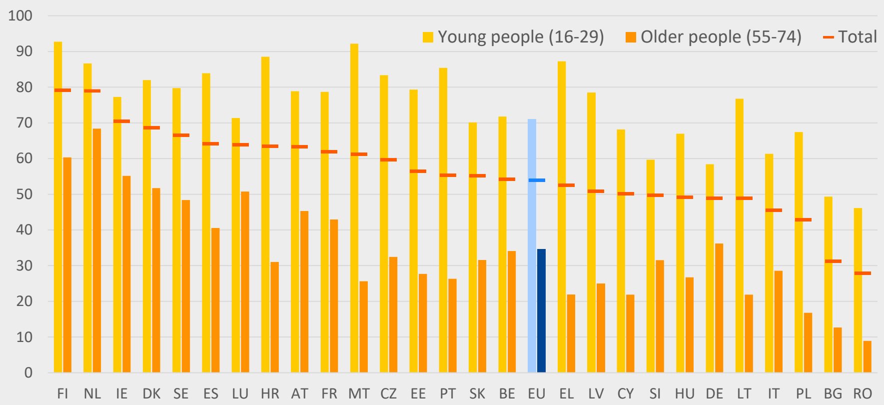
training provision too. A target of at least 80% of the population with at least basic digital skills by 2030 for the EU was set in the European Pillar of Social Rights Action Plan and the Digital Compass for the Digital Decade.[27] The aim is also to increase the number of ICT specialists to 20 million by 2030, while promoting the access of women to this field (18.9% of specialists in 2022) and increasing the number of ICT graduates which is crucial for maintaining Europe's competitiveness.[28]

Young people are twice as likely as older people to have at least basic digital skills

71% of young (16-29), and **only 34.6% of older people** (55-74) have **at least basic digital skills**

The low-skilled, unemployed and inactive less frequently have at least **basic digital skills**

Share of people with at least basic overall digital skills (2021, %)



Source: Eurostat [edat_lfse_02].

Sustained action is needed to further develop the skills of the workforce, in order to support competitiveness, promote quality employment and preserve the EU social model, including in view of the green and digital transitions. In this context and in light of widespread labour and skills shortages, well-functioning and effective education and training systems are key to provide young people with labour market relevant skills, while a high participation in adult learning is paramount to ensure that the skills of the workforce are constantly updated. The headline target on adult learning requires that at least 60% of adults participate in learning every year in the EU by 2030 (against latest available data for 2016 pointing to a much lower average participation rate of 37.4%). As in all Member States low-qualified adults tend to participate in training significantly less than the medium- and high-qualified, and particular policy attention needs to be aimed at increasing their participation rates, in line with the Upskilling Pathways Evaluation.[29] Participation of adults in learning is also more frequent in urban than in rural areas. Against this background, the Council Recommendation on individual learning accounts outlines how Member States can combine financial (including ESF+ funding) and non-financial support in an effective way to empower all adults to develop their skills throughout their working life.[30] Additionally, micro-

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[27] See DECISION (EU) 2022/2481 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2022 establishing the Digital Decade Policy Programme 2030Europe's Digital Decade: digital targets for 2030.

[28] If current trends continue nonetheless, by 2023 only 60% of the EU population is expected to possess at least basic digital skills and the number of ICT specialists would rise only to about 12 million. See the 2023 Report on the State of Digital Decade, SWD(2023) 571 final.

[29] The Upskilling Pathways Evaluation Package was adopted in July 2023 and evaluated the actions taken in response to the Council Recommendation on Upskilling Pathways.

[30] Council Recommendation of 16 June 2022 on individual learning accounts 2022/C 243/03.

credentials have a strong potential for offering quick and targeted up- and reskilling for workers and job-seekers, based on the related Council Recommendation.[31] Finally, the European Year of Skills, building upon the 2020 European Skills Agenda, aims to promote a shift in mindset towards up- and reskilling throughout life, helping people to get the right skills for quality jobs and take advantage of the many opportunities offered by the green and digital transformations.[32]

The share of people at risk of poverty or social exclusion (AROPE) remained broadly stable in the EU in 2022, thanks to decisive policy actions taken during the COVID and energy crises. However, approximately one in five persons in the EU remained at risk of poverty or social exclusion in 2022, after the overall number of persons AROPE decreased by only 279 000, remaining close to its 2019 value. Therefore, and in the light of a subdued economic environment, significant efforts are needed to reach the 2030 target of at least 15 million fewer people at risk of poverty or social exclusion compared to 2019. Variations were also large across Member States and regions, as well as population groups (with higher incidence of poverty risks for children, those aged 65+, persons with disabilities, non-EU born, Roma). Differences remain significant across EU countries also in terms of impact of social transfers (excluding pensions) on poverty reduction. At the same time, income inequalities slightly decreased on average in 2022. According to Eurostat's flash estimates, they also remained either stable or declined in 2022 as income year, reflecting the swift policy response at EU and Member State level to counteract the negative impact of inflation, notably on low-income households. The recorded average decline has been driven by developments at the lower end of the income distribution. Systematic distributional impact assessments of policy measures are particularly important to factor in their impact on income inequality and support policy design.

The risk of poverty or social exclusion is higher for children than for the overall population in almost all Member States, affecting approximately one in four children on average. The share of children at risk of poverty or social exclusion slightly increased in 2022 in the EU, and so did the overall number of children in such situation, by around 900 thousand since 2019 (against the complementary goal to reduce their number by at least 5 million by 2030), calling for significant efforts to address the challenge. Lifting children out of poverty and social exclusion is instrumental to help them realise their full potential in the labour market and society and breaking the intergenerational transmission of poverty. Implementing the European Child Guarantee[33] in all Member States is key in addressing this challenge.

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[31] Council Recommendation of 16 June 2022 on a European approach to micro-credentials for lifelong learning and employability 2022/C 243/02.

[32] Communication of the European Commission on a European Skills Agenda for sustainable competitiveness, social fairness and resilience, COM(2020)274 final; Proposal for a Decision of the European Parliament and of the Council on a European Year of Skills.

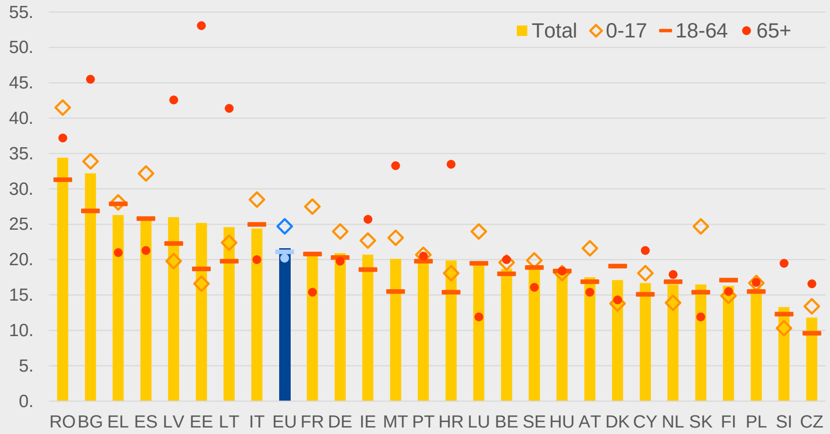
[33] Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee *(*OJ L 223, 22.6.2021, p. 14–23).

Poverty and social exclusion varies significantly across age groups, with children and older people often most at risk

One in five people and **one in four children at risk of poverty or social exclusion** in the EU in 2022

Older persons with **higher AROPE rates** in many Member States

At-risk-of-poverty or social exclusion rates – total and by age groups 0-17, 18-64, 65 and over (%, 2022)



Note: Break in series for FI, FR and LU.
Source : Eurostat [ilc_peps01n], EU-SILC.

While most of the EU population has access to essential services, people at risk of poverty or social exclusion and the most vulnerable face significant barriers. In this respect, 9.3% of the EU population are unable to keep their home adequately warm (with an increase by 2.4 pps compared to the previous year, and reaching more than double this figure for the AROPE population), 2.4% cannot afford an internet connection for personal use at home, 2.4% cannot afford regular use of public transport, and 1.5% live in households without a bath, shower or flushing toilet, with considerable variation across countries.[34] Households at risk of poverty or social exclusion spend a significantly higher share of their budget on essential services and are therefore more vulnerable to price increases. In addition to affordability, further challenges include availability and accessibility also pose challenges, sometimes linked to other dimensions, like lack of skills or geographical factors (urban/rural divide, outermost regions and other remote and insular regions). The European Pillar of Social Rights states the right for everyone to access essential services of good quality and calls for support in this sense to those in need, which is important to foster progress on the EU poverty reduction target by 2030.

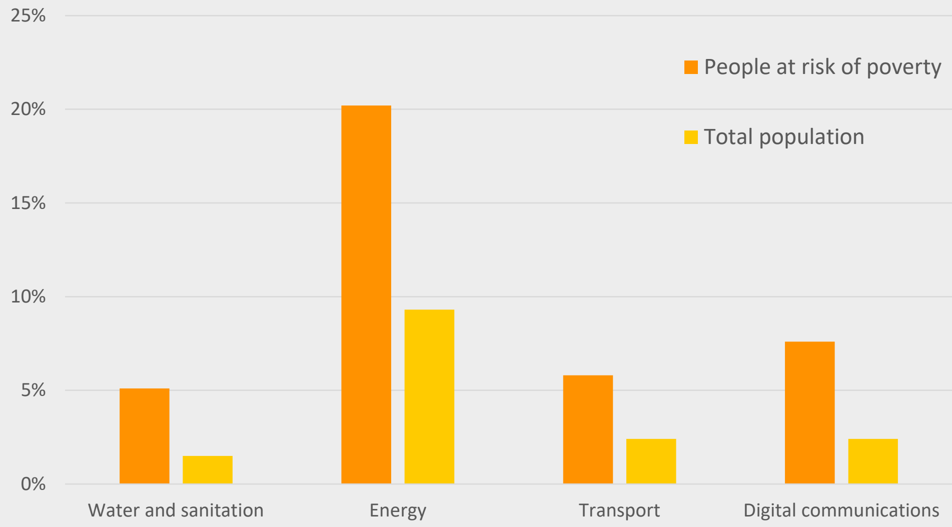
[34] *Commission Report on access to essential services in the EU*, SWD(2023) 213 final/2.

Households at risk of poverty or social exclusion have much more limited access to essential services in the EU

In 2022, the **share of people unable to keep home warm increased to 9.3% from 6.9% in 2019** in the EU

People at risk of poverty or social exclusion face **19ignificant barriers** in access to essential services

Share of the EU population unable to afford essential services (%)



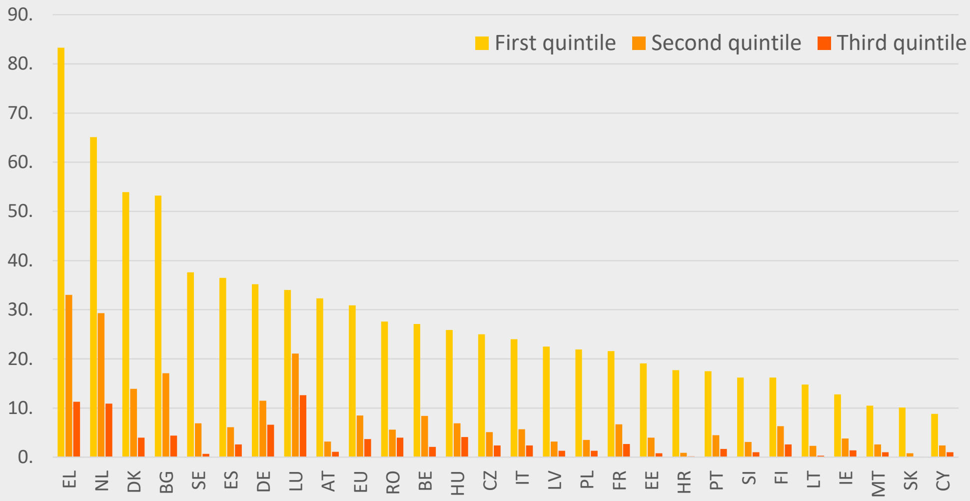
Source : Eurostat, [ilc_mdes01], [ILC_mddu07A], [ilc_mdho05], [ilc_mdes13a], EU-SILC.

Housing affordability is an increasing challenge in the Union. In 2022, almost one in ten persons in the EU lived in a household where total housing costs represented more than 40% of total disposable income, with a significant increase recorded since 2020. Housing difficulties tend to be more severe for families with children and single parent households. For people at risk of poverty, the share was more than three times higher than for the total population. Also, over the past decade, little progress has been made in reducing the number of homeless people across the Member States. EU policies can have positive effects on the affordability, availability, and adequacy of housing, especially for those in need. While the primary responsibility for housing and housing assistance lies with the Member States, EU funding and policies can support the efforts of national and sub-national public authorities in addressing these challenges, for instance in the fields of cohesion and urban development, employment and social protection, industrial and energy policies. Besides, EU initiatives such as the New European Bauhaus and the Affordable Housing Initiative can contribute to increase housing sustainability and inclusiveness. Investment in social housing can improve accessibility and affordability of housing for low-income and vulnerable groups, including the homeless. EU funds such as ERDF, ESF+, RRF and InvestEU enable further investments in affordable and social housing and implementation of public-private partnerships to pool resources and develop sustainable intervention schemes.

Housing cost overburden is largest in the least well-to do fifth of the population in all Member States

In 2022, the **share of people overburdened by housing cost was twice as large in the first than the second fifth in population, when ordered by income** in the EU

Housing costs in disposable income in the first three fifths of the population when ordered by income, 2022 (in %)



Source: Eurostat [ilc_lvho07b]. Break in series for FR and LU in 2022.

Social protection systems play a key role in Member States in terms of ensuring social cohesion and income security against risks, and macroeconomic stabilisation, and as such they need to be made fit for the challenges of the future. Overall, social protection systems have proved their effectiveness in supporting socio-economic resilience during the COVID pandemic and the more recent energy crisis. Yet, the capacity of social protection systems to remain adequate and fiscally sustainable is under growing pressure due to population ageing, the changing world of work, and the green and digital transitions. These developments will have implications for the design and scope of social protection systems and their financing. In practical terms this implies the need for higher participation rates in quality jobs across population groups, longer working lives, adequate responses to in-work poverty, social protection coverage for non-standard forms of employment, better organised, available and efficient social protection services, including care, and adapting social protections systems to the new realities brought forward by the adaptation to climate change and green and digital technologies. To make social protection systems future-proof, it is particularly important to approach welfare policies in a life-cycle perspective. Well-designed social policies at different stages of a person's life cycle can lead to 'double dividends', reducing future public spending on income replacement thanks to employment, well-being and health gains, and supporting inclusive economic growth while enlarging the tax base. Member States' reforms and investments in these areas are supported by several EU initiatives aimed at making social protection future-proof, such as the Council Recommendations on access to social protection[35] for workers and the self-employed, on long-term care, on a fair transition towards climate neutrality, and on adequate minimum income for active inclusion, as well as the Directive on adequate minimum wages.

[35] Council Recommendation of 8 November 2019 on access to social protection for workers and the self-employed 2019/C 387/01 (OJ C 387, 15.11.2019, p. 1–8).

Self-reported unmet needs for medical care remained broadly stable on average in the EU but with large variation across Member States, while significant challenges remain concerning access, affordability, and quality of long-term care services. People in low-income households are more likely to report unmet medical needs, though the extent of the gap with the overall population differs across Member States. Demographic developments, in particular projected higher future life expectancy, are increasing the potential need for long-term care (LTC) going forward. Latest data (for 2019) show that 46.5% of people aged 65 or more with severe difficulties in personal care or household activities in the EU had an unmet need for help with such activities. This was significantly more pronounced for people in the lowest income quintile (51.2%) compared to those in the highest (39.9%). The main barrier to the accessibility of LTC is Its affordability. Even after receiving LTC benefits, the out-of-pocket costs for care can be very high in some Member States, especially for older people with severe LTC needs receiving home care. Access challenges are exacerbated by significant labour and skills shortages in the care sector, also driven by difficult working conditions.

Social partners have a key role to play in the design and implementation of reforms and policies at national level that support employment, job quality, skills development and social protection. Effective social dialogue contributes decisively to the good functioning of the European social market economy, ensuring better and more sustainable policy outcomes, also supporting fair green and digital transitions. Overall, in the Member States with well-established social dialogue traditions, the quality and intensity of the involvement of social partners in relevant policy-making ranked better, including in relation to consultations in the European Semester context. The conclusions from the Employment Committee multilateral surveillance highlighted that it remains of the utmost importance to avoid a mere formalistic involvement and ensure a timely and meaningful consultation of social partners throughout the entire policymaking process in all Member States.[36] Over two years after the adoption of the RRF, social dialogue processes around the implementation of the RRPs are progressing in most Member States.[37] Under the Council Recommendation on strengthening social dialogue, Member States are called to ensure an enabling environment for bipartite and tripartite social dialogue, including collective bargaining, in the public and private sectors, at all levels.[38] Building upon existing national practices and traditions, efforts to strengthen the involvement of civil society organisations in relevant policy-making are key to provide valuable insights on existing and emerging challenges, as well as on the effectiveness of policy interventions on the ground.

Member States should take action to address the employment, skills and social policy challenges identified in this Joint Employment Report. The analysis presented in the report highlights a number of priority areas for policy actions. In line with the Employment Guidelines, Member States are invited to:

- Enhance the up- and reskilling of adults to address labour and skills shortages, adapt to the changing labour market situation and outlook, and foster the green and digital transitions – including by integrating the use of skills intelligence tools; strengthening the provision of individual training entitlements, such as individual learning accounts;

[36] Opinion 9955/23 of the Employment Committee and the Social Protection Committee.
[37] European Commission, *Report from the Commission to the European Parliament and the Council – Review report on the implementation of the Recovery and Resilience Facility*, COM(2022) 383 final, 2022.
[38] COM(2023) 40 final and Council 10542-2023.

and fostering the development, implementation and recognition of micro-credentials – in line with the Council recommendations on individual learning accounts and on a European approach to micro-credentials.

- Strengthen active labour market policies and the capacity and effectiveness of public employment services – including by investing in digital infrastructure, digital services, enhanced career guidance, counselling services, skills intelligence and staff training – with a view to supporting quality job creation and transitions.
- Monitor and mitigate the negative impact of inflation on the purchasing power of vulnerable households via targeted support measures, while maintaining incentives to reduce energy consumption, where relevant, and improving energy efficiency.
- In line with national practices and in full respect of the role of the social partners, promote wage developments that mitigate the loss in purchasing power, in particular for low-wage earners, while promoting upward social convergence, reflecting productivity developments, preserving employment, safeguarding competitiveness, and remaining vigilant about second-round effects on inflation.
- Ensure the availability of support schemes designed in a way to preserve and further develop human capital via associated upskilling and reskilling, in order to support fair restructuring processes where needed, ease job transitions and help the modernisation of the economy.
- Provide support to workers and households most affected by the economic and social impacts from the adaptation to climate change and new green and digital technologies, in particular to vulnerable workers and households – including through effective employment services and training measures; well-designed, targeted and time-bound employment programmes, hiring and transition incentives; adequate income security with an active inclusion approach; and the promotion of entrepreneurship, in line with the Council Recommendation on ensuring a fair transition towards climate neutrality.
- Promote intra-EU mobility and attract skilled workers from third countries, while ensuring respect and enforcement of labour and social rights and channelling legal migration towards occupations experiencing shortages, in full complementarity to harnessing talents from within the Union.
- Adapt labour market regulations and tax and benefit systems to reduce labour market segmentation and foster quality job creation, including a possible reduction of the tax wedge notably for low-earners without hindering the transition toward higher-paying jobs and a shift away from labour taxation to environmental taxes.
- Ensure healthy, safe and well-adapted working environments.
- Promote collective bargaining and social dialogue, together with timely and meaningful social partners' involvement in relevant policy-making at national level, including in relation to the implementation of Member States' recovery and resilience plans and in the context of the European Semester.
- Enhance the labour market prospects of young people – including trough inclusive and quality vocational education and training and tertiary education; targeted employment services' support (comprising mentoring, guidance and counselling); and quality apprenticeships and traineeships, in line with the reinforced Youth Guarantee.
- Ensure non-discrimination, promote gender equality, improve gender mainstreaming and strengthen the labour market participation of women and disadvantaged groups, by fostering equal opportunities and career progression, ensuring transparency in pay

structures, and promoting the reconciliation of work, family and private life – including through access to affordable quality care (early childhood education and care, and long-term care), and family-related leave and flexible working arrangements for parents and other informal carers, in line with the European Care Strategy.

- Foster equal opportunities for children to tackle the high levels of child poverty and make the best use of EU and national resources. Speed up the implementation of the European Child Guarantee including by providing affordable and good quality early childhood education and care and improving learning outcomes by addressing early school leaving and teacher shortages. Support access to education of children from disadvantaged groups and remote areas and promote training at all qualification levels.
- Boost the digital competences of pupils and adults of all ages and increase the digital talent pool in the labour market by developing digital education and training ecosystems supported by key enablers, such as high-speed connectivity for schools, equipment, and teacher training; and support institutions with know-how on digitalisation with a special focus on inclusion and on reducing the digital divide.
- Ensure adequate and sustainable social protection for all, in line with the Council Recommendation on Access to Social Protection; improve the protection of those who are not sufficiently covered, such as workers in atypical work situations and platform work, and the self-employed; improve the adequacy of benefits, the transferability of rights and the access to quality services while safeguarding the sustainability of public finances; and effectively support the labour market integration of those who can work.
- Develop and strengthen minimum income schemes that provide adequate support and pursue an active inclusion approach, in line with the Council Recommendation on adequate minimum income ensuring active inclusion; and foster access to essential services, including energy, especially for low-income and vulnerable households.
- Assess the distributional impacts of reforms and investments on the income of various groups across the population, in line with the Communication on better assessing the distributional impact of Member States’ policies.
- Provide all children at risk of poverty or social exclusion with free and effective access to healthcare, early childhood education and care, and education and school-based activities; as well as effective access to healthy nutrition and adequate housing; in line with the European Child Guarantee and the related national action plans.
- Address homelessness as the most extreme form of poverty; promote the renovation of residential and social housing and integrated social services; support access to quality and affordable housing, social housing or housing assistance, where appropriate.
- Invest in the capacity of the healthcare system including as regards prevention and primary care services, as well as public health capacity, coordination of care, healthcare staff and eHealth; reduce out-of-pocket payments where relevant; improve healthcare coverage; and promote the upskilling and reskilling of health workers.
- Strengthen the provision of quality, affordable and sustainable long-term care services, in line with the European Care Strategy.
- Ensure inclusive and sustainable pension systems that allow for adequate incomes in old age and inter-generational fairness.

EU funding, including through the ESF+, the ERDF, the JTF, the TSI and the RRF for eligible investments and reforms, supports Member States to step up policy action in these domains.

CHAPTER 1. OVERVIEW OF LABOUR MARKET AND SOCIAL TRENDS, PROGRESS ON 2030 TARGETS, AND KEY HORIZONTAL FINDINGS ON SOCIAL CONVERGENCE

1.1 Key labour market trends

Against the background of the post-COVID rebound, employment growth in the EU remained robust in 2023, albeit with significant differences across sectors. In Q2-2023, the total number of people in employment reached 216.1 million, which is 6.2 million above the peak of Q4-2019.[39] In the same quarter, the employment rate (20-64) stood at 75.4%, i.e. 2.5 pps above the pre-pandemic highs (of Q4-2019). On a yearly basis, the employment rate was 74.6% in 2022 (1.9 pps above the 2019 value). These positive developments on employment were accompanied by an increased activity rate (15-64) which reached 74.5% in 2022, and an unemployment rate (15-74) that fell to 6.2% in the same year. Differences were nonetheless observed across sectors in terms of employment growth. The energy crisis dampened employment growth in highly energy-intensive sectors.[40] On the contrary, the information and communication technology (ICT) sector saw the highest employment growth, with an increase by 16.9% between Q4-2019 and Q2-2023, adding more than one million jobs. Employment in the construction sector increased by 6.6%, whereas in the energy-intensive manufacturing sector it has not yet recovered to pre-crisis levels. Employment in agriculture decreased by 4.3%, in line with its long-term trend. Overall, employment growth is forecast at 1% in 2023 and 0.4% in both 2024 and 2025, respectively.[41]

Total hours worked and absences from work have been returning to their long-term trends. The number of hours worked in the EU has recovered steadily from its lowest value of 72.6 billion in Q2-2020 to 86.7 billion in Q2-2023.[42] Against the background of higher employment, the number of hours worked per worker is returning to its long-term downward trend (see section 2.1.1). Quarterly absences are also back to their long-term average levels, with 9.5% of employees absent from work in Q2-2023. The speed of these re-adjustments highlights the important role that national and EU-wide labour market measures played in the context of the COVID-19 crisis, allowing firms to retain human capital and helping the self-employed to gradually resume their activities after the lifting of containment measures (see Section 2.1). The final bi-annual report on the implementation of SURE indicates that such EU instruments supported approximately 31.5 million persons and 2.5 million firms at its peak in 2020.[43]

Nominal wage growth in the EU was robust in 2022, while wages fell on average in real terms. The nominal compensation per employee increased in all Member States, with an EU average growth rate of 4.8%, compared to around 1.9% in the pre-pandemic period 2013-19. However, these nominal increases have been largely outpaced by inflation, resulting in a significant decline in real wages of 3.7% in 2022, impacting on purchasing power, especially

[39] Eurostat data used in this paragraph: [namq_10_a10_e], [lfsi_emp_q], [lfsi_emp_a], [une_rt_a], [une_ltu_a].
[40] European Commission, *Labour Market and Wage Developments in Europe, Annual Review 2023*, Publications Office of the European Union, 2023 (forthcoming).
[41] European Commission, European Economic Forecast, Autumn 2023, Institutional Paper 258, 2023.
[42] Eurostat data used in this paragraph: [namq_10_a10_e], [lfsi_abt_q].
[43] European Commission, *Report on the European instrument for Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) following the COVID-19 outbreak pursuant to Article 14 of Council Regulation (EU) 2020/672 SURE after its sunset: final bi-annual report* (COM(2023) 291 final).

of low-wage earners, who tend to spend a higher proportion of their income on high-inflation items such as food (see section 2.1).[44] Nominal wages are expected to accelerate in 2023.[45]

Labour and skills shortages remain high across sectors and skills levels. The job vacancy rate in industry, construction and services started to decrease very slowly from its all-time peak of 3% in the EU in Q2-2022, to 2.7% in Q2-2023, partly due to decelerating economic activity. However, it remains well above the pre-pandemic average of 1.7% for the period 2013-19. Shortages are particularly significant in sectors such as healthcare, construction as well as STEM (and notably ICT) and other service occupations (see Sections 2.1 and 2.2).[46] Going forward, labour and skills shortages can be expected to be impacted by shifting labour market needs, also related to the green and digital transitions, and the projected decline in the working-age population.[47]

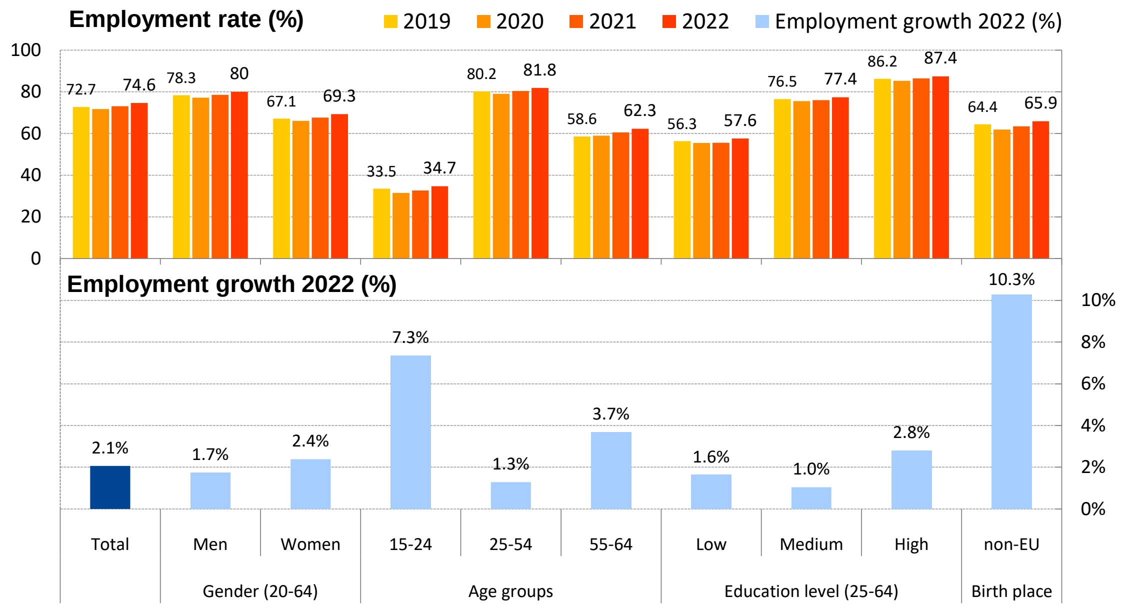
While employment rates increased for women as well as young and older people, the gender employment gap remains sizeable as does the share of young people neither in employment, nor in education and training. The activity rate (15-64) of women continued its steady long-term upward trend (+10 pps over the last two decades), reaching 70.3% in Q2-2023 and gradually reducing the difference in the activity rates between men and women to 9.5 pps.[48] At the same time, the employment rate of women (20-64) increased to 69.3% in 2022, more than 2 pps above its 2019 value (see Figure 1.1.1). Nevertheless, the gender employment gap remains significant in the EU, at 10.3 pps in Q2-2023 (see Section 2.2). As regards young people, their employment rate (15-24) reached 34.7% in 2022, also surpassing its pre-pandemic level (of 33.5% in 2019) (see Figure 1.1.1). Still, despite continued significant improvements, as of Q2-2023, 11.1% of young people (15-29) were neither in employment, nor in education and training (NEET), corresponding to roughly 8 million. On the other end, the employment of older people (55-64) grew by 3.7% in 2022, reaching 62.3% (see Figure 1.1.1). Strong growth has been recorded in the activity rate of older people, which outpaced all other age groups over the past two decades (see Section 2.2).[49]

While employment increased for all skills levels in 2022, the gap between low- and high-skilled remains wide in the EU. The employment rate of people aged 25-64 surpassed pre-pandemic highs in 2022, for all educational attainments.[50] With an annual growth in employment of 2.8%, the high-skilled workers saw nonetheless the strongest increase in 2022, reaching a rate of 87.4% (from 86.2% in 2019; see Figure 1.1.1). The growth in employment was significantly lower for the low- and medium-skilled, at 1.6% and 1%, reaching employment rates of 57.6% and 77.4% respectively in 2022. Overall, the gap between the employment rates of the low- and the high-skilled remained as high as 29.8 pps in 2022 (see section 2.2).

[44] Eurofound, *Minimum wages in 2023: Annual review, Minimum wages in the EU series*, Publications Office of the European Union, Luxembourg, 2023 and European Commission, *Labour Market and Wage Developments in Europe, Annual Review 2023*, Publications Office of the European Union, 2023 (forthcoming).
[45] European Commission, *European Economic Forecast, Autumn 2023*, Institutional Paper 258, November 2023.
[46] Eurostat [ei_lmjv_q_r2]
[47] European Commission, *Employment and social developments in Europe 2023*, Publications Office of the European Union, 2023.
[48] Eurostat data used in this paragraph: [lfsq_argan], [lfsi_emp_q], [lfsi_neet_q], [lfsi_emp_a].
[49] *Drivers of rising labour force participation – the role of pension reforms*, ECB Economic Bulletin, 5/2020.
[50] Eurostat data used in this paragraph: [lfsa_ergaed], [lfsq_ergaed].

Figure 1.1.1: Employment continued to grow, with a stronger dynamic among young people, women and the high-skilled, but differences across groups remain sizeable

Employment rates in the EU-27 by gender, age group, educational attainment level and birthplace in the (%)



Note: Seasonally adjusted data, not calendar adjusted.
Source: Eurostat [lfsi_emp_a], [lfsa_ergaed], [lfsa_egaed].

Despite improvements, people born outside the EU still face significant obstacles to integration in the labour market compared to the EU-born. The employment rate (20-64) of people born outside the EU rose again to 65.9% in 2022 (due to a 10.3% increase in employment in 2022), though remains 9.8 pps below that of the EU-born.[51] Their unemployment rate (15-74) fell significantly over the last decade, reaching 11.4% in 2022. The obstacles they face with respect to labour market integration include, among others, the lack of recognition of formal qualifications and linguistic barriers.[52] The latter were the largest obstacle also in the specific case of people fleeing the war in Ukraine.[53] Out of roughly 4.2 million currently registered in the EU under the temporary protection directive until August 2023, about 60% were of working age (18-64) and about 33% of them are estimated to have found employment so far.[54]

1.2 Key social trends

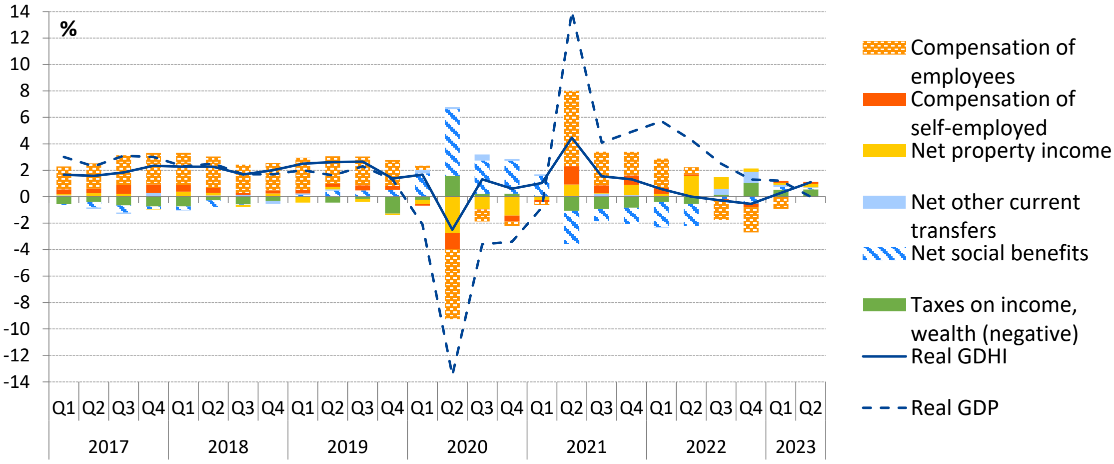
After a decline in 2022, real gross disposable household income (GDHI) rose at EU level in Q1 and Q2 of 2023. While real household incomes mostly increased in the EU between 2020 and 2021, their growth was dampened between Q2-2021 and Q2-2022 by the gradual phasing out of support measures related to COVID-19. GDHI declined in Q3 and Q4-2022, mostly due to the negative impact of inflation on real wages. The gradual stabilisation of wages and social transfers translated into a slight increase in household incomes in Q1 and Q2 of 2023, which also saw a positive contribution from taxes. These average increases in real incomes hide considerable differences across income levels, with a higher than average

[51] Eurostat data used in this paragraph: [lfsa_ergacob], [lfsa_argacob], [lfsa_urgacob].
[52] Eurostat, Labour Force Survey, Module 2021.
[53] Eurofound, *Barriers to employment of displaced Ukrainians*, 2023.
[54] European Commission, European Economic Economic Forecast, Autumn 2023, Institutional Paper 258, November 2023.

impact of still high (core) inflation on lower and some middle-income households that devote higher shares of their expenditure baskets to food.

Figure 1.2.1: Growth in aggregate households' real income

Growth in real gross disposable household income (GDHI) and its main components and real GDP growth (EU-27, year-on-year quarterly growth rates)



Notes: DG EMPL calculations. Nominal GDHI was deflated using the price index of household final consumption expenditure. The real GDHI growth for the EU is estimated as a weighted average of Member States' values for those with available quarterly data based on the ESA2010 (overall 95% of EU GDHI).
Source: Eurostat, National Accounts [nasq_10_nf_tr] and [namq_10_gdp]. Not seasonally adjusted.

Income inequality declined in the EU in spite of the COVID-19 pandemic as well as the high costs of living. In 2022 (referring to 2021 incomes), the income quintile share ratio (S80/S20) declined to 4.74, from 4.99 in 2021 (based on 2020 incomes), and is expected to remain stable next year (on the basis of 2022 incomes).[55] This is a result of the decisive policy responses taken at EU and Member State level to address and prevent the negative social consequences of the pandemic, and also later to protect incomes from the sharp rise in energy prices and broader inflationary pressures that followed. With inflation having a typically regressive impact on incomes, due to lower-income households spending relatively more on essentials such as energy and food, income support measures and adjustments in social benefits and taxes in the Member States, when targeted to the vulnerable, contributed to preventing income inequalities (as well as poverty risks) from rising.

The share of people at risk of poverty or social exclusion in the EU remained broadly stable. In 2022, the at-risk-of poverty or social exclusion (AROPE) rate stood at 21.6% in the Union (vs 21.7% in 2021 and 21.6% in 2020). This broad stability in the last three years marked by the pandemic, Russia's war of aggression against Ukraine as well as the high energy and costs of living, comes after an overall decline in the number of people at risk of poverty or social exclusion over the last decade. This recent stability is remarkable when compared to the sharp increase following the economic and financial crisis of 2008-09.[56] Mirroring this overall stability in AROPE, its three sub-components showed also broad stability at aggregate level for 2022.[57] The at-risk-of poverty rate (AROP) declined by 0.3 pps, standing at 16.5% (based on 2021 incomes). Moreover, Eurostat flash estimates referring to 2022 incomes in the EU

[55] Eurostat [tessi180] and Flash estimates experimental results referring to 2022 income year.
[56] Eurostat [ilc_pecs01]. For the purpose of monitoring evolutions in the EU over a longer time span, including for the monitoring of the 2030 EU target on poverty reduction, Eurostat elaborated a break-free series to factor out the major break in DE data in 2020. The break-free series includes estimated values for 2019 for DE and the EU-27 and is published separately (see above link).
[57] Eurostat data used in this paragraph: [tessi010], [tepsr_lm420], [tepsr_lm430].

continue to indicate overall stability in the AROP rate. The share of persons experiencing severe material and social deprivation, on the contrary, increased by 0.4 pps in 2022, standing at 6.7%. Finally, as a consequence of the positive labour market developments, the share of persons living in (quasi-)jobless households decreased by 0.7 pps to 8.3% in 2022 (based on 2021 activity) (see Section 2.4).

The share of children at risk of poverty or social exclusion slightly increased in the EU in 2022 and was higher than in the total population. In 2022, the share increased by 0.3 pps to 24.7% (vs 21.6% for the total population).[58] While still below its 2015 level (of 27.4%), the share of children at risk of poverty or social exclusion has registered marginal but steady increases in the EU since 2020. The at-risk-of poverty rate remained broadly stable (-0.2 pps) in 2022 (referring to 2021 incomes) at 19.3%, while the share of children in severe material and social deprivation increased by 0.9 pps, reaching 8.4%. Finally, the share living in (quasi-)jobless households decreased by 0.7 pps, to 7.6% in 2022 (based on 2021 activity).

In-work poverty resumed its downward trend after a small increase in 2021 but remains a challenge. The share of people in employment while at risk of poverty in the EU declined by 0.4 pps to 8.5% in 2022 (referring to 2021 incomes), just slightly lower than 10 years ago (8.9% in 2012).[59] Specific groups of workers continue to be more at risk than others. They include especially the low-educated (18.4%), part-timers (13.5%), people on temporary contracts (12.2%), persons born outside the EU (20%) and non-EU citizens (24.3%).

The share of older people (65+) at risk of poverty or social exclusion continued its upward trend since 2015. Up by 0.7 pps since 2021, this share stood at 20.2% in the EU in 2022.[60] While being stable for the total population, the at-risk-of poverty (AROP) rate among the older population (referring to 2021 incomes) slightly increased, to 17.3% in 2022. The share of older persons in severe material and social deprivation instead remained broadly stable, at 5.5% in 2022.

Vulnerable population groups tend to have significantly higher risks of poverty and social exclusion than the overall population. Despite a small decrease in 2022, the AROPE rate remained very high for persons with disabilities (28.8%) and people born outside of the EU (39.8%), compared to the total population (21.6%).[61] Roma also tend to experience much higher poverty risks[62] (see section 2.4).

1.3 Progress on the 2030 EU headline and national targets

Employment, skills and poverty reduction targets are driving policy actions across the relevant policy domains at EU level and in the Member States. The three EU headline targets for 2030 are as follows: i) an employment rate of at least 78% of the working-age population; ii) an adult learning participation rate of at least 60% every year; and iii) a reduction of at least 15 million in the number of people at risk of poverty or social exclusion (AROPE) compared to 2019, out of which at least 5 million should be children.[63] These EU headline targets were put forward by the European Commission in March 2021, as part of the

[58] Eurostat data used in this paragraph: [tepsr_lm412], [tepsr_spi110], [tepsr_spi120], [tepsr_spi130].
[59] Eurostat data used in this paragraph: [tesov110], [ilc_iw04], [ilc_iw07], [ilc_iw05], [ilc_iw16], [ilc_iw15].
[60] Eurostat data used in this paragraph: [tepsr_lm411], [ilc_li02], [ilc_mdsd11].
[61] Eurostat data used in this paragraph: [hlth_dpe010], [ilc_peps06n], [ilc_peps01n].
[62] FRA Roma survey 2021.
[63] See: European Commission, *The European pillar of social rights action plan*, Publications Office of the European Union, 2021.

Pillar Action Plan. Member States welcomed them at the Porto Social Summit in May 2021, as did the European Council in its conclusions of June 2021.[64] Following bilateral discussions with the Commission services and multilateral discussions in the Employment and Social Protection Committees, all Member States put forward their national targets in the three domains. They were discussed by the EPSCO Council in June 2022 (see Annex 1). The Pillar Action Plan also provided complementary EU-level targets on reducing the gender employment gap, increasing the provision of formal early childhood education and care, decreasing young NEETs, raising the share of adults with at least basic digital skills, and cutting early school leaving. Most Member States set further complementary national targets in these areas and/or in additional ones, as deemed necessary to ensure progress on the three headline targets given the country-specific contexts. This section monitors progress so far towards the three EU headline and national targets by 2030.

Solid employment growth on average over the last two years put the EU well on track towards its headline employment rate target by 2030. After having increased to 74.6% in 2022, the EU employment rate would need to rise by another 3.4 pps until 2030 in order to reach the 78% target. This corresponds to an average yearly annual employment growth of 0.5%, also factoring in demographic projections by Eurostat (see Figure 1.3.1), and compares to an average yearly growth rate of 1.1% recorded over the pre-COVID period 2013-19. Even after factoring in that slower growth rates may kick in at higher starting levels, this suggests that the Union is well on track towards its 2030 employment rate target.

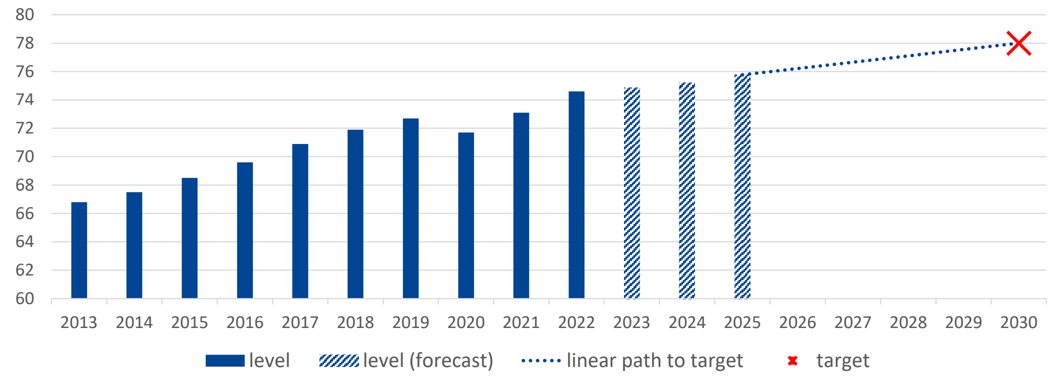
By 2022, all Member States made progress towards their national targets on employment, against the background of the post-COVID recovery and the good labour market developments. Figure 1.3.2 shows that for all EU countries the 2022 employment rate was above the 2020 level, implying progress towards their set national targets.[65] For the large majority of Member States further efforts are needed until 2030 to bridge the remaining gaps to the national targets, as shown in Figure 1.3.2. For five countries, on the contrary, the employment rate reached in 2022 is already higher than the respective 2030 national target. These are Estonia (+0.6 pps compared to its national target), the Netherlands (+0.4 pps), Slovakia and Sweden (both +0.2 pps), and Denmark (+0.1 pps), while Ireland is precisely at its 2030 target. All of these countries but Slovakia already have employment rates above, and in some cases (the Netherlands, Sweden and Estonia) significantly above (around or more than 4 pps) the EU-level target of 78% in 2030. Among all the other countries for which a gap remains in 2022 towards their 2030 national targets, Italy (with 8.2 pps to its 2030 target) aims for the largest increase, followed by Belgium (8.1 pps), Spain (6.5 pps) and Romania (6.2 pps). Overall, in 2022 the majority of Member States achieved employment growth that was higher than the respective pre-pandemic average rate (over the 2013-19 period).[66] However, for nine of them (Slovakia, Portugal, Czechia, Hungary, Malta, Croatia, Poland, Slovenia and Luxemburg) employment growth in 2022 still fell behind the corresponding pre-crisis average growth (see Figure 1.3.3). Moreover, for Italy, Belgium and France, the estimated minimum annual employment growth needed to reach their 2030 national targets is higher than the

[64] See online the Porto declaration and the 24-25 June 2021 Council conclusions.
[65] In October 2022, the Indicators Group of the Employment Committee agreed on a methodological approach for the monitoring of progress towards the national targets on employment in the context of the European Semester. This section has been prepared on the basis of the agreed methodology. See the Employment Committee's Annual Employment Performance Report 2023 and the Employment Performance Monitor 2023.
[66] Due to population decline, the majority of Member States are found to need lower minimum annual employment growth than in the pre-crisis period to reach their national targets. See the Employment Committee's Annual Employment Performance Report 2023.

corresponding pre-crisis growth.[67] In a significant number of Member States, the employment rates of the low-skilled harbour the largest scope for improvement, including importantly via up- and reskilling as well as education and training measures that cater for the needs of the labour market.[68] There is also ample scope for improvement in relation to the employment rate of older women (55-64) and young people (20-29) in a good number of Member States.

Figure 1.3.1: The EU employment rate significantly increased after the COVID-19 crisis

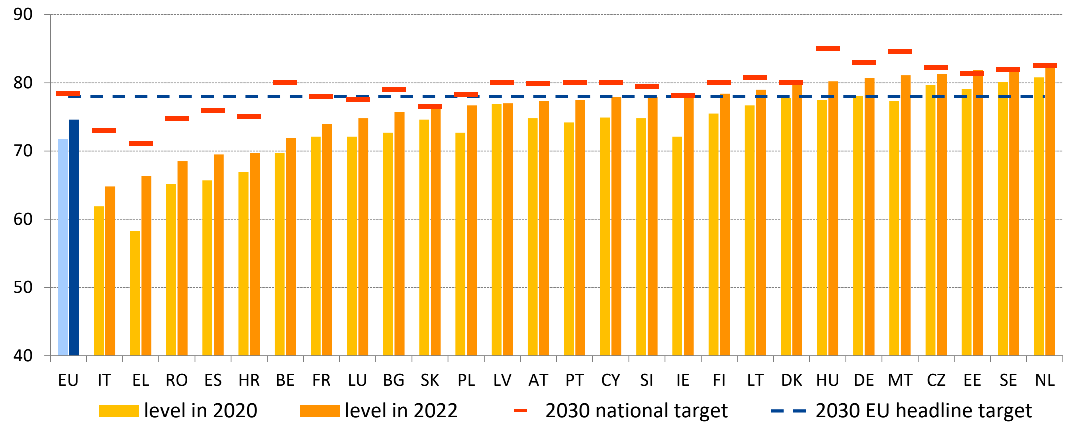
Employment rate in the EU-27 and the related 2030 EU headline target (20-64 year olds, % of population)



Note: Values for 2023, 2024 and 2025 are based on Commission employment growth forecasts from Autumn 2023 as well as projected population and working age population growth from the 2023 Eurostat population projections.
Source: Eurostat [lfsi_emp_a]; employment growth forecast, Commission Autumn Forecast 2023; Eurostat population projections, Europop 2023.

Figure 1.3.2: Employment rates increased in Member States in 2022, marking progress towards their national targets

Employment rate (2020 and 2022, 20-64 year olds, % of population) and related national 2030 targets



Source: Eurostat [lfsi_emp_a] and table on 2030 national targets as in Annex 1.

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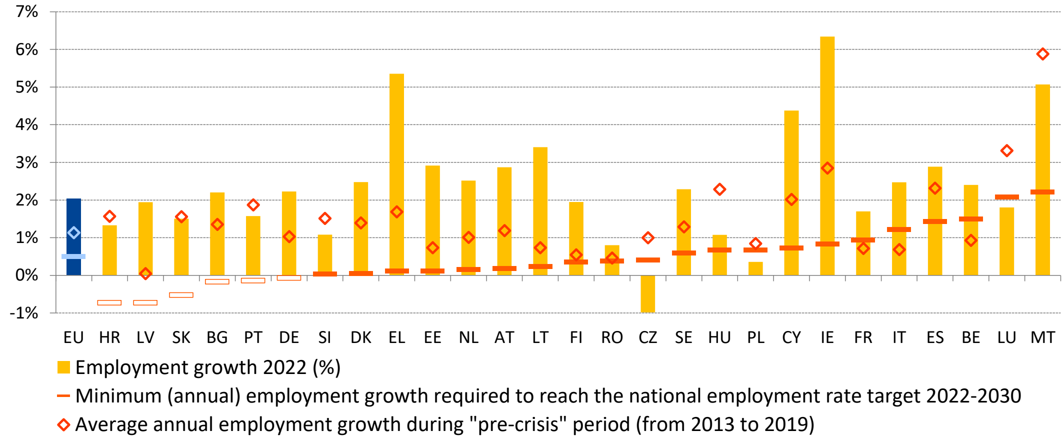
[67] For some Member States, such minimum required employment growth is negative, reflecting a projected decline in working-age population and/or the fact that their national targets have already been reached.
[68] In December 2022, the Indicators Group of the Employment Committee agreed on a methodological approach to showcase the potential of specific population groups in the context of monitoring progress towards the 2030 employment target. This part of the report reflects the agreed methodology. See the Employment Committee's Annual Employment Performance Report 2023 and the Employment Performance Monitor 2023.

Figure 1.3.3: In almost all Member States employment growth in 2022 was higher than the minimum yearly change required to reach the 2030 national target

Employment growth in 2022 versus average annual employment growth over 2013-19 and minimum annual employment growth needed to reach the 2030 national employment rate target



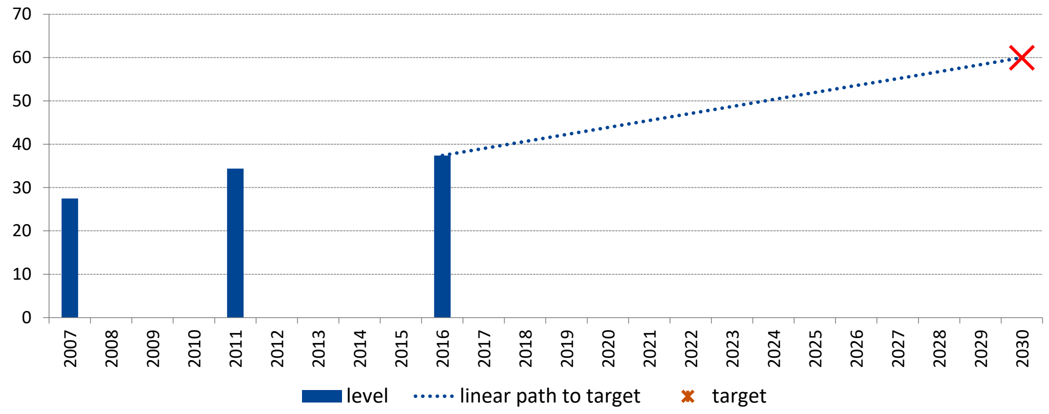
Source: Annual Employment Performance Report 2023.

The 2030 EU headline target on adult learning drives policy action towards empowering workers and adapting the workforce to changing skills needs, also in light of the twin transition and the sizeable labour and skills shortages in the Union. The 2030 EU headline target is measured as the participation rate of adults in learning over the past 12 months, which is set to become available from the Labour Force Survey (LFS) every second year from 2023 onwards.[69] Previous data based on the Adult Education Survey (AES) showed an increasing trend in participation rates in the EU from 2007 to 2016 (the latest available data point; see Figure 1.3.4). Further significant progress will need to be achieved at EU level to reach the 2030 skills target, in line with the ambition needed for Europe to remain competitive, innovative and inclusive, thriving in the context of the big transformations ahead. Member States set their 2030 national targets on adult learning at various levels of ambition, in line with the need to contribute to the EU headline target, while taking into account different starting positions (see Figure 1.3.5). Discussions on the methodological approach to monitor the skills target will start in the Employment Committee as soon as the new LFS data will become available.

[69] The indicator values for 2007, 2011 and 2016 were collected through the Adult Education Survey (AES). From 2023 on (with indicator values for 2022), data are set to become available through the EU Labour Force Survey (LFS). This new data source will allow to provide a high level of consistency with labour market indicators as well as higher frequency data. A thorough analysis of the data from the two survey sources is being conducted by the Commission including Eurostat as they became available in order to address potential issues and ensure data quality and comparability.

Figure 1.3.4: Adult participation in learning was on a rising trend in the EU in the past and further significant efforts are needed to reach the 2030 EU headline target

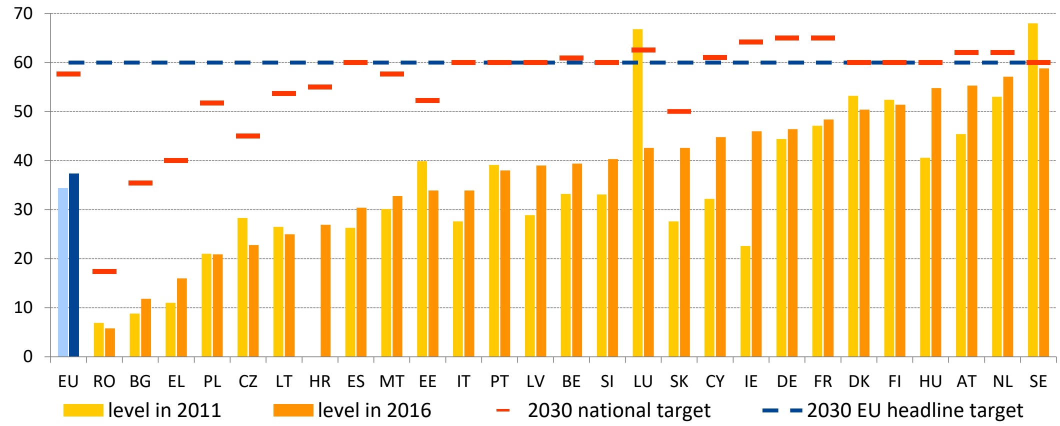
Adult participation rate in learning during the past 12 months in the EU-27 and the 2030 EU headline target (25-64 year olds, %)



Source: Eurostat special extraction of the adults' participation rate in learning during the past 12 months without guided on the job training (GOJT), from the Adult Education Survey.

Figure 1.3.5: Substantial efforts are needed in general at Member State level to reach the set national adult learning targets

Adult participation in learning during the past 12 months (2011 and 2016, 25-64 year olds-, %) and national 2030 targets for Member States



Source: Eurostat special extraction of the Adults participation in learning during the past 12 months without guided on the job training (GOJT) from the Adult Education Survey and table on 2030 national targets in Annex 1.

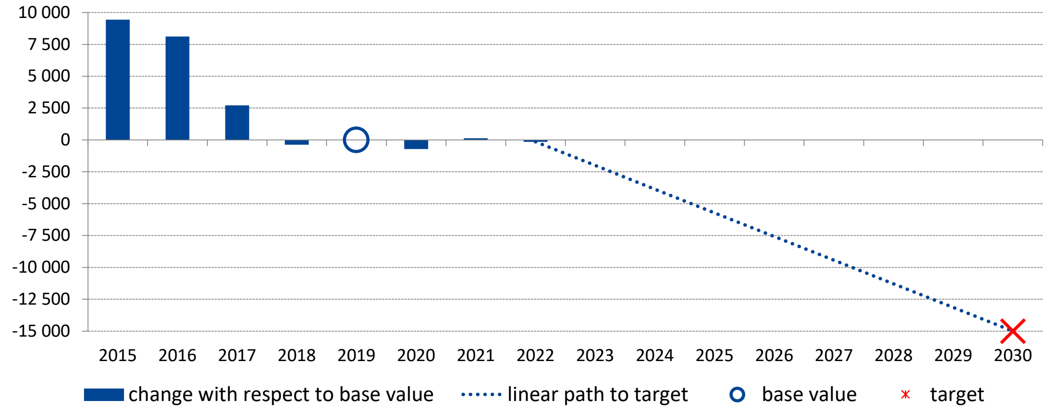
In spite of the challenging socio-economic context over the past three years, the number of persons at risk of poverty or social exclusion remained broadly stable in the EU, following a significant decline over the last decade. In 2022 the overall number of persons AROPE decreased by only 279 000, remaining close to its 2019 base value (see Figure 1.3.6). While the majority of Member States registered some progress towards their national targets (and notably Greece, Poland and Croatia, which all decreased by 11%), several others (France, Germany, Spain, Austria, Finland, the Netherlands, Slovakia, Sweden, Ireland, Estonia, Denmark and Luxembourg) moved in the opposite direction (see Figure 1.3.7). Only Cyprus reached its national target in 2022.[70] At the same time, the number of children AROPE increased by 899 000 in the EU in 2022, compared to 2019, with favourable developments in only half of the 19 Member States that set such a related complementary

[70] Social Protection Committee Annual Report 2023.

target (i.e. in Belgium, Bulgaria, Estonia, Ireland, Greece, Croatia, Portugal, Slovenia and Sweden).[71] Significant further efforts and continuous monitoring will be needed to ensure that the targets set at national level are met in order to reach the EU headline target by 2030.

Figure 1.3.6: The AROPE rate remained broadly stable during the last few years calling for efforts to bring it on a declining path to achieve the 2030 EU target

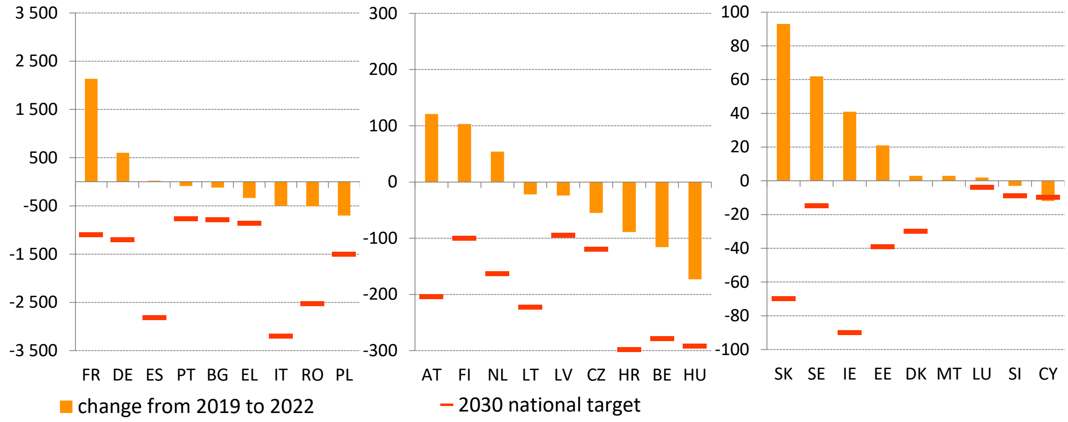
Change in EU-27 AROPE level and the related 2030 EU headline target (total population, thousand persons)



Note: Calculations based on break-free series, with estimated value for 2019 (see footnote 29 in section 1.2).
Source: Eurostat [ilc_pecs01].

Figure 1.3.7: The majority of Member States showed some progress towards their national targets, but more efforts are needed

Changes in AROPE levels over 2019-22 and national 2030 targets (total population, thousand persons)



Note: Break in series in 2020 for FR, IE, DK, LU, in 2021 for LU, in 2022 for FR and LU. DK and DE express their national targets as a reduction in the number of persons living in households with very low work intensity (VLWI) by 30 000 and 1.2 million, respectively. MT expresses its national target as a reduction of the AROPE rate by 3.1 pps. HU expresses its national target as a reduction of the material and social deprivation rate of families with children to 13%, and thereby a reduction of the number of people AROPE by 292 000. DE expresses its national target compared to 2020 as the reference year.
Source: Eurostat [ilc_pecs01] and table on 2030 national targets in Annex 1.

[71] A target on child poverty reduction was set by Belgium, Bulgaria, Czechia, Estonia, Ireland, Greece, Spain, France, Croatia, Cyprus, Luxembourg, Malta, Austria, Poland, Portugal, Slovenia, Slovakia, Finland and Sweden.

1.4 Update on the Social Scoreboard

The Social Scoreboard supports the monitoring of the European Pillar of Social Rights, and contributes to the assessment of key employment, skills and social challenges in the Member States and the Union. The current version of the Social Scoreboard was proposed by the Commission as part of the Pillar Action Plan of March 2021, and subsequently discussed with the Employment Committee (EMCO) and the Social Protection Committee (SPC). Its headline indicators were endorsed by the Health and Consumer Affairs EPSCO Council on 14 June 2021. It is the main quantitative tool to monitor progress on the implementation of the Pillar principles in the context of the European Semester (see Annex 2 for technical details on its headline indicators).[72] As such, the Social Scoreboard is also the basis for the first-stage country analysis in line with the principles of the Social Convergence Framework (SCF), as discussed in Section 1.5.

The Social Scoreboard headline indicators point at key challenges in EU Member states across the three areas of 'equal opportunities and access to the labour market', 'fair working conditions' and 'social protection and inclusion'. The headline indicators with the largest numbers of Members States currently in 'critical' situations or those that are 'to watch' are the share of children aged less than 3 in formal childcare, the disability employment gap, the impact of social transfers (other than pensions) on poverty reduction[73], and the share of adults with at least basic digital skills (12 Member States for the first, 11 for the second two, and 9 for the last one, respectively; see Table 1.4.1). While the total number of 'critical situations' across the headline indicators is similar to last year, the number of Member States in situations that are 'to watch' increased significantly in 2022 (60 vs 49 in 2021). Chapter 3 provides the first-stage country analysis, for which the next section provides explanations and a summary of key horizontal findings.

[72] Data available on Eurostat website at Member State and the regional level. Regarding the latter, this regional information is available for most Member States and selected indicators. The Social Scoreboard currently covers 18 out of the 20 Pillar principles, four more than under the previous version, though there is currently no recent data for the adult learning indicator. The two principles not yet covered are 7 and 8, i.e., 'Information about employment conditions and protection in case of dismissals' and 'Social dialogue and involvement of workers', respectively. There are strict quality requirements for headline indicators, which also need to have a clear normative interpretation (though there is no strict one-to-one relation between scoreboard indicators and pillar principles). So far, it was not possible to find such indicators for these two principles, but the Commission will conduct further work.

[73] While a break in series is present for this indicator in 2022 for almost all Member States due to a methodological change (this was implemented before for EE, FI and SE), (unpublished) indicator values calculated by Eurostat based on the old methodology yield broadly the same overall assessment as the published values.

Table 1.4.1: Social Scoreboard: overview of challenges across Member States by headline indicator

			Best performers	Better than average	Good but to monitor	On average	Weak but improving	To watch	Critical situations
Equal opportunities	Early leavers from education and training (% of population aged 18-24)	2022	HR, IE, LT, PL	BE, CY, CZ, LU, NL, PT	EL, SI	AT, FI, FR, LV, SE, SK	BG, IT	DK, EE, MT	DE, ES, HU, RO
	Share of individuals who have basic or above basic overall digital skills (% of population aged 16-74)	2021	DK, FI, IE, NL	AT, ES, HR, LU, SE		BE, CZ, EE, EL, FR, LV, MT, PT, SK		CY, DE, HU, IT, LT, SI	BG, PL, RO
	Youth NEET rate (% of total population aged 15-29)	2022	MT, SE	AT, DE, DK, IE, LU, PL, PT	NL, SI	BE, EE, FR, HU, LT, LV, SK	BG, IT	CZ, ES, FI, HR	CY, EL, RO
	Gender employment gap (percentage points)	2022	EE, FI, LT, LV	DK, FR, LU, PT	SE	AT, BE, BG, DE, ES, HR, HU, NL, SI, SK	MT, RO	CY, IE, PL	CZ, EL, IT
	Income quintile ratio (S80/S20)	2022	BE, CZ, SI, SK	DE, DK, FI, HU, IE, NL, PL, PT		AT, CY, FR, HR, LU, MT	EL, ES, RO	EE, IT, SE	BG, LT, LV
Fair working conditions	Employment rate (% of population aged 20-64)	2022	CZ, EE, NL, SE	BG, DE, DK, HU, IE, LT, MT		AT, CY, FI, FR, LU, LV, PL, PT, SI, SK	EL	BE	ES, HR, IT, RO
	Unemployment rate (% of active population aged 15-74)	2022	CZ, DE, MT, PL	AT, BG, DK, HU, IE, NL, SI		BE, CY, EE, FI, HR, LT, LU, LV, PT, RO, SK	EL, ES, IT	FR, SE	
	Long-term unemployment rate (% active population aged 15-74)	2022	DK	AT, CZ, DE, EE, HU, IE, LU, NL, PL	MT	BE, BG, CY, FI, FR, HR, LT, LV, PT, SE, SI	EL, ES, IT	RO	SK
	GDHI per capita growth (2008=100)	2022	HU, MT, PL	HR	EE, LT	DE, DK, FI, FR, LU, LV, NL, PT, SE, SI, SK	AT	BE, CY, CZ	EL, ES, IT
Social protection and inclusion	At risk of poverty or social exclusion rate (% of total population)	2022	CZ, SI	AT, CY, DK, LU, NL, PL, PT, SK	FI	BE, DE, HR, HU, IE, MT	EL, ES	EE, FR, IT, LT, SE	BG, LV, RO
	At risk of poverty or social exclusion rate for children (% of population aged 0-17)	2022	CZ, DK, FI, NL, SI	CY, EE, HR, HU, LU, PL		AT, BE, DE, IE, LT, LV, MT, PT, SE	EL	FR, IT, SK	BG, ES, RO
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP)	2022	BE, DK, IE	AT, CZ, DE, FR, PL, SE	FI	CY, LT, LU, NL	LV, PT	BG, EE, ES, HU, IT, MT, SI, SK	EL, HR, RO
	Disability employment gap (percentage points)	2022	DK, ES, IT, LU, PT	DE, FI, SI		AT, CY, CZ, EL, FR, LV, NL, SK		BG, EE, MT, PL, RO, SE	BE, HR, HU, IE, LT
	Housing cost overburden (% of total population)	2022	CY, SK	EE, HR, IE, LT, MT, PT, SI		AT, BE, CZ, ES, FI, IT, LV, NL, PL, RO, SE	EL	DE, HU	BG, DK, LU
	Children aged less than 3 years in formal childcare (% of population under 3-years-old)	2022	DK, FR, NL, SE	BE, EE, MT, PT, SI	ES, LU	EL, FI, IT, LV		AT, BG, CY, DE, HR, IE, LT, PL	CZ, HU, RO, SK
	Self-reported unmet need for medical care (% of population 16+)	2022	CY	AT, BE, BG, CZ, DE, ES, HR, LU, MT, NL, SI		DK, FR, HU, IE, IT, LT, PL, PT, SE, SK		RO	EE, EL, FI, LV

Note: update of October 2023. Due to substantial changes in the definition of the indicator on the share of individuals who have basic or above basic overall digital skills in 2021, a comparable value for 2019 is not available, therefore analysis of this indicator relies, exceptionally, only on 2021 levels (assuming 'no change' for all Member States, and also the EU average). GDHI per capita growth data are not available for Ireland, Bulgaria and Romania. Breaks in series and other flags are reported in Annexes 3 and 4.

1.5 Key horizontal findings from the first-stage country analysis on social convergence

The first-stage country analysis considers labour market, skills and social developments in each Member State to detect potential risks to upward social convergence that require further analysis in a second stage. Following discussions in the EPSCO Council in June 2023 on a Social Convergence Framework (SCF), as prepared by EMCO and SPC[74] based on the work conducted by the devoted joint EMCO-SPC Working Group from October 2022 until May 2023, this 2024 edition of the Commission proposal for a Joint Employment Report (JER) incorporates a stronger country focus. The country-specific analysis reinforces the monitoring of the employment, skills and social policy domains in the European Semester, in line with Art. 148 of the TFEU. It delivers on the commitments made in the Pillar Action Plan and at the Porto Social Summit in terms of a stronger implementation of the principles of the European Pillar of Social Rights. The principles of the SCF envisage a two-stage analysis in order to assess challenges to upward social convergence in Member States. The first stage is predominantly based on the Social Scoreboard headline indicators and identifies *potential risks* to upward social convergence. In order to determine the existence of *actual challenges* to upward social convergence in the second stage and the key factors driving the challenges, further analysis in a second stage will rely on a wider set of quantitative and qualitative evidence, including in relation to progress towards the 2030 national targets (see methodological box at the end of this section for more detailed explanation of the methodology). The further analysis will also describe measures that are taken by Member States to address these challenges. This section presents a summary of key horizontal findings from the first-stage country analysis of the SCF, indicating which countries should require further analysis in a second stage. Key findings are based on the first-stage country analysis presented in Chapter 3 of the report.

Overall, the reading of the Social Scoreboard in the first-stage country analysis points at a strong labour market performance across Member States, although characterised by persistent challenges for specific population groups, as well as a number of risks in the skills and social policy areas that deserve further scrutiny. The application of the JER traffic-light methodology to the Social Scoreboard headline indicators allows identifying challenges of particular relevance to the implementation of the European Pillar of Social Rights (see Section 1.4). Aggregating the signals from the Social Scoreboard indicators, on a country-by-country basis, according to the agreed methodology (see box at the end of this section), allows for an overall evaluation of potential risks to upward social convergence faced by Member States. A horizontal summary of key horizontal findings is presented below (see also Table 1.4.1 and Figure 1.5.1):

- **Member States starting with a worse overall labour market situation in terms of employment and unemployment, as well as its long-term component, improved more substantially than others in 2022, which suggests a process of convergence on these dimensions** (see Section 2.1.1, Figures 2.1.1 and 2.1.5). Yet, not all population groups fare equally well. A large number of 'critical' (red) and 'to watch' (orange) situations are identified across Member States (based on the agreed JER methodology) in relation to the disability employment gap (for eleven Member States) and the gender employment gap (for six Member States), with no apparent upward convergence trend (see evidence from Section 2.2.1, Figures 2.2.15 and 2.2.11

[74] See the Report of the EMCO-SPC Working Group on the introduction of a Social Convergence Framework in the European Semester and its Key Messages.

respectively), despite a positive trend at EU level (see Figure 1.5.1). Conversely, the young NEET rate shows a general improvement and a convergence trend among EU countries (see evidence from Section 2.2.1, Figure 2.2.9), though the still high rate remains a matter of concern (seven ‘critical’ or ‘to watch’ situations are reported across Member States for this indicator). At the same time, the increase of real gross disposable household income per capita has stopped in 2022 for the first time since 2013, reflecting the effect of high inflation, which has outpaced wage growth in many countries, resulting in six Member States in ‘critical’ or ‘to watch’ situations for this indicator.

- **Despite recent positive developments, risks to upward social convergence persist regarding skills, which may exacerbate employability challenges and inequalities unless policy action is significantly stepped up.** This is even more pressing in light of the sizeable skills and labour shortages in the Union, which pose bottlenecks to innovation and growth, including in view of the green and digital transitions. The share of early leavers from education and training is decreasing in most Member States, but there is further room for improvement as seven Member States are still in ‘critical’ or ‘to watch’ situations and upward convergence is not apparent (see evidence from Section 2.2.1, Figure 2.2.2). Reducing early school leaving remains essential to building a workforce that has all the necessary skills to remain adaptable and open to further learning along the life cycle, in view of the twin transition and the relevance for competitiveness and growth. The share of adults with at least basic digital skills is low, with a total of nine Member States facing ‘critical’ or ‘to watch’ situations. Currently, only slightly more than half of the EU adult population has at least basic digital skills, against a share of almost 90% of jobs already requiring them. This shows the significant extent of the challenge to be overcome from early education to life-long learning in order to ensure that the EU workforce is able to adapt to changing skills needs of the labour market. Meanwhile, most Member States even saw a decrease in the share of children below 3 participating in formal childcare, and differences across countries remain significant. Twelve Member states still face ‘critical’ or ‘to watch’ situations under this dimension, with no apparent signs of upward convergence (see evidence from Section 2.2.1, Figure 2.2.12).

- **Social outcomes are broadly stable overall, despite the multiple crises faced. However, the social situation is to be closely monitored in light of the high cost-of-living and related risks to upward social convergence, including in terms of effectiveness of social protection systems.** National and EU measures to protect jobs and incomes have been broadly effective at keeping the share of people at risk of poverty or social exclusion (AROPE) relatively stable during the COVID-19 crisis. Similarly, overall stability was observed amidst recent increases in the cost of living, with eight Member States having an AROPE rate in a ‘critical’ or ‘to watch’ situation in 2022, despite some signs of upward convergence (see evidence from Section 2.4.1, Figure 2.4.2). No clear signs of upward convergence were, on the contrary, observed for the share of children at risk of poverty or social exclusion, a dimension under which six countries were in a ‘critical’ or ‘to watch’ situation in 2022 (see evidence from Section 2.4.1, Figure 2.4.4), which may negatively impact on the longer term socio-economic performance of the Union. The impact of social transfers in reducing poverty has decreased in 2022 (referring to 2021 incomes) in most Member States, leading to a very high number (eleven) of ‘critical’ or ‘to watch’ situations, partly due to the phasing out of the exceptional support measures put in place to face the social consequences of the COVID-19 pandemic. Also, the housing cost overburden and the self-reported unmet needs for medical care have been on the rise recently, with five Member States facing a ‘critical’ or ‘to watch’ situation in 2022 for both indicators, and strong signs of divergence across EU countries (see evidence from Section 2.4.1, Figures 2.4.11 and 2.4.13 respectively).

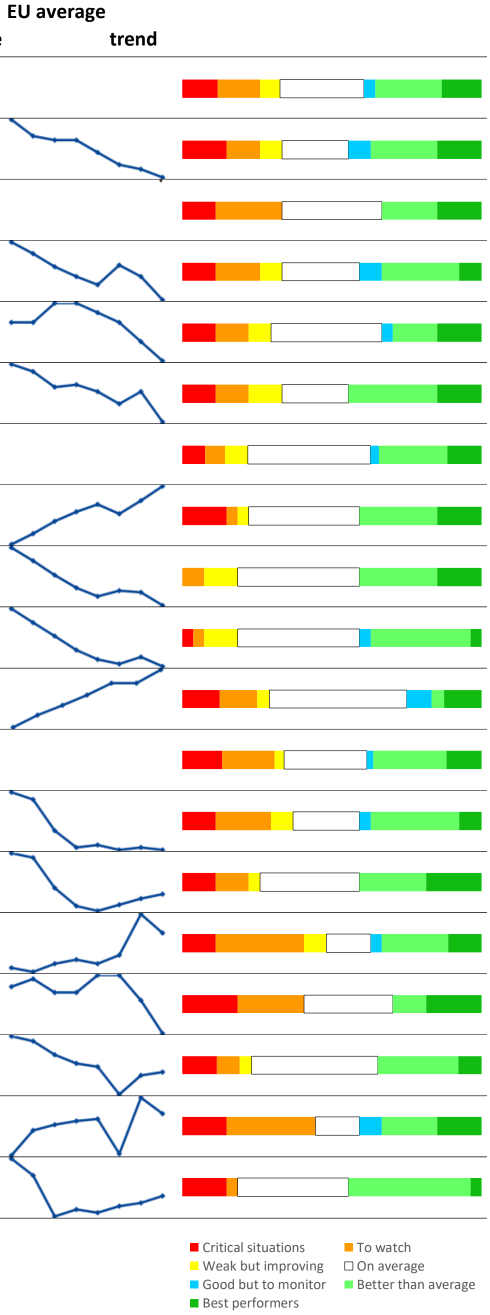
Seven Member States have been identified in Chapter 3 of this report as requiring a deeper second-stage analysis in light of the challenges indicated by the Social Scoreboard headline indicators, signalling potential risks to upward social convergence according to the SCF methodology discussed with EMCO and SPC (see the Box at the end of this section). These are Bulgaria, Estonia, Hungary, Italy, Lithuania, Romania and Spain. For all of these countries, potential risks to upward social convergence were identified in relation to challenging situations flagged on a relatively large number of policy areas, while for Lithuania also deteriorations over time played a key role for a smaller number of policy areas (and were also taken into account in this analysis). Most risks to upward social convergence for the aforementioned countries stem from indicators like the share of the population with at least basic digital skills, the disability employment gap, the impact of social transfers (other than pensions) on poverty reduction, and the AROPE rate, followed by the share of children less than 3 years in formal childcare, the share of early leavers from education and training, the income quintile share ratio, and the AROPE rate for children.

For these seven Member States a deeper second-stage analysis will be conducted by the Commission services.

Figure 1.5.1: Overview of employment, skills and social trends and challenges by Social Scoreboard headline indicators

The EU average, trends and distribution of Member States with a specific JER categorisation among all for each headline indicator, also aggregated for the three Pillar chapters

Headline indicator	Year	EU average value
EQUAL OPPPORTUNITIES		
Early leavers from education and training	2022	9.6
Share of individuals who have basic or above basic overall digital skills	2021	53.92
Youth NEET rate	2022	11.7
Gender employment gap	2022	10.7
Income quintile ratio (S80/S20)	2022	4.7
FAIR WORKING CONDITIONS		
Employment rate	2022	74.6
Unemployment rate	2022	6.2
Long-term unemployment rate	2022	2.4
GDHI per capita growth	2022	109.6
SOCIAL PROTECTION AND INCLUSION		
At risk of poverty or social exclusion rate	2022	21.6
At risk of poverty or social exclusion rate for children	2022	24.7
Impact of social transfers (other than pensions) on poverty reduction	2022	35.3
Disability employment gap	2022	21.4
Housing cost overburden	2022	9.1
Children aged less than 3 years in formal childcare	2022	35.7
Self-reported unmet need for medical care	2022	2.2



Notes: 1) Data for the indicator on adults' participation in learning is not yet available; 2) Data is missing for some countries in some indicators – see Note for Table 1.4.1. Legends for all indicators are presented in Annexes.

Methodological approach for identifying potential risks to upward social convergence in the first-stage country analysis on social convergence

The analysis relies on existing tools that have been developed with the Member State over the recent years, based in particular on the Social Scoreboard and the so-called JER (traffic-light) methodology. Together, this serves to identify potential risks to upward social convergence in the Member States.[75] The first-stage country analysis is based on the full set of Social Scoreboard headline indicators. Each of the indicators is scrutinised based on the JER methodology, which determines the relative standing of Member States. This relative standing is expressed in terms of standard deviations from the mean of both the absolute level of the indicator value and its change compared to the year before (see Annex 4 for more technical details). Results are summarised into one of seven possible categories for each indicator for the country in question ('best performer', 'better than average', 'good but to monitor', 'on average', 'weak but improving', 'to watch', 'critical situation'). This corresponds with the scale of colours, from green to red.

Each of the indicators under the Social Scoreboard is assessed with the methodology explained above, in order to identify whether they lead to potential risks to upward social convergence, and hence if further analysis is needed in a second stage. The qualification 'critical situation' refers to Member States which score much worse than the EU average on a specific indicator and in which the situation is deteriorating or not improving sufficiently compared to the year before. A situation is marked as 'to watch' in two cases: a) when the Member State scores worse than the EU average on a specific indicator and the situation in the country is deteriorating or not improvingly sufficiently fast and b) when the score in terms of levels is in line with the EU average but the situation is deteriorating much faster than the EU average.

Further analysis in a second stage is considered warranted for Member States for which six or more Social Scoreboard headline indicators are flagging red ('critical situation') or orange ('to watch'). An additional reason for considering that the situation requires further analysis occurs when an indicator flagging red or orange presents two *consecutive* deteriorations in its JER categorisation. An example of this is a change from 'on average' to 'weak but improving' in the 2023 JER edition, followed by a further deterioration to 'critical situation' in the 2024 edition. This would be counted as an additional 'flag' towards the minimum threshold of six flags overall. For example, if in a given year *n* a country has 5 headline indicators of the Social Scoreboard flagged as red or orange, and one of them presents two consecutive years of deteriorations in years *n* and *n-1*, the country is considered as having overall 6 flags in that year *n* (5 red/orange signals from the indicators in the given year +1 of them with two consecutive deteriorations). As a result, it would require further analysis in a second stage as well. Any break in series and issues in relation to data quality and interpretation are considered in the evaluation of the total number of flags towards the threshold.

The Social Scoreboard headline indicators and their evaluation rely on the most recent data that are available. When relevant data for assessing the JER categorisation is missing for a given country, the corresponding JER categorisation from the previous JER edition (if available) is used to fill the missing information. If the indicator has missing values for the

[75] See the EMCO-SPC Working Group Report on the Social Convergence Framework (doc. 9481/23) as well as the Key Messages endorsed by EMCO-SPC based on the report in doc. 9481/23.

latest JER edition *and* the preceding one, the JER categorisations are not counted towards the indicative threshold of 6 flags for the second-stage analysis.

CHAPTER 2. EMPLOYMENT AND SOCIAL REFORMS – MEMBER STATES' PERFORMANCE AND ACTION

2.1 Guideline 5: Boosting the demand for labour

This section looks at the implementation of the employment guideline no. 5, which recommends Member States to provide for the conditions that promote labour demand and job creation, in line with Pillar principles 4 (active support to employment) and 6 (wages). Section 2.1.1 focuses on key labour market developments, also reflecting the impact of the COVID-19 crisis and Russia's war of aggression against Ukraine. Section 2.1.2 reports on the measures implemented by the Member States in these areas, with a special focus on those aimed at preserving employment and supporting job creation.

2.1.1 Key indicators

The EU labour market remained resilient in 2022 in spite of the uncertainty created by Russia's war of aggression against Ukraine and the impact of high inflation. On a yearly basis, the employment rate for the EU (age group 20-64) improved by 1.5 pps to 74.6% in 2022, thereby bringing the EU headline target of at least 78% of people aged 20-64 in employment by 2030 fully within reach. The employment rate increased in all Member States, and particularly strongly in Greece, Ireland, Estonia, Bulgaria, Slovakia, and Italy – see Figure 2.1.1. Modest improvements were recorded in Luxembourg and France. According to the Social Scoreboard methodology, Italy, Romania, Spain, and Croatia are still in 'critical situations', remaining at relatively low levels below 70%, despite increases in employment around the EU average increase or somewhat larger than that (in Spain and Italy). The situation in Belgium is 'to watch', following a below-average improvement from a relatively low level. On the other hand, the Netherlands, Sweden, Estonia, and Czechia are 'best performers' (with rates above 80% in 2022). Overall, a convergence of employment rates across Member States can be observed. On a quarterly basis, the employment rate continued to rise in the first half of 2023 and increased by 0.6 pps despite the slowdown in economic activity in the second half of the previous year. In most Member States, significant regional differences in the employment rate can be observed (see Figure 5 in Annex 5).

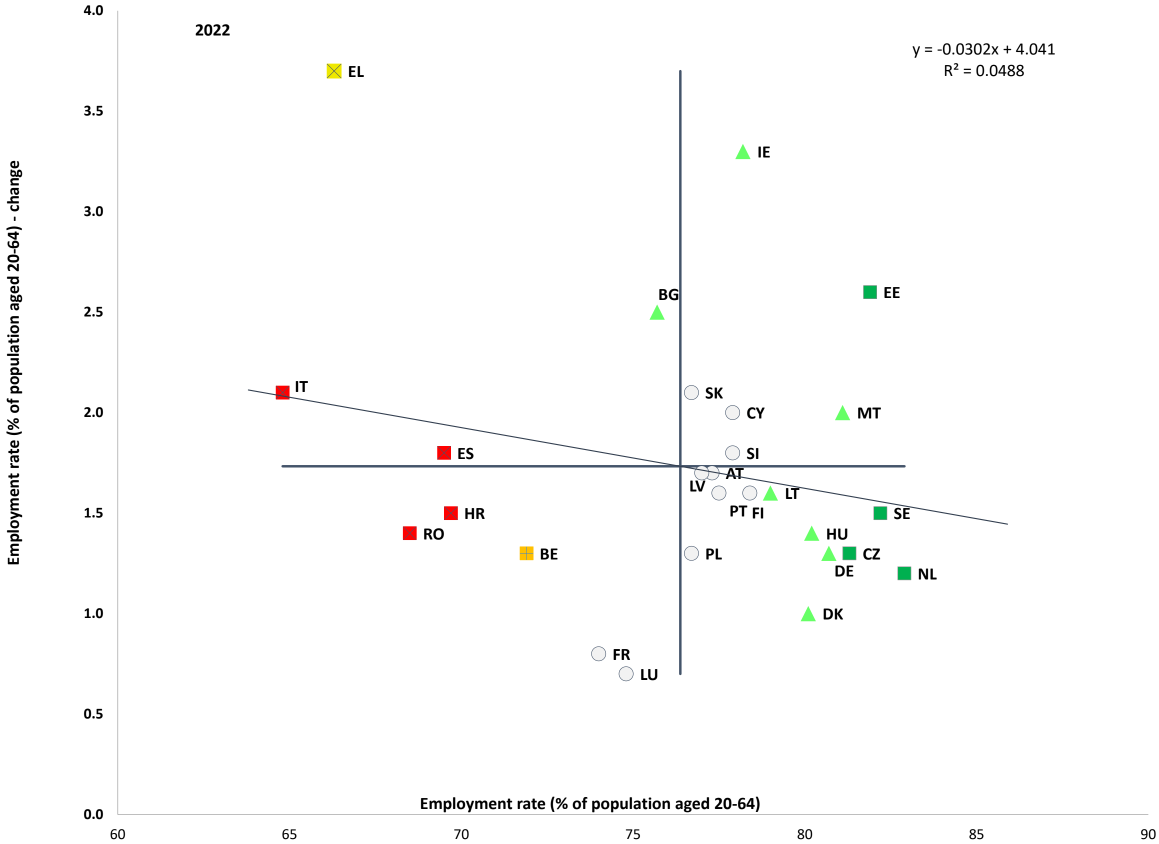
Employment growth was concentrated in services and the less-energy intensive sectors of the economy. Job creation was particularly strong in those activities that had been adversely affected by the pandemic. The lifting of restrictions induced a surge in demand and contributed to a solid employment growth in contact-intensive services, where headcount employment (based on national accounts) increased by 1.9% in 2022 and surpassed pre-pandemic levels for the first time.[76] Strong employment gains were also recorded in professional and ICT services. By contrast, job creation stagnated in manufacturing because of disruptions in global supply chains during the recovery and subsequent increases in energy costs following Russia's military invasion of Ukraine. The energy price shock contributed to keeping labour demand in energy-intensive industries subdued, with employment still 3.5% below pre-pandemic levels. Sectors with low energy intensity provided a comparatively

[76] Contact-intensive services refer to wholesale and retail trade, transport, accommodation, and food services as well as arts and entertainment.

larger contribution to total employment growth, with employment in such sectors 7% above pre-pandemic levels.[77]

Figure 2.1.1: The employment rate increased in all Member States in 2022

Employment rate (age 20-64), 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR.
Source: Eurostat [lfsi_emp_a], EU LFS.

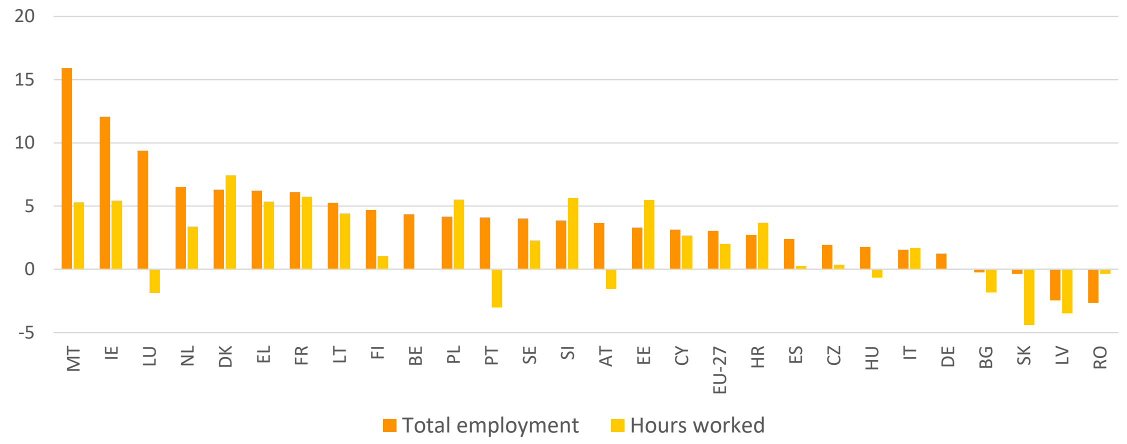
In most Member States, growth of employment outpaced growth of total hours worked, leading to a drop in the average number of hours worked per employee as compared to 2019. Employment recovered quickly after the pandemic and in the second quarter of 2023 stood above pre-pandemic levels in all Member States except Latvia, Romania, Slovakia, and Bulgaria, with an additional 6.4 million workers in the EU as a whole – see Figure 2.1.2. After the large drop during the pandemic due to the widespread use of job retention schemes, the total number of hours worked also rebounded, albeit less strongly than employment in most Member States. In the second quarter of 2023, it was still below pre-pandemic levels in Germany, Portugal, Austria, Latvia, Slovakia, Luxembourg, Bulgaria, Hungary, and Romania. The subdued growth in total hours worked compared to employment implies that the average number of hours worked per worker declined on average as compared to 2019, returning to a long-running downward trend. This can be partly explained by the stronger employment growth in services and sectors characterised by a lower number of hours worked per worker than the average. It may also reflect the effect of the acceleration of digitalisation

[77] See European Commission, *Labour market and wage developments in Europe: annual review 2023*, 2023 (forthcoming).

in the aftermath of the pandemic. In addition, 'labour hoarding' may have played a role: faced with continued labour market tightness and skills shortages, companies generally have stronger incentives to retain existing staff while temporarily reducing working hours.[78]

Figure 2.1.2 Hours worked per workers have been falling in most Member States

Change in total employment and number of hours worked between Q4-2019 and Q2-2023 (%)



Note: Seasonally and calendar adjusted data. Data on total employment only seasonally adjusted for CZ, EL, FR, MT, PL, PT. Data on hours worked only seasonally adjusted for MT and not available for BE.
Source: Eurostat [namq_10_a10_e], National accounts.

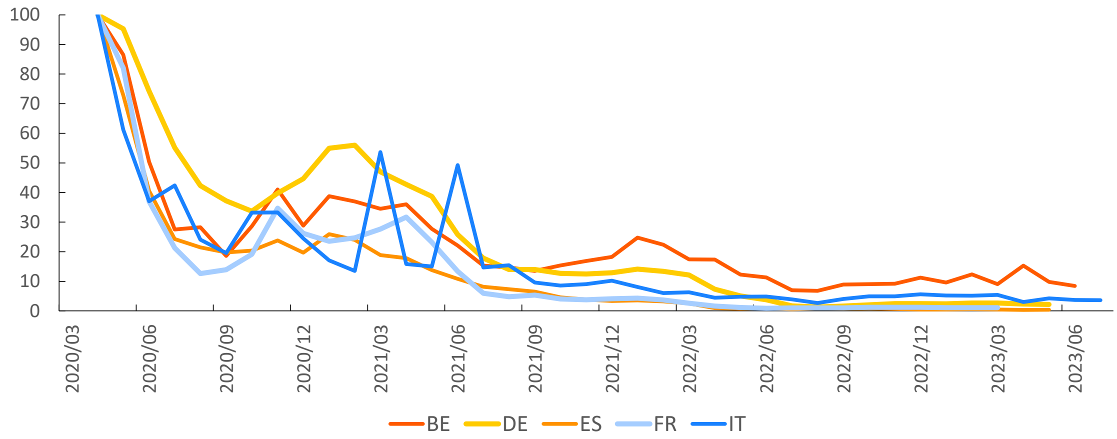
Short-time work schemes are increasingly seen as an effective policy tool to deal with external disturbances in the economy of a temporary nature. Well-designed short-time work and similar job retention schemes have proven effective in preserving jobs and incomes during the COVID-19 crisis. The financial assistance provided under the European instrument for Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) also provided incentives for Member States to pursue effective job retention policies by setting up new schemes or extend existing ones. During the early phases of the pandemic, the use of short-time work schemes reached unprecedented levels.[79] This was followed by a steep decline in the context of the recovery in 2021 when restrictions on economic activities were eased. A number of Member States, including Belgium and Italy, relied again on short-time work schemes to soften the economic impact of Russia's war of aggression against Ukraine and the ensuing energy price shock. However, the use of short-time work schemes remained rather limited, not leading to a substantial increase at aggregate level – see Figure 2.1.3.

[78] See Arce et al., *More jobs but fewer working hours*, ECB Blog, June 2023

[79] Out of EUR 122 billion of total public expenditure on eligible measures over the entire duration of SURE, 49% was spent on short-time work schemes, 31% on "similar measures" for the self-employed and 9% on wage subsidy schemes. The vast majority of funds were spent during the most acute phase of the pandemic. Source: SURE after its sunset – final bi-annual report; COM(2023) 291 final.

Figure 2.1.3: Short-time work schemes were reintroduced or extended in some Member States to mitigate the effects of the sudden and sharp energy price increases

Use of short-time work schemes relative to the COVID-19 pandemic (2020/04 = 100)



Note: DG EMPL calculations based on monthly administrative data (number of short-time workers; number of hours for IT) available for five Member States with pre-existing short-time time work schemes. Data available for FR only for the first quarter of 2023.
Source: Office national de l'emploi (ONEM), Statistik der Bundesagentur für Arbeit, Seguridad Social: Estadísticas, Ministère du Travail - Direction de l'Animation de la Recherche, des Études et des Statistiques (Dares), Istituto Nazionale della Previdenza Sociale (INPS).

Self-employment continues to follow a downward trend, with some differences across countries and sectors. The share of self-employed workers in total employment decreased from 14.8% in 2010 to 13.1% in 2022.[80] During this period, the largest reductions in self-employment were seen in agriculture and commerce while most significant increases were observed in the public and near-public sectors (public administration, education, and health) and ICT. The skills structure of the self-employed also shifted, with 38% of them having tertiary education in 2022 compared to only 27% in 2010. During the pandemic, average working hours of self-employed declined more strongly than those of employees (by 7% compared to 1.9%), partly due to their over-representation in the most impacted sectors.[81] The self-employed also saw their at-risk-of-poverty rates rise more than employees between 2019 and 2021. Such differences can also be partly attributed to differences in social protection coverage and the lower level of income support provided to the self-employed.[82] In 2022, the share of self-employed among all workers varied significantly across Member States, reaching close to or above 20% in Italy and Greece and around 7% in Germany and Denmark. Own-account workers represented the largest share of self-employed in the EU (approximately 70%) and in most Member States in 2022.

Labour demand remained resilient to the economic slowdown at the end of 2022, contributing to persistent labour market tightness. At the end of the year and despite a mild decline, the vacancy rate reached 2.8%, which is well above the pre-pandemic average of 1.7% for the period 2013-2019.[83] In the second quarter of 2023, about 34% of firms in

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[80] This paragraph relies on Eurostat [lfsa_egaps], [lfsa_esgan2], [lfsa_esgaed], EU LFS.

[81] For recent trends in working time and their determinants, see European Commission, *Labour market and wage developments in Europe: annual review 2023*, 2023 (forthcoming).

[82] Eurofound, *Social protection for self-employed: Lessons from the pandemic*, 2024 (forthcoming).

[83] Eurostat [jvs_q_nace2]. The job vacancy rate is the total number of job vacancies (i.e., paid posts that are newly created, unoccupied, or about to become vacant) as a percentage of the occupied and vacant posts.

services, 31% in construction and 26% in manufacturing saw labour shortages as a factor limiting production – see Figure 2.1.4.[84] In the same quarter, shortages in industry close to or above 50% were reported for Poland, Malta, Croatia, and Slovenia. In services, reported shortages were the highest in Malta, Poland, and the Netherlands. While there are some tentative signs of easing in labour market tightness, the continued transition towards a digital and carbon-neutral economy is expected to be accompanied by skills mismatches and shortages in the absence of adequate policy support. Labour shortages in sectors that are key to the green transition have doubled since 2015, while training provision in these sectors remains below average.[85] Effective policies to help workers develop and strengthen their labour market relevant skills remain particularly important to address the persistent labour and skills shortages and to support a fair twin transition.

Figure 2.1.4: Reported labour shortages remain significant in most Member States

The share of employers who report that the availability of labour is a factor limiting production, sorted by values for services (%, Q2-2023)

Source: European Business and Consumer Survey (EU-BCS, Eurostat).

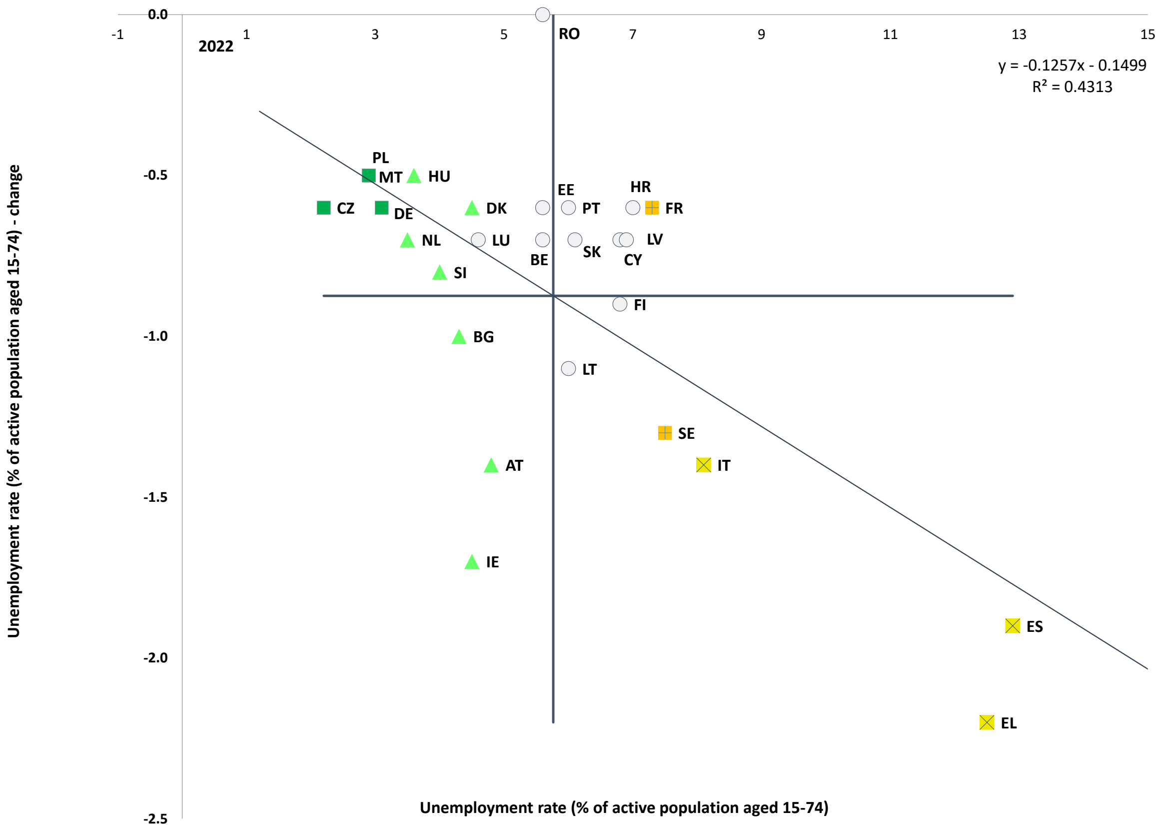
The unemployment rate reached record lows in many Member States in 2022. The average EU unemployment rate (age 15-74) decreased to 6.2% (from 7.1% in 2021), reaching the lowest rate for the years for which the EU aggregate is available. The drop in unemployment was greater in countries with relatively high unemployment levels, thus resulting in a convergence in unemployment levels between Member States – see Figure 2.1.5. In 2022, Greece and Spain recorded the largest decreases by 2.2 pps and 1.9 pps respectively, while the situation remained unchanged in Romania and improved to a lesser extent in Hungary, Poland, and Malta (by 0.5 pps). According to the Social Scoreboard methodology, the situation in Greece, Spain, and Italy is now 'weak but improving' as a result of their above-average performance. At the same time, the situation is 'to watch' in France and Sweden despite improvements around or above the EU average due to their relatively high unemployment levels. In most Member States, significant regional differences in the unemployment rate can be observed (see Figure 6 in Annex 5).

[84] For Q4-2022, these were 30.8%, 32.7% and 26%, respectively, referring to the share of businesses in the EU indicating that labour shortages are a factor limiting their production, as measured by the European Business and Consumer Survey (EU-BCS).

[85] These are construction, energy, waste management, transportation and manufacturing as classified under the NACE framework.

Figure 2.1.5: The unemployment rate reached record low levels in many Member States in 2022

Unemployment rate (age 15-74), 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR.
Source: Eurostat [une_rt_a], EU LFS.

The green transition has a strong potential for quality job creation and will induce significant labour reallocation due to a differentiated impact across sectors and regions. Supported by the right employment and training policies, net-zero policies could create up to 1 million additional jobs in the EU by 2030, fostering job creation in the sectors that are likely to witness increasing demand linked to greening, as well as in other sectors indirectly affected.[86] In 2020, employment in the environmental goods and services sector reached 2.5% of the total in the EU (compared to 2.2% in 2015), though with large differences across Member States. Recent policy initiatives to seize the emerging opportunities in green industries, such as the Green Deal Industrial Plan and the Net Zero Industry Act, could create demand for 450 000 to 550 000 additional jobs to develop, manufacture and deploy strategic net-zero technologies.[87] The sectors that are projected to experience employment growth include construction, renewable energy and electricity, manufacturing of electric goods, waste management, and agriculture. Nevertheless, labour and skills shortages and insufficient

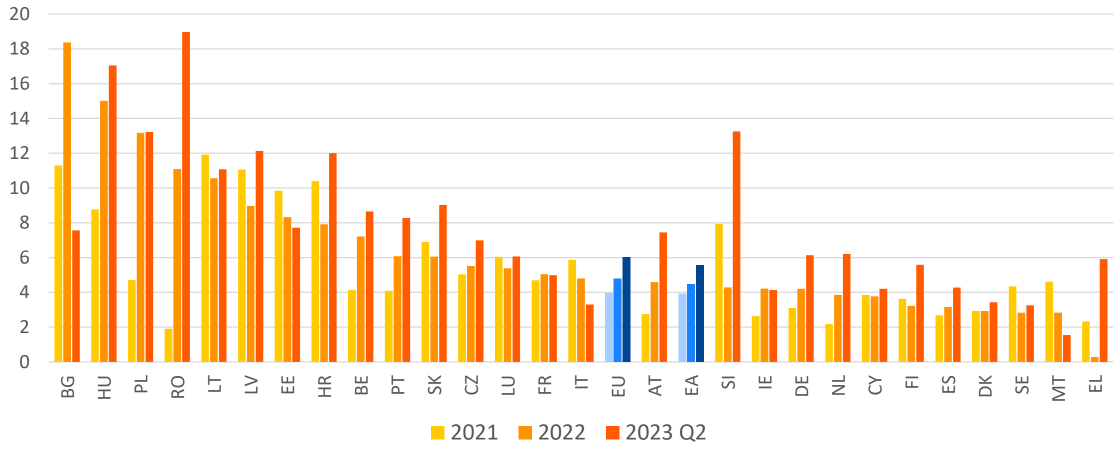
[86] See European Commission, *Stepping up Europe's 2030 climate ambition Investing in a climate-neutral future for the benefit of our people*, SWD(2020) 176 final. Projections based on EQUEST using a 'lower taxation low-skilled labour' scenario.
[87] See European Commission, *Employment and Social Developments in Europe 2023*, Publications Office of the European Union, 2023.

investment compared to the extent needed could hinder employment gains. Effective policies to promote up- and reskilling, hiring incentives, adequate working conditions and labour transitions are crucial to ensure that all workers can benefit from the job opportunities offered by the green transition (see Pillar Box 2 on fostering skills and competencies for a fair transition towards climate neutrality).

Nominal wage growth started to accelerate in 2022 amid high inflation and tight labour market conditions. Growth in nominal compensation per employee reached 4.8% in the EU in 2022, well above the average of around 1.9% from 2013 to 2019. It rose to 5.5% year-on year in the first quarter of 2023 – see Figure 2.1.6. These developments reflect high inflation (peaking at 11.5% year-on-year in October 2022) and continued tight labour market conditions. In the second half of 2022 and the beginning of 2023, most Member States registered the highest nominal wage growth since 2000. In the second quarter of 2023, nominal wages grew by more than 10% on a yearly basis in Romania, Hungary, Poland, Slovenia, Latvia, Lithuania and Croatia but by less than 2% in Malta. Nominal wage growth is projected to accelerate further in 2023, before gradually moderating in 2024 and 2025[88], despite the economic slowdown, as inflation and labour shortages remain high, and wages tend to have a delayed reaction due to the staggered nature of wage negotiations.[89]

Figure 2.1.6: Nominal wages continued rising in 2022 amid high inflation and labour market tightness

Nominal compensation per employee (annual % change, 2021, 2022, Q2-2023)



Note: (1) Wages are measured by the indicator 'Nominal compensation per employee', which is calculated as a total compensation of employees divided by total number of employees. The total compensation is defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period and it has two components: i) Wages and salaries payable in cash or in kind; and ii) Social contributions payable by employers. (2) All the data used are national accounts data. The indicators are based on national currency values. (3) Countries are ranked in ascending order of nominal wage growth in 2022.
Source: European Commission, AMECO database, Nominal compensation per employee [hwcdw]. For Q1 and Q2-2023: EMPL calculations based on Eurostat data, Compensation of employees [namq_10_gdp] and Total employment (domestic concept) [namq_10_a10_e], National Accounts.

[88] See European Commission, *European Economic Forecast Autumn 2023*, Institutional Paper 258, November 2023.

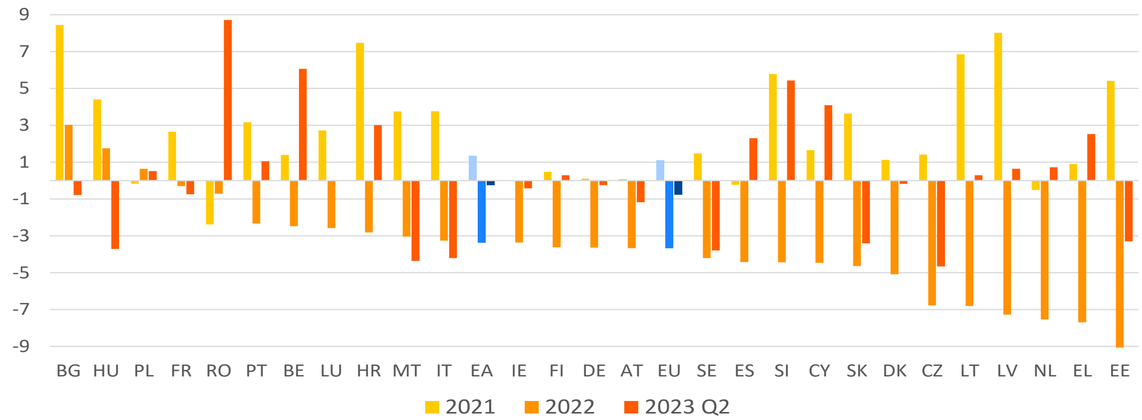
[89] Wage agreements are staggered in the sense that renegotiations take place at different times, while the related decisions on wages are valid for a certain period. In the EU, for the majority of firms, wage renegotiations take place only once a year or less frequently. See Fabiani, S., Kwapil, C., Rõõm, T., Galuscak, K. and Lamo, A., *Wage rigidities and labor market adjustment in Europe*, Journal of the European Economic Association, Vol. 8, No. 2-3, pp. 497–505., 2010.

Growth in negotiated wages in the euro area accelerated in 2022 and continued at a record high pace in the first half of 2023. Unlike the developments in compensation per employee, the indicator on negotiated wages captures the outcome of collective bargaining processes in the euro area and is not sensitive to the number of hours worked. In some sectors, it represents a wage floor. Negotiated wages increased by 4.3% (on an annual basis) in the first and second quarters of 2023, significantly above the growth rates observed in the previous quarters (between 2.6% and 3.1% over 2022).[90] These rates were the highest since 2009, in a context where calls were made to compensate for purchasing power losses in wage negotiations. In many recent wage agreements, permanent pay increases were combined with lump-sum benefits and one-off payments, mostly benefitting low-wage earners.

Despite nominal rises, real wages fell in almost all Member States in 2022 and by 3.7% on average in the EU, with the decline continuing in the first half of 2023, though at a slower pace (see Figure 2.1.7). Nominal wage growth lagged behind inflation, causing real wages to fall in all Member States except Bulgaria, Hungary and Poland in 2022. The larger losses (7% or more) were observed in Estonia, Greece, the Netherlands and Latvia. However, because of stronger wage growth and moderating inflation, the decline in real wages has been slowing. In the second quarter of 2023, real wages were still declining on average in the EU (by 0.8% year-on-year) but grew in almost half of the Member States. Gradually recovering purchasing power and mitigating further losses is essential to contain the social effects of the high cost of living especially on low-wage earners. Developments in profit margins suggest potential room for further increases in wages in some sectors, while remaining vigilant about second-round effects on inflation.[91] In this context, effective collective bargaining, in accordance with national practices, is crucial to achieving an overall wage growth that supports purchasing power, notably of low- and middle-wage earners, while fostering job creation and safeguarding competitiveness.

Figure 2.1.7: Real wages decreased in 2022 and continue falling, though at a decelerating rate

Real gross wages and salaries per employee (annual % change; 2021, 2022 and Q2-2023)



Source: European Commission, AMECO database, Nominal gross wages and salaries per employee [hwwdw]; deflator: Harmonised index of consumer prices [zcpih]. For Q2-2023: EMPL calculations based on Eurostat data, Wages and salaries [namq_10_gdp], Total employment (domestic concept) [namq_10_a10_e] and Harmonised index of consumer prices [prc_hicp_midx].

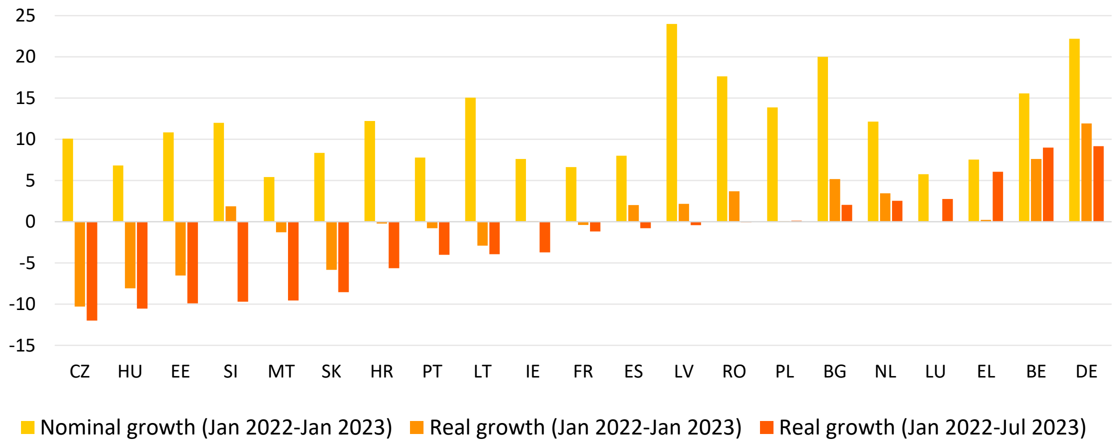
[90] The ECB indicator of negotiated wages for the euro area is a weighted average of national year-on-year growth rates of collectively agreed wages for most euro area countries. Source: ECB Statistical Warehouse.

[91] See European Commission, *Labour market and wage developments in Europe: annual review 2023*, 2023 (forthcoming).

From January 2022 to July 2023, statutory minimum wages increased significantly in nominal terms, compensating for the impact of high inflation on the purchasing power of minimum wage earners in half of the Member States having statutory minimum wages. Between January 2022 and January 2023, statutory minimum wages rose by more than 5% in nominal terms in all Member States where such wages are in place and by more than 10% in most of these countries - see Figure 2.1.8. This development was the result of both substantial increases throughout 2022 and the January 2023 updates, in a context where low-wage earners have been particularly affected by the high cost of living. The increase in 2022 reflected both automatic indexation adjustments, where such mechanisms are in place (e.g. Belgium, France and Luxembourg) and discretionary updates (e.g. Germany, Greece and the Netherlands).[92] Between January 2022 and July 2023, minimum wage earners could benefit from substantial increases in real terms (by 2% or more) only in Germany, Belgium, Greece, Luxembourg, the Netherlands, and Bulgaria. In Poland, Romania, Latvia, Spain and France, statutory minimum wages remained broadly constant in real terms, still safeguarding purchasing power. However, they declined by more than 3% (in real terms) in ten Member States, including by more than 10% in Czechia and Hungary, and by around 10% in Estonia, Malta, and Slovenia.[93] In addition, in Member States without a statutory minimum wage, collectively agreed minimum wages registered subdued growth, leading to substantial losses in real terms.

Figure 2.1.8: Updates of statutory minimum wages have compensated for the impact of high inflation in half of the Member States

Change in statutory minimum wages in real and nominal terms (growth rate, %)



Note: Member States are ranked in descending order of the magnitude of the increase in statutory minimum wages in real terms in 2023.
Source: Network of Eurofound Correspondents and DG EMPL calculations based on Eurostat data, [earn_mw_cur] and [prc_hicp_midx].

Having a job still does not guarantee a way out of poverty. The share of persons who are employed and at risk of poverty in the EU stood at 8.5% in 2022 (referring to 2021 incomes) and was lower compared to a decade ago, but it declined in less than half of the Member States over this period.[94] Romania and Greece experienced the sharpest declines (4.5 pps

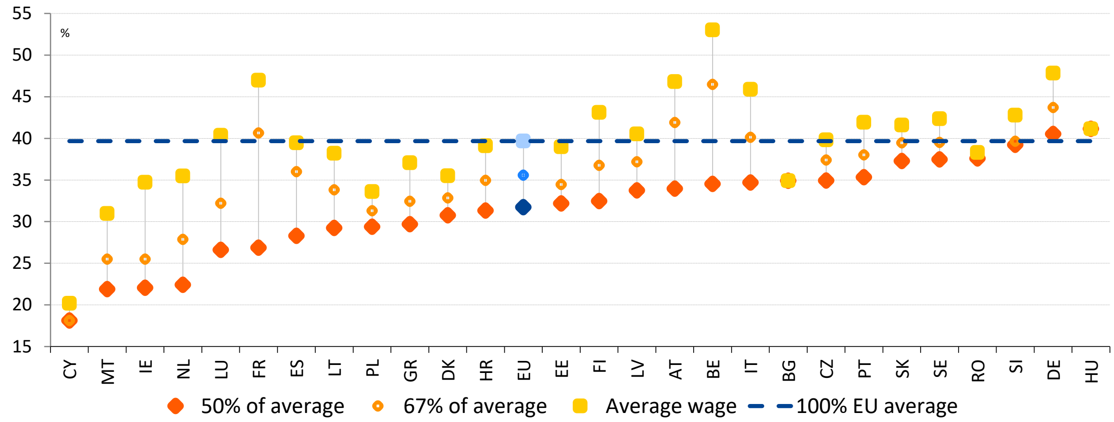
[92] For more details, see European Commission, Directorate-General for Employment, Social Affairs and Inclusion, *Labour Market and Wage Developments in Europe – Annual review 2022*, Publications Office of the European Union, Luxembourg, 2022.
[93] Since nominal rates are typically set each January and not revised during the course of the year in most countries, updates occurred only in a few Member States after January 2023.
[94] Eurostat [ilc_iw01], EU-SILC.

each) but still had rates above the EU average in 2022 (14.5% and 10.6% respectively). Luxembourg, Spain, Italy, Estonia, Portugal, Bulgaria, and Poland are also above the EU average, and (except for Poland) show an increase over the last ten years. In spite of the strain that the COVID-19 crisis put on many workers, in-work poverty has remained broadly stable since 2019 (referring to 2018 incomes) in most Member States. Between 2019 and 2022, only Slovakia, Cyprus and Ireland showed large increases (by 2.7 pps, 1.2 pps and 1 pp respectively), while Hungary, Belgium, Romania, and Spain registered decreases of 1 pp or more. According to the Eurostat early estimates referring to the 2022 income year, in-work poverty is expected to decline in the EU on average, and in particular in Croatia, Austria, Estonia and Italy, in line with estimated higher increases of employment incomes for workers with lower earnings.[95] Like in previous years, across the EU in-work poverty is higher among low-educated workers (18.4%), part-timers (13.5%), those on temporary contracts (12.2%) and especially persons born outside the EU (19.9%) and non-EU citizens (24.3%).

Work and hiring incentives can be influenced by labour taxation. The tax wedge for a single person on an average wage has declined by 2.2 pps in the EU since 2012, reaching 39.7% in 2022.[96] Over the same period, fourteen Member States recorded notable declines (by more than 1 pp) in their tax wedges at this wage level, with the strongest decreases in Hungary (8.7 pps), Romania (6.2 pps), Greece (5.7 pps), Latvia (3.7 pps), Netherlands and France (3.1 pps). Conversely, over the same period, significant increases occurred in six countries including Portugal (4.3 pps), Luxembourg (3.3 pps) and Malta (2.4 pps). Importantly, the tax wedge for a single person on a low wage (50% of the average wage) has declined in the EU by 3.3 pps since 2016 and by 0.4 pps since 2021. However, it varied greatly across Member States in 2022 – from 18% in Cyprus to 41% in Hungary and Germany – see Figure 2.1.9. The impact of labour taxation depends not only on the average tax wedge, but also on the design of the system determining the distribution of the tax burden between employers and employees.

Figure 2.1.9: The tax wedge is lower for low-wage earners

Tax burden for a single low-wage earner (50% and 67% of average wage) compared to average wage in 2022



Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax/benefit model (updated March 2023).
Notes: Member States are ranked in ascending order by the level of the tax wedge for a single person on a low wage (50% of average wage).

[95] See Early estimates of income inequalities.
[96] The tax wedge measures the difference between employers' labour costs and employees' net pay.

Personal income tax systems tend to be progressive, with lower tax wedges for those earning less. In France, Belgium, Luxembourg, this is very pronounced, contrary to Bulgaria and Hungary where there is a flat taxation system – see Figure 2.1.9. Lower tax burdens on low-income earners have a less distortive impact on labour demand and supply and reduce barriers to hiring low-skilled workers that are in general characterised by worse labour market outcomes, while measures should be designed in a way not to hinder the transition toward higher-paying jobs. Inflation can also cause distortions in tax systems, including in terms of progressivity and tax fairness. Distortions in tax systems can arise from nominally defined thresholds such as tax brackets, tax credits, deductions or exemptions. Generally, inflation will cause bracket creep in progressive tax systems when thresholds are fixed in nominal terms.[97] As a consequence, a larger share of taxpayers may end up in higher tax brackets. A higher tax burden coupled with an erosion of tax credits and benefits has the potential to increase poverty risks in the absence of (automatic) adjustments for inflation or other policy interventions.

Shifting the tax burden from labour towards environmental tax bases can lead to improved labour market incentives and greater fairness, while contributing to climate goals, by internalising the environmental cost of production.[98] The REPowerEU Plan encourages Member States to consider taxation measures that incentivise energy savings and reduce fossil fuels consumption.[99] This could include tax measures such as reductions and exemptions from vehicle taxation for both the purchase and use of electric and hydrogen vehicles, tax deductions linked to energy savings and the phase-out of environmentally harmful subsidies. Moreover, the proposed amendments to the Energy Taxation Directive contribute to this aim by setting price signals that reduce consumption of fossil fuels and foster energy savings. Furthermore, the Council Recommendation on ensuring a fair transition towards climate neutrality also promotes a shift of the tax burden away from labour, in particular reducing the tax wedge for low- and middle-income groups towards revenue sources contributing to climate and environmental objectives.[100] Such tax shifts can be implemented in a way that prevent regressive impacts and safeguard fiscal sustainability including the financing of adequate social protection.[101] Support measures ensuring affordable energy targeted to vulnerable groups, especially in the context of the exceptionally high energy prices seen in 2022, are consistent with these objectives.

Pillar Box 1: Gender pay gaps and relevant policy responses

Closing unjustified gender pay gaps is crucial for achieving gender equality and supporting inclusive and sustainable growth. Pay inequalities contribute to gender inequalities in the labour market and in society throughout the life cycle. First, lower earnings for women that are not justified on the basis of different personal or job characteristics hamper their economic independence during working life. They also negatively affect the

[97] Bracket creep describes a situation where the tax burden of households increases because nominal wages (or nominal income in general) increase due to inflation (for example because of the indexation of wages or other incomes). Higher nominal incomes can push taxpayers in higher income tax brackets resulting in higher marginal and average tax rates, albeit wages (incomes) in real terms remain constant.

[98] See Chapter 4. of *Annual Report on Taxation 2023*, European Commission.

[99] See European Commission, *REPowerEU Plan*, COM(2022) 230 final.

[100] See *Council Recommendation of 16 June 2022 on ensuring a fair transition towards climate neutrality* 2022/C 243/04.

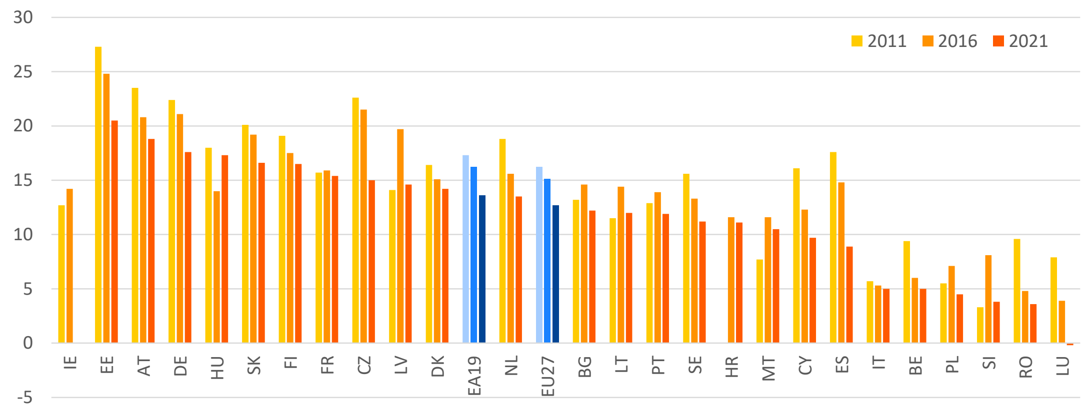
[101] *Commission Staff Working Document Accompanying the Proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality* SWD(2021) 452 final.

labour market participation of women, implying economic and social losses due to less than full use of labour market potential. Secondly, gender pay gaps translate into gender pension gaps (26% on average in the EU in 2022) with greater poverty risks faced by women in old age. Tackling gender-based pay discrimination and inequalities and improving the functioning of tax systems[102] can provide greater incentives for more women to become economically active. This is crucial to address the sizeable labour and skills shortages in the Union, as well as to ensure the adequacy and sustainability of social protection systems in light of populating ageing. Closing unjustified gender pay gaps will also contribute to the implementation of Principle 2 of the European Pillar of Social Rights (on gender equality), and notably the right to equal pay for work of equal value in line with Article157 of TFEU.

Persistent gender pay gaps reflect structural factors and are influenced by pay discrimination and systemic biases in wage structures. Despite progress over recent years, women continue to earn less than men on average despite their higher average educational achievement. The gender pay gap[103] was 12.7% in the EU in 2021, with large variations across countries, ranging from -0.2% in Luxembourg to 20.5% in Estonia. In most Member States, the gap declined in the last decade but at a relatively slow pace in light of the narrowing of long-standing gender differences in labour market participation and higher education levels among women. The causes of these gender pay gaps are complex and interrelated. They can be partly linked to i) the over-representation of women in relatively low-paying jobs and sectors as well as in part-time work; ii) the underrepresentation of women in more senior job positions; and iii) greater difficulties for women in reconciling work with care responsibilities (also resulting in career breaks). Nevertheless, the largest part of the gender pay gap in the EU is not linked to objective and measurable characteristics of individuals.[104] This suggests that other factors, including discrimination and non-transparent wage structures, are likely to significantly contribute to existing gender pay gaps.

Gender pay gaps in unadjusted form remain wide despite improvements

Difference between average gross hourly earnings of employed men and women as a percentage of average gross hourly earnings of employed men (%, 2021, 2016 and 2011)



Note: Sorted by 2021 values. Data are missing for EL for all years, for HR in 2011 and for IE in 2021.
Source: Eurostat [earn_gr_gpgr2]

Pay transparency measures are essential to reveal gender bias in pay structures and settings and enable workers to effectively assert their right to equal pay for jobs of

[102] See section 2.2.1.
[103] Eurostat definition (see graph). Does not take into account other factors that determine the pay, such as job level, seniority, education, experience and performance.
[104] Eurostat, Statistical Working Papers, *Gender pay gaps in the European Union – A statistical analysis*, 2021.

equal value. The Pay Transparency Directive (adopted on 10 May 2023) aims to combat pay discrimination and contribute to narrowing the gender pay gap in the EU by making pay systems more transparent and increase awareness on gender differences in pay levels for individuals performing the same work or work of equal value. Member States have three years to transpose it into national law. Pay reporting as a peer pressure instrument, reinforced by the pay assessment in companies with more than 100 employees where reasonable doubt about the respect of the equal pay right has been detected, are expected to address the systemic undervaluation of women's work at employer level. The Directive sets a clear framework and criteria to implement the 'work of equal value' concept. It significantly improves access to justice and curbs procedural obstacles for victims of pay discrimination. Furthermore, the Directive on adequate minimum wages in the EU is also expected to contribute to reducing the gender pay gap given the over-representation of women in low-paying jobs.

In recent years, several Member States have introduced or announced measures, including as part of their RRPs, to improve pay transparency and gender pay gap reporting. In **Czechia**, the government approved in December 2022 the Action Plan for Equal Pay of Women and Men 2023-26, which includes measures to encourage the wider use of tools for the analysis of remuneration systems and pay gap reporting. In July 2021, **Ireland** updated the Gender Pay Gap Information Act, which requires organisations with over 250 employees to report on the gender pay differentials, including bonuses. As part of the implementation of the Welfare Development Plan for 2023-30 and its RRP, **Estonia** announced the rollout of a digital tool called 'Pay Mirror' to support employers in analysing and reporting gender pay gaps in their organisations. In **Spain**, as part of the implementation of the provisions on equality plans, transparency and equal pay adopted in 2020 under the RRP, the government and social partners have prepared a series of tools and guides for companies and individuals involved in the negotiation of equality plans and job evaluation that facilitate the implementation of the equal pay for work of equal value principle.

2.1.2 Measures taken by Member States

Several Member States introduced hiring incentives and subsidies for job creation. In 2022, **Croatia** introduced subsidies for employment, self-employment and traineeships of registered jobseekers in green and digital sectors as part of its recovery and resilience plan (RRP). **Lithuania** put in place a wage subsidy for Ukrainian refugees, which covers 75% of the wage costs for a maximum duration of 36 months. As part of a broad reform of hiring incentives under its RRP, **Spain** adopted in January 2023 a law envisaging social security rebates for specific groups with low employability, such as long-term unemployed and young NEETs. The new legal regime has a special focus on creating permanent employment, including a minimum contract duration of three years, and provides the general rule that the sum of social security rebates with any other hiring incentive cannot exceed 60% of the wage cost of the contract. In June 2023, **Italy** introduced temporary incentives at the rate of 60% of the gross monthly remuneration for a period of 12 months for the permanent hiring of persons with disabilities and young people not participating in training programmes. In July 2023, **Portugal** put in place a new programme ("*Avançar"*), which grants financial support to employers for offering open-ended employment contracts with salaries higher than EUR 1330 to young people registered as unemployed with high academic qualification. As part of a broader reform, in **Finland** the government introduced a wage subsidy for the hiring of unemployed jobseekers which covers 50% of the wage costs (70% for the employment of persons with disabilities). In **Slovenia**, as part of its RRP, the employment scheme 'Faster entry of young people into the labour market' was launched, subsidising open-ended employment for 4 000 persons under the age of 26 for 18 months, with a total value of EUR 27.36 million. In addition, a pilot employment incentive 'Green jobs' was launched to get around 300 unemployed people into green jobs, with monthly subsidies of EUR 340 paid to employers for two years.

More recently, job retention schemes have been used to address the impact on local businesses and the labour market of extreme environmental developments. In 2023, some Member States took emergency measures in direct response to environmental disasters such as fires, extreme heat waves and floods. **Greece** introduced a three-month furlough scheme in July and September 2023 for businesses affected by forest fires and floods, respectively. **Slovenia** introduced an emergency furlough compensation for businesses affected by floods in August 2023. **Italy** is considering a compensation scheme for construction and agricultural businesses to combat the effects of extreme heat waves.

Some Member States extended their short-time work schemes in the first half of 2023. In **Germany**, the federal government extended the relaxed rules for the use of the short-time work scheme, which remained in force until the end of June 2023. Workers who take advantage of short-time work receive financial support paid by the local employment agency for a maximum of 12 months to cover income losses due to the reduced working hours. While companies do not have to pay wages for them, workers receive 60% of their net income (67% if they have children) for all hours not worked. Also, social security contributions, which are normally paid by employers, are fully reimbursed by the Federal Employment Agency. In **Italy**, the government has approved a 40-week short-time work scheme for companies of national strategic interest with more than 1 000 employees, which have not completed the envisaged programmes for complex reorganization plans implemented through specific corporate restructuring interventions and large-scale investments. In **Slovenia**, a short-time work subsidy scheme was introduced to absorb the delayed impact of the energy price shock between January and March 2023, as well as a furlough scheme limited to 30 days in the first half of 2023. In addition, negotiations are ongoing on the permanent implementation of emergency short-time work scheme subsidies.

Several Member States substantially increased their statutory minimum wages to protect the purchasing power of low-income workers in the high cost of living context. Between January 2022 and January 2023, the largest increases were registered in **Latvia** (24%), followed by **Germany** (22.2%), **Bulgaria** (20%), **Romania** (17.6%), **Hungary** (16%), **Belgium** (15.6%), and **Lithuania** (15.1%). **Czechia**, **Estonia**, **Slovenia**, the **Netherlands**, **Croatia,** and **Poland** also recorded considerable increases, between 10% and 15%. In some of these countries, the increases were introduced through discretionary updates, on top of usual negotiations or indexation mechanisms. Other Member States also announced or undertook minimum wage increases in the course of 2023. Notably, **Greece** and **France** updated their statutory minimum wages in April and May 2023, resulting in increases by 9.4% and 2.2% respectively, and in Romania the minimum wage will be raised by a further 10% in October.

A few Member States have recently introduced reforms to their minimum-wage setting systems. As of January 2023, **Cyprus** introduced a statutory minimum wage, which was set at EUR 885 per month upon recruitment and increasing to EUR 940 following six months of continuous employment. **Bulgaria** amended its Labour Code to introduce a new mechanism for setting the statutory minimum wage level at 50% of the average gross wage, referring to one of the indicative reference values mentioned in the Directive on adequate minimum wages in the EU[105]. Similarly, **Estonia** agreed on gradually increasing the minimum wage to 50% of the average wage by 2027. Indicative reference values are being considered in discussions about possible reforms in Belgium, Ireland, Spain, and Slovakia.

Several Member States amended other aspects of their wage setting systems, in particular in relation to collective bargaining. At the end of 2022, as part of its RRP, **Romania** adopted a law on social dialogue, aimed at enhancing collective bargaining and the coverage of collective agreements by giving trade unions greater powers and establishing an easier procedure for representing employees. In November 2022, **Belgium** agreed to maintain the current system of inflation-based automatic wage indexation combined with a limitation of any additional space for wage increases to wage developments in the neighbouring countries. Nevertheless, the social partners were authorised to negotiate a one-off bonus per worker of up to EUR 500 or EUR 750. **Cyprus** updated its Cost-of-Living Allowance used as a basis for the adjustment of wages, increasing the payment to 66.7% of inflation recorded in the previous year (from 50% introduced in 2022). In 2023, **Spain** passed the 'V Agreement' for employment and collective bargaining which, besides proposing wage increases, also provides official recommendations to lower negotiation units on a number of employment-related issues, including employment contracts, training and skills or retirement. In May 2023, **Portugal** introduced several reforms to the collective bargaining framework related to its coverage, arbitration mechanism and renewals.

Several Member States also adopted various measures related to public sector wages. **Spain** increased the salaries of public employees by 1.5% retroactively from January 2022, in addition to a 2% increase approved for 2022. Salaries of public workers increased by 3.5% in **France,** following the adoption of exceptional legislative measures. **Croatia** is in the process of amending its public sector salary system as part of its RRP by introducing a common base for wages and job complexity coefficients on the basis of more consistent job descriptions and competency frameworks, which should harmonise salaries in the public administration. Public sector salaries in **Slovenia** increased by nearly 9% (in two steps) for most public sector employees and further reforms are expected at the end of 2023.

In line with the Social Economy Action Plan, some Member States announced or developed specific legal frameworks for social economy entities. In **Spain**, the Council of Ministers approved a draft Comprehensive Law on the Social Economy in April 2023, which aims to i) improve the existing legal ecosystem with amendments to the Law on Cooperatives, the Insertion Companies Law and the Social Economy Law; ii) extend the definition of vulnerability and social exclusion; and iii) clarify the scope of the social economy, incorporating new entities such as social enterprises. In **Malta**, the Social Enterprise Act adopted in 2022 is expected to create a registry for social enterprises and to introduce a new form of 'social purpose company'. **Sweden** adopted an Act on the registration of idea-driven organisations in 2022, allowing these registered entities to carry out publicly funded activities and to receive preferential treatment under public procurement procedures. Since the adoption of **Poland's** Social Economy Act in August 2022 as foreseen in the RRP, more than 420 entities have been recorded with a social enterprise status.

Comprehensive strategies for the social economy are also important for developing supportive framework conditions. In September 2023, **Germany** adopted its National Strategy for social innovations and enterprises, following a public consultation with stakeholders, which identifies areas for action. In 2023, **Greece** proposed an Action Plan for

[105] Directive 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union (OJ L 275, 25.10.2022, p. 33).

the Social Economy and Social Innovation to strengthen the social economy ecosystem by investing into five pillars (development of the institutional framework, development of financial instruments, capacity building, strengthening of partnerships and awareness raising). **Spain** adopted its new Social Economy Strategy 2023-27 in April 2023 and nominated a Special Commissioner to coordinate the projects under the Strategic Investment Plan for the social and care economy. The proposal for a Council Recommendation on developing social economy framework conditions adopted in June 2023 is expected to create further awareness and to encourage Member States to engage in developing policy and regulatory frameworks, thereby stimulating the growth of the social economy.[106]

A number of Member States put in place measures to improve the fairness of their tax systems and encourage labour market participation. Lithuania increased the minimum non-taxable income threshold from EUR 540 to EUR 625 as of January 2023, increasing net income predominantly for the employees earning the minimum wage. From 1 February 2023, in **Czechia** a new measure entered into force that reduces the social security contributions payable by employers to 19.8% (from the standard 24.8%) for selected groups of employees working part-time. The tax relief aims to increase employment of people who are either more vulnerable, face early exits from the labour market or experience difficulties in reconciling work and family life. In **Portugal**, the Medium-Term Agreement for Improving Income, Wages and Competitiveness signed by the government and social partners has introduced an additional deduction of 50% of all employment expenses related to salary increases established by collective bargaining. This applies only in relation to employees whose remuneration has risen by at least 5.1% in 2023 compared to the previous year and is above the minimum monthly salary. In **Italy**, the Budget Law approved in December 2022 provided for a reduction of the social security contributions payable by employees by 3 pps for gross incomes up to EUR 25 000 (and 2 pps for gross incomes up to EUR 35 000). With the approval of the Labour Decree on 1 May 2023, these tax wedge cuts for employees were temporarily increased by further 4 pps until the end of the year. Some Member States have also adjusted their tax systems specifically to account for the impact of inflation. In **Germany**, the government approved the Inflation Compensation Act, which adjusted the income tax bracket thresholds and the basic personal allowance for 2023 and 2024 to mitigate the effects of bracket creep. As part of the measures in the budget for 2023, **Ireland** has increased the standard rate income tax band by EUR 3200 to EUR 40 000 for a single person and to EUR 49 000 for married couples with one earner.

2.2. Guideline 6 – Enhancing labour supply and improving access to employment, skills and competences

This section looks at the implementation of the employment guideline no. 6, which recommends Member States to create the conditions to enhance labour supply, skills and competences, in line with principles 1 (education, training and life-long learning), 2 (gender equality), 3 (equal opportunities), 4 (active support to employment), 9 (work-life balance), 11 (childcare and support to children) and 17 (inclusion of persons with disabilities) of the European Pillar of Social Rights. Section 2.2.1 reports on key developments in the area of education, training,[107] and skills, as well as on the labour market situation of vulnerable and

[106] Proposal for a Council Recommendation on developing social economy framework conditions adopted on 13 June 2023.
[107] See European Commission, Education and Training Monitor 2023, (forthcoming).

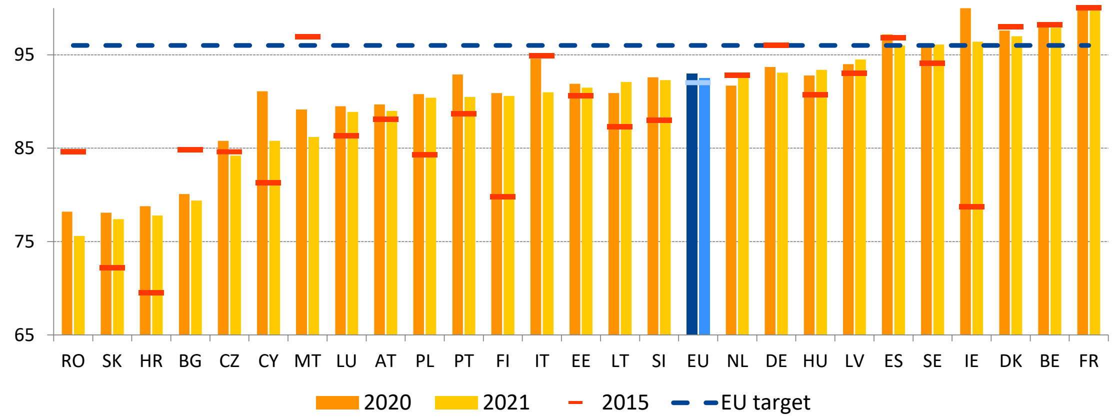
under-represented groups. Section 2.2.2 reports on policy measures undertaken by Member States in these policy areas.

2.2.1 Key indicators

Participation in early childhood education and care is stagnating. In 2021, 92.5% of all children between the age of 3 and compulsory primary schooling age participated in early childhood education and care (ECEC) in the EU, which is 0.5 pps lower than in the previous year after having increased over 2018-20. In recent years, most Member States converged towards or stagnated around a participation rate above 90% (see Figure 2.2.1). Six Member States (France, Belgium, Denmark, Ireland, Spain, and Sweden) have already reached the 2030 EU-level target of 96%.[108] At the same time, participation rates remain below 80% in four other countries (Bulgaria, Croatia, Slovakia and Romania). With more and more countries introducing compulsory pre-school years and a legal entitlement for a place in ECEC prior to compulsory primary schooling, access remains a challenge mainly for smaller children and those from disadvantaged socio-economic backgrounds. In particular, the participation of Roma children in ECEC was about half of the EU average (42-44%) for all children in 2021 (vs a 2030 target of at least 70% in the new EU strategic framework on Roma equality, inclusion and participation).[109] In addition, access to quality ECEC services is hindered by capacity constraints in some geographical areas, also aggravated by shortages of qualified staff,[110] and in some cases challenges related to affordability.

Figure 2.2.1: Participation in ECEC is overall stagnating

Participation in ECEC of children between 3 and the age of starting compulsory primary education (%)



Note: 2015: definition differs for BE, EL, PT. 2020: definition differs for PT. 2021: definition differs for PT, EU. Data provisional for FR in 2020 and 2021. No data available for EL.
Source: Eurostat, [educ_uoe_enra21].

The share of early leavers from education and training continues to decrease slowly but unevenly across Member States, with remaining challenges in terms of employability and learning and adaptation capacity later in life. In 2022, 9.6% of all 18–24-year-olds in the EU had at most a lower secondary degree and had left education or training prematurely,

108 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 30.09.2020 on 'achieving the European Education Area by 2025'.

109 Based on the latest Fundamental Rights Agency (FRA) Roma Survey 2021, published 2022. For more information see EU Roma strategic framework for equality, inclusion and participation for 2020-2030.

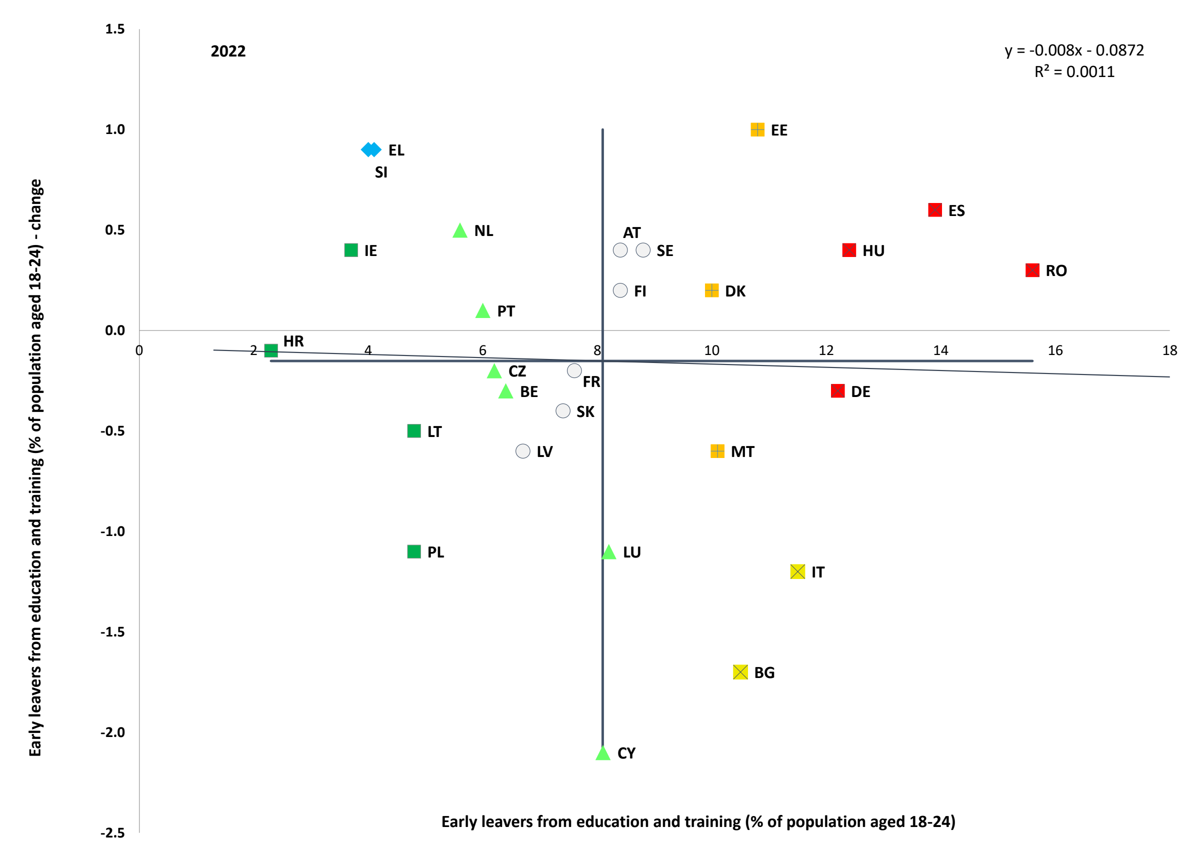
110 While most countries require a qualification at bachelors' level for ECEC teachers (for the 3+ age group), they earn on average 22% less than other tertiary graduates. See the OECD Database: Teachers' and school heads' actual salaries.

which is 0.2 pps less than in 2021 (and 5.1 pps less than in 2007). In 2022, the early school leaving rate was below 9% (i.e. the European Education Area 2030 target) in 18 Member States. However, in Romania, Spain, Hungary and Germany, the rate remained above 12% (also increasing since the last year for the latter three) and representing a 'critical situation' (see Figure 2.2.2). In Estonia, Denmark and Malta rates were above 10%, and decreasing only marginally for Malta while even increasing in Estonia and Denmark, thus a situation 'to watch'. On the contrary, Croatia (2.3%), Ireland (3.6%), Poland and Lithuania (4.8%) were 'best performers'. Despite the overall positive trend, there is no clear sign of upward convergence across Member States, and variations by gender, country of birth and place of residence (e.g., urban vs rural areas) remain significant. Young men leave education and training early much more often than young women, as do persons with disabilities compared to those without.[111] Young people born outside of the EU are almost three times more likely to leave education early than their native-born peers (21.6% vs 8.3%) while 71% of young Roma (aged 18 to 24) left education before reaching the upper secondary level in the EU (as surveyed by the EU Agency for Fundamental Rights, FRA, in 2020-21). Moreover, in 2022, there were 8.6% of early school leavers in EU cities, against 10.6% in towns and suburbs and 10% in rural areas.[112] In some Member States, for example Bulgaria, Hungary and Spain, significant regional differences are reported in the shares of early leavers (see Figure 1 in Annex 5).

[111] See EDE, *European comparative data on persons with disabilities*, 2021. The higher rate of early school leaving among persons with disabilities may be due, among others, to accessibility issues (e.g. physical and architectural barriers) and the absence of adapted programmes.
[112] Eurostat [edat_lfse_30].

Figure 2.2.2: The share of early leavers from education and training continues to decrease slowly, with considerable differences across Member States

Early leavers from education and training (age 18-24), 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for SK. Low reliability data for SK. *Source*: Eurostat [edat_lfse_14], EU LFS.

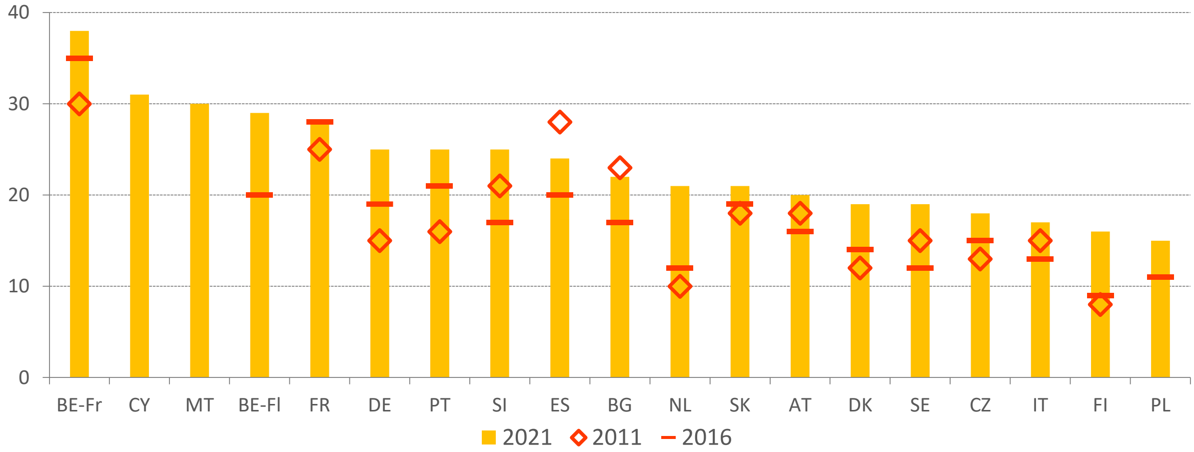
Reading competence has deteriorated across the EU with the socio-economic status remaining a strong predictor of performance. According to the Progress in International Reading Literacy Study 2021 (PIRLS)[113], the reading competence of pupils in fourth grade shows a downward trend over 2016-21 in all Member States, except for France where it remained stable (see Figure 2.2.3). Almost a quarter of all pupils are low-achievers on the PIRLS scale[114], with the share being particularly high in the French-Speaking Community of Belgium (38%), Cyprus (31%) and Malta (30%). Moreover, compared to 2016, the increase in the share of low-achieving pupils was in most countries accompanied by a drop in the share of top achievers, pointing at a deterioration on a systemic level. The survey has also reconfirmed the strong impact of socio-economic background on educational outcomes. On average, the performance difference between children with a higher socio-economic status compared to the others was substantial (80 score points), roughly corresponding to two years of schooling.

[113] See Mullis, I. V. S., von Davier, M., Foy, P., Fishbein, B., Reynolds, K. A., & Wry, E., *PIRLS 2021 International Results in Reading*. Boston College, TIMSS & PIRLS International Study Center, 2023.

[114] PIRLS identifies four reading competence levels, called ‘international benchmarks’: low, intermediate, high and advanced. Here we refer to students reaching at most the low international benchmark as ‘low achievers’.

Figure 22.2.3: Reading literacy has deteriorated in the EU

Proportion of fourth-grade students reaching at most the low international benchmark in the Progress in International Reading Literacy Study (PIRLS) (%,2021).



Note: BE-Fr refers to the French community of Belgium, while BE-Fl refers to the Flemish community. Only education systems with data collections at the end of the fourth grade are shown. Data is not available for Belgium – Flemish Community, Cyprus, Malta and Poland in 2011; for Cyprus and Malta in 2016.
Source: DG EAC calculations based on PIRLS 2021.

In this context, teacher shortages put the provision of quality education further at risk, with recruitment, working conditions, career prospects and initial teacher education differing widely across the EU. Most EU Member States experience difficulties to fill teaching positions in all sectors of compulsory education, attract enough teacher students and retain novice teachers in the profession. Shortages of teachers also vary among specific subject areas, but are particularly noticeable in science, technology, engineering, mathematics (STEM).[115] Teacher shortages are partly driven by demographic trends, with about a quarter of Europe's teacher force (24.5% at ISCED 1-3) being over 55 years and reaching retirement age. In Estonia, Latvia, Lithuania, and Italy the share of teachers over 55 years is even above 35%. In many Member States, becoming a teacher is not an attractive career choice for young people. Teacher salaries at lower-secondary level are on average 11% below those of tertiary educated professionals.[116] This pay gap is even larger for teachers working in ECEC and primary level. Only one in five teachers in Member States participating in the TALIS survey feel that their work is valued by society, while many teachers report work-related stress and heavy workload.[117] Despite Member States' efforts to attract more students in teacher education programmes, in several countries the number of enrolments in initial teacher education is shrinking, while many novice teachers leave the profession within the first five years.

Graduates from vocational education and training tend to have relatively good employment prospects, particularly when benefiting from work-based learning. Among pupils and students in medium-level education[118], more than half (52.1%) were enrolled in programmes with a vocational orientation in 2021 (i.e. providing skills and teaching of knowledge related to a specific trade, occupation or vocation). Also, in light of the diverse national education and training systems in the EU, this share ranges from 17.6% in Cyprus to

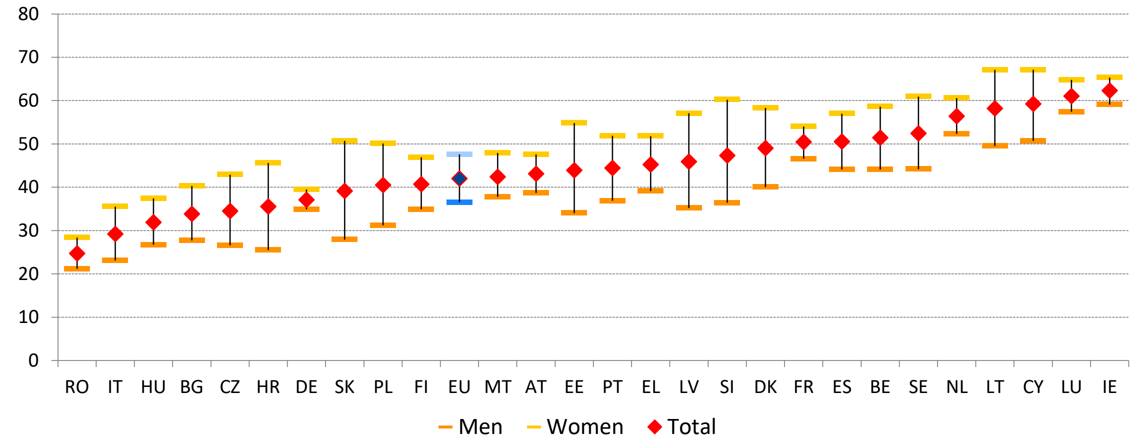
[115] See European Commission, Education and Training Monitor 2023, (forthcoming).
[116] OECD Database: Teachers' and school heads; actual salaries. The average refers to the average of EU Member States that are members of the OECD.
[117] OECD, *TALIS 2018 Results: Teachers and School Leaders as Lifelong Learners*, OECD Publishing, Paris, 2019.
[118] Upper secondary education (ISCED level 3) or post-secondary non-tertiary education (ISCED level 4).

70% in Slovenia.[119] In 2022, 60.1% of recent VET graduates in the EU had benefited from work-based learning during their education and training. Large discrepancies nonetheless persist across Member States, ranging from over 90% in Spain, Germany, and the Netherlands to less than 20% in Romania, Czechia, and Poland. Recent VET graduates who had been exposed to work-based learning were significantly more likely to be employed (82.5% in 2022 in the EU) than those who had not (71.6%). Even though, overall, the employment rate of recent VET graduates across the EU evolved favourably over the past year, reaching 79.7% in 2022, there is a wide variation across countries, from 93.9% in Luxembourg to 57.7% in Romania.

While tertiary educational attainment is steadily increasing, disparities persist, including across genders and regions. In 2022, 42% of people aged 25-34 held a tertiary education degree, up from 41.2% in 2021 and 36.8% in 2016. If the positive trend of the past decade continues, the European Education Area target of 45% may be reached before 2030.[120] Despite the considerable progress at EU level, tertiary education attainment remains below 40% in eight EU countries. While the rate was even below 30% in Romania and Italy, it was above 60% in Ireland and Luxembourg in 2022 (see Figure 2.2.4). Moreover, men are less likely to hold tertiary level qualifications than women (36.5% vs 47.6%). Gender gaps range from 4.6 pps to 23.8 pps across the EU. In 2021, the tertiary education gap between persons with and without disabilities (aged 30-34) was 11.3 pps, with only about a third of persons with disabilities having completed tertiary or equivalent education.[121] Furthermore, strong regional differences persist and some regions with below EU-average shares of tertiary-level educated people are at risk of falling behind more dynamic regions, as the talent and economic gaps increase.[122]

Figure 2.2.4: Gender disparities in tertiary attainment rates are significant

Proportion of people aged 25 to 34 recorded in the Labour Force Survey whose highest level of education or training attained is tertiary education (ISCED 5-8, %, 2022).



Note: Countries are ranked in ascending order of the total tertiary attainment rate.
Source: Eurostat [edat_lfse_03], EU LFS.

An increasing share of tertiary graduates is mobile or resides abroad, with some Member States being mostly on the sending side.[123] There are significant disparities across

[119] This paragraph relies on Eurostat data [educ_uoe_enra16], [tps00215], [edat_lfse_24].
[120] See European Commission, Education and Training Monitor 2023, (forthcoming).
[121] EDE, European comparative data on persons with disabilities, data 2021.
[122] For details, see European *Commission Communication on Harnessing talent in Europe's regions* (COM(2023) 32 final).
[123] Eurofound, *The role of human capital inequalities in cohesion and convergence*, 2024 (forthcoming).

Member States between the number of graduates residing abroad and the number of graduates from another EU country coming into the country. The average of degree-mobile graduates, i.e. those students that have completed secondary education somewhere else than the EU Member State where they were studying, increased from 4.4% to 4.8% between 2017 and 2021 in the EU-27, while the share of graduates residing abroad, expressed as percentage of graduates in the sending country, rose from 3.4% in 2007 to 5.3% in 2022.[124] Ten EU countries were net senders in 2022, while nine other Member States were net receivers. The largest negative net balance in relative terms, for the countries where data was available, were recorded for Croatia, Lithuania, Estonia, Hungary, and Portugal, while Austria, Ireland and Belgium had the greatest positive net balances.

To support competitiveness, promote quality employment and preserve the EU social model, sustained action is needed to further develop the skills of the workforce, including in view of the green and digital transitions. Against this background, well-functioning and effective education and training systems are key to providing young people with labour market relevant skills while a high participation in adult learning is paramount to ensure that the skills of the workforce are constantly updated. The headline target on adult learning requires that at least 60% of adults participate in learning every year in the EU by 2030. The EU target and related national targets are defined in terms of participation in learning over the last 12 months (excluding guided on-the-job training), to better reflect the reality of continuous training, which is largely provided through short, targeted courses. The latest data available from the Adult Education Survey (AES) points to an average participation rate of 37.4% of the adult population for the EU (in 2016), significantly below the 2030 target (see section 1.3). In this respect, the June 2022 Council Recommendation on individual learning accounts outlines how Member States can combine financial and non-financial support in an effective way to empower all adults to develop their skills throughout their working life.[125] Additionally, micro-credentials have a strong potential for offering quick and targeted up- and reskilling for workers and job-seekers, also in light of the skills shortages (see the June 2022 Council Recommendation on a European approach to micro-credentials).[126] The European Year of Skills, building upon the 2020 European Skills Agenda, aims to promote a shift in mindset towards up- and reskilling throughout life, helping people to get the right skills for quality jobs and take advantage of the many opportunities offered by the green and digital transformations.[127]

Labour and skills shortages are widespread across occupations and skills levels, driven by strong labour demand, but also by some more structural determinants such as demographic trends. Widespread labour shortages are driven by strong labour demand despite the recent slowing of the economy, but the shrinking of the labour force due to demographic change may also have played a role. While the effect of ageing was until now counterbalanced by increased labour market participation, the EU labour force is expected to shrink in the coming decades. At the same time, labour shortages in some sectors and occupations are also related to the new jobs created in the context of the green and digital transformations, and the skills shortages and mismatches that are prominent in the workforce,

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[124] Data not available for BG, CY, LU, LV, MT, PL, RO, and SK.

[125] For details, see: COUNCIL RECOMMENDATION of 16 June 2022 on individual learning accounts 2022/C 243/03.

[126] For details, see: COUNCIL RECOMMENDATION of 16 June 2022 on a European approach to micro-credentials for lifelong learning and employability 2022/C 243/02.

[127] Communication of the European Commission on a European Skills Agenda for sustainable competitiveness, social fairness and resilience, COM(2020)274 final; Proposal for a Decision of the European Parliament and of the Council on a European Year of Skills.

also in light of the new skills requirements. Finally, shortages also relate in certain cases to poor working conditions, especially in sectors like healthcare, residential care and transport.[128] Fostering the successful labour market integration of currently under-represented groups (as e.g. women, youth, older workers, people with a migrant background or Roma) could help counterbalance the impact of demographic change on labour supply.[129] Supporting them in developing and effectively using labour market relevant skills and competences through an adequate provision of up- and reskilling opportunities is essential to make effective use of their potential. In STEM and health care occupations, the limited supply of job-specific skills plays an important role in explaining shortages, for instance.[130] Strengthening working conditions would help attracting and retaining workers in certain sectors and occupations with shortages. Furthermore, promoting intra-EU mobility, as well as attracting skilled workers from third countries, while ensuring respect and enforcement of labour and social rights, and channelling legal migration towards occupations experiencing shortages, in full complementarity to harnessing talents from within the Union, can contribute to addressing both labour and skills shortages. [131]

Macroeconomic skills mismatches have been on a declining path in the EU over the last decade.[132] They have been decreasing since 2012 across most EU Member States (see Figure 2.2.5). To a large extent, this decline is driven by the increasing educational attainments across Member States, while the share of jobs requiring at least secondary educational attainment has been rising in the majority of them. To a smaller extent, it also reflects a narrowing gap between the employment outcomes of population groups with low, medium and high qualifications. However, macroeconomic skills mismatches remain relatively high in Italy, Belgium, Luxemburg, Croatia and Spain. Strengthening adult learning could help to lower skills mismatches by better aligning skills supply and demand.

[128] European Commission, *Addressing labour shortages and skills gaps in the EU*, *Employment and Social Developments in Europe (ESDE)*, Annual review. Publications Office of the European Union, 2023.

[129] See Communication from the Commission, *Demographic change in Europe: a toolbox for action*, COM(2023) 577 final.

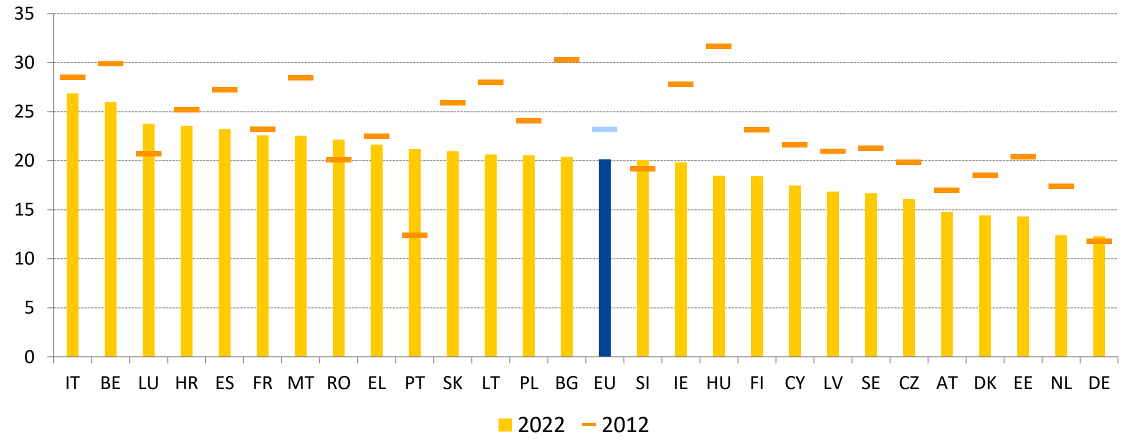
[130] European Commission, *Employment and Social Developments in Europe 2023*, Publications Office of the European Union, 2023.

[131] Notably via the EU Talent Pool launched as part of the Skills and Talent Mobility package adopted by the Commission on 15th November 2023.

[132] Macro-economic skills mismatch arises when the skills distribution differs between the available workers and those that get hired.

Figure 2.2.5: Macro-economic skills mismatch has decreased over the last decade

Relative dispersion of employment rates of workers with different educational attainment levels, weighted by the share of each group in the total working-age population (20-64)



Note: This indicator reflects the relatively higher difficulty of the low- and medium- qualified in entering the labour market, as compared to the high-qualified.
Source: DG EMPL calculations based on Eurostat data [lfsg_egaed; lfsq_pgaed;lfsq_agaed], EU LFS.

Skills shortages may pose bottlenecks to economic growth and can slow down the green and digital transitions if not adequately addressed. In 2021, more than 60% of EU enterprises that recruited or tried to recruit ICT specialists had difficulties in filling such vacancies.[133] A lack of applicants with relevant education and training or work experience was often quoted among the main difficulties. A survey from 2023 conducted under the framework of the European Year of Skills underlined the widespread skills shortages in SMEs, with 78% of them finding it very difficult (52%) or moderately difficult (26%) to find workers with the right skills.[134] About two thirds of SMEs (63%), and in seven Member States even around three quarters of them, considered that skills shortages were limiting their general business activities. For almost half of them (45%) this concerned in particular the use of digital technologies, while limitations in greening their activities was a problem for 39%. In turn, among adult workers, 63% stated that they needed to develop their knowledge and skills further to do their job better, with 52% recognising a need to improve their digital skills.[135]

Pillar Box 2: Fostering skills and competences for a fair transition towards climate neutrality

Further developing the skills and competences needed for a green transition contributes to greater innovation capacity, competitiveness and sustainable and inclusive growth. It supports implementing principles 1 (on education, training, and life-long learning), 3 (equal opportunities) and 4 (active support to employment) of the European Pillar of Social Rights. The transition to a climate-neutral economy, in order to combat climate change and seize the opportunities from green technologies and industrial developments, will trigger a fundamental transformation across a wide range of sectors. New jobs will be created, while

[133] Eurostat [isoc_ske_itrcrs].
[134] Eurobarometer 529 *Skills shortages, recruitment and retention strategies in small and medium-sized enterprises*, 2023.
[135] Cedefop second European skills and jobs survey, 2021.

some jobs will be replaced, and others redefined. The greening of the EU economy under the European Green Deal offers significant opportunities for quality employment and could create around one million jobs by 2030, and possibly a multiple of it by 2050, but requires adequate support and the right accompanying policies.[136] Under the Green Deal Industrial Plan, skills have been identified as one of the pillars for a competitive net-zero industry and a catalyst for a fast transition to climate neutrality. In addition, the Net Zero Industry Act will enhance skills for net-zero technologies by setting up dedicated training programmes through Net-Zero Academies. Building on the European Skills Agenda, the Pact for Skills aims to get public and private organisations together and encourages them to make concrete commitments to up- and re-skilling adults. The European Year of Skills gives a fresh impetus to up- and reskilling and aims at matching people's aspirations and skill sets with job opportunities, especially for the green and digital transitions. In addition, and further underpinning professional green skills, every individual will need to develop sustainability competences to think, plan and act with environmental sustainability in mind so that society as a whole can support the green transition. In this respect, education and training programmes can build on the European sustainability competence framework GreenComp that consists of twelve sustainability competences.

As decarbonization efforts increase, skills for the green transition are increasingly required across sectors and jobs. According to the European Skills, Competences, Qualifications and Occupations Taxonomy (ESCO), almost 300 occupational profiles in the EU require at least one skill labelled as green.[137] In 2022, all EU Member States faced shortages in occupations requiring skills for the green transition, though with considerable cross-country variation (ranging from 108 to 3 occupations having shortages in the Netherlands and Greece respectively).[138] The construction and manufacturing sectors, which play pivotal roles in the green transition, reported widespread shortages. Shortages in occupations of bricklayers, carpenters and joiners, or plumbers and fitters, have been identified in over two thirds of Member States. Significant shortages also occur in other professions related to renewable energy value chains, deployment or logistics, such as truck drivers (in seventeen Member States) or electrical engineering technicians (in twelve Member States). Addressing these labour and skills shortages is key to be able to deliver on the climate neutrality and environmental sustainability objectives.[139]

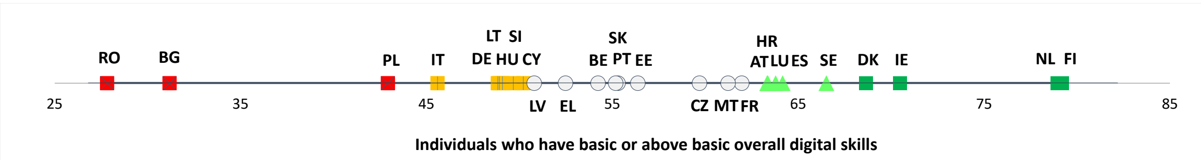
Member States have been taking measures across different policy areas to promote the skills and competences needed for the green transition. Some Member States, for example **Finland** and **Denmark**, are updating their national skills and funding strategies to prioritise skills for the green economy. **France** announced measures that make the development of sustainability competences a 'transversal priority' across all teaching subjects in compulsory education, including a framework for measuring and developing sustainability competences based on GreenComp. In **Slovakia**, education and training curricula are updated under the RRP, with a view to also promote labour market-relevant green skills, and in **Romania** vocational schools will receive support to modernise their curricula, and more than ten of the occupational standards in the list of VET occupations will be updated. This also involves the continued professional development of teachers and trainers, as well as upgrading the infrastructure of classrooms, training centres and work-based learning settings, as part of the

[136] See European Commission, Murauskaite-Bull, I., Scapolo, F., Muench, S., et al., *The future of jobs is green,* 2021.
[137] European Classification of Occupations, Skills, and Competences Taxonomy (ESCO), Cedefop, 2012.
[138] Based on European Labour Authority, EURES Report on labour shortages and surpluses *2022*, 2023.
[139] See: European Commission, *Employment and Social Developments in Europe 2023*, Publications Office of the European Union, 2023.

RRP. Among others, **Spain** and **Denmark** have adjusted their active labour market policies to better link job seekers with opportunities in the green economy. Moreover, several countries, for example **France, Malta,** and **Sweden**, are developing or upgrading their skills intelligence systems to identify or anticipate specific skills that are needed for the green transition. This typically involves close cooperation with industry, social partners, and public employment services, including at regional or local level.

Against this background, significant further efforts are needed to improve the digital skills of the population, particularly among the low-skilled, older people and non-EU nationals. In 2021, between 60 and 70% of workers in the EU used digital tools at work that required basic or moderate levels of digital skills.[140] Yet, only 53.9% of European adults (16-74) had at least basic digital skills, leaving a sizeable gap on the 80% target by 2030, as defined in the European Pillar of Social Rights Action Plan and the Digital Compass for the Digital Decade.[141] In Romania and Bulgaria, less than one third of the adult population had at least basic digital skills in 2021, with the two countries, along with Poland, displaying a 'critical situation' on this dimension (see Figure 2.2.6). Further, Italy, Germany, Lithuania, Hungary, Slovenia, and Cyprus were 'to watch', due to levels well below the EU average. At the same time, the Netherlands, Finland, Ireland and Denmark, as 'best performers', have already attained levels close to 80% of the adult population with at least basic digital skills. There is also considerable variation across population groups. While 71% of young people (16-29) had at least basic digital skills in the EU, only 34.6% of the older population (55-74) did. With rates of respectively 45% and 33% the unemployed and the inactive were also lagging more behind in basic digital skills than the rest of the population. Finally, a significantly smaller share of non-EU nationals (41.8%) possessed at least basic digital skills in the same year.

Figure 2.2.6: Large cross-country differences are observed in digital skills of adults
Share of population with basic overall digital skills or above (age 16-74), 2021 levels (%, Social Scoreboard headline indicator)



Note: The legend is presented in the Annex. Due to substantial changes in the definition of the indicator in 2021, exceptionally only levels are used in the assessment of this indicator (assuming 'no change' for all Member States, also the EU average).
Source: Eurostat, [tepsr_sp410].

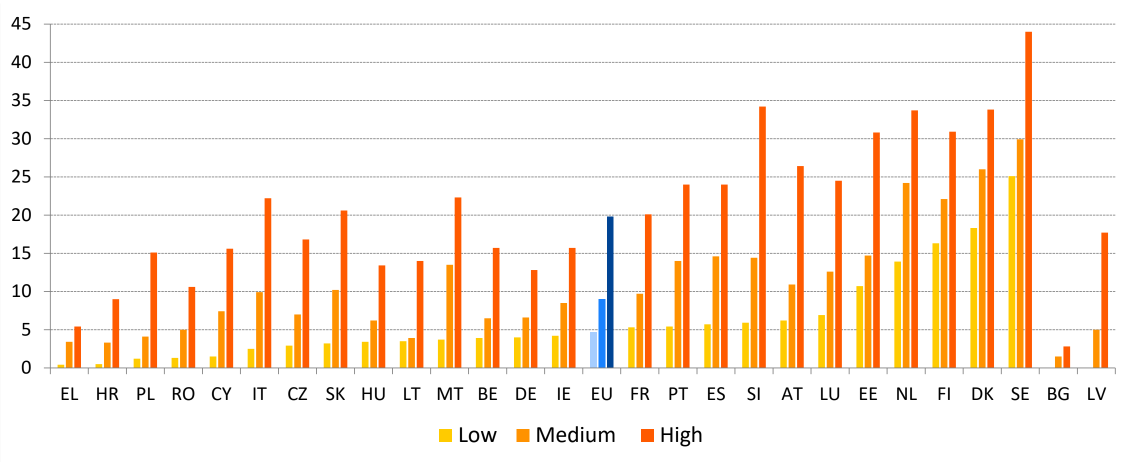
People with low educational attainment deserve particular attention in policy action aimed at increasing participation in adult learning. People with at most lower secondary education make up 20.5% of the 25-64 years old in the EU, and a large share (15.1%) of young people (25-34). In 2022, the participation rate of adults in learning over the last four weeks was more than fourfold and almost twofold among the high- (19.8%) and medium-skilled (9%) respectively, compared to the low-skilled (4.7%) (see Figure 2.2.7). This gap is nonetheless varying by country, from less than twice as high in countries like Sweden,

[140] Cedefop, *Setting Europe on course for a human digital transition: new evidence from Cedefop's second European skills and jobs survey*. Luxembourg: Publications Office. Cedefop reference series; No 123, 2022.
[141] The Digital Decade is the European Commission's forward-looking strategic vision for the development of the digital economy and the transformation of European businesses by 2030. The plan was presented by the European Commission in March 2021. In addition to the target on digital skills, it set a target of 20 million ICT professionals by 2030 (up from around 9 million in 2021).

Denmark, and Finland, to more than ten-fold in countries like Greece, Croatia, and Poland. Improving participation in adult learning in the whole population, and especially among the low-skilled, is crucial in a context of widespread labour and skills shortages, and in view to support inclusive and sustainable growth. The Upskilling Pathways Evaluation Package, recently adopted as part of the European Year of Skills, underlines the need to further provide low-qualified adults with opportunities to develop basic skills or a wider set of skills, as relevant for active participation in society and in the labour market.[142]

Figure 2.2.7: Participating in adult learning is strongly influenced by the educational attainment

Participation of adults (age 25-64) in learning in the last four weeks in 2022, by level (low, medium or high) of educational attainment



Notes: No data available for BG and LV for low skilled. Low reliability data for LU. Break in series for SK.
Source: Eurostat [trng_lfse_03], EU LFS.

Most of adult training takes place in non-formal settings. In 2022, three out of four adults that participated in learning in the last four weeks in the EU did so in a non-formal manner, i.e. a structured way of learning outside of formal traditional educational institutions. This mostly consists of short training courses provided in-company or by specialised centres. In twenty Member States the share of non-formal learning was above 80%, while it was two thirds or less in five other Member States. Only in Bulgaria and Greece, the share of non-formal learning made up less than half of the total learning activities.

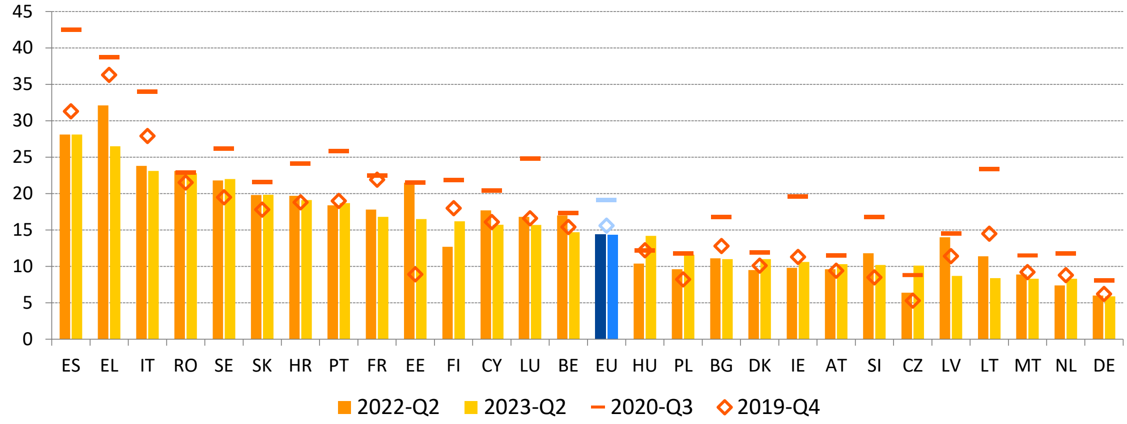
After improving in the post-COVID-19 economic recovery, youth unemployment stabilised below levels observed before, but remains relatively high in many Member States. After reaching the pre-crisis level of 14.4% in Q2-2022, recovering from a peak of 19.1% in Q3-2020, the youth unemployment rate (15-24) broadly maintained this level in the EU in Q2-2023 (see Figure 2.2.8). The rate decreased in 15 Member States compared to Q2-2022, and notably by more than 5 pps in Greece, Estonia, and Latvia, while it increased markedly in Hungary (3.8 pps), Czechia (3.7 pps), and Finland (3.5 pps). Youth unemployment remains almost three times that for the overall working-age population in the EU. It ranges from above 20% in Spain, Greece, Italy, Romania and Sweden, to the lowest rate (5.9%) in Germany. Sustained efforts are needed to overcome the structural challenges that hold young people back on the labour market, particularly in the context of widespread

[142] The Upskilling Pathways Evaluation Package was adopted in July 2023 and evaluated the actions taken in response to the Council Recommendation on Upskilling Pathways.

labour and skill shortages, as well as to counter possible long-lasting negative effects on their career prospects.

Figure 2.2.8: Youth unemployment improved in line with a strong economic recovery, but the situation remains difficult in some Member States

Youth unemployment rate (age 15-24,% of active population) for Q4-2019 (pre-crisis), Q3-2020 (height of the crisis) and Q2-2022 (post-crisis), Q2-2023

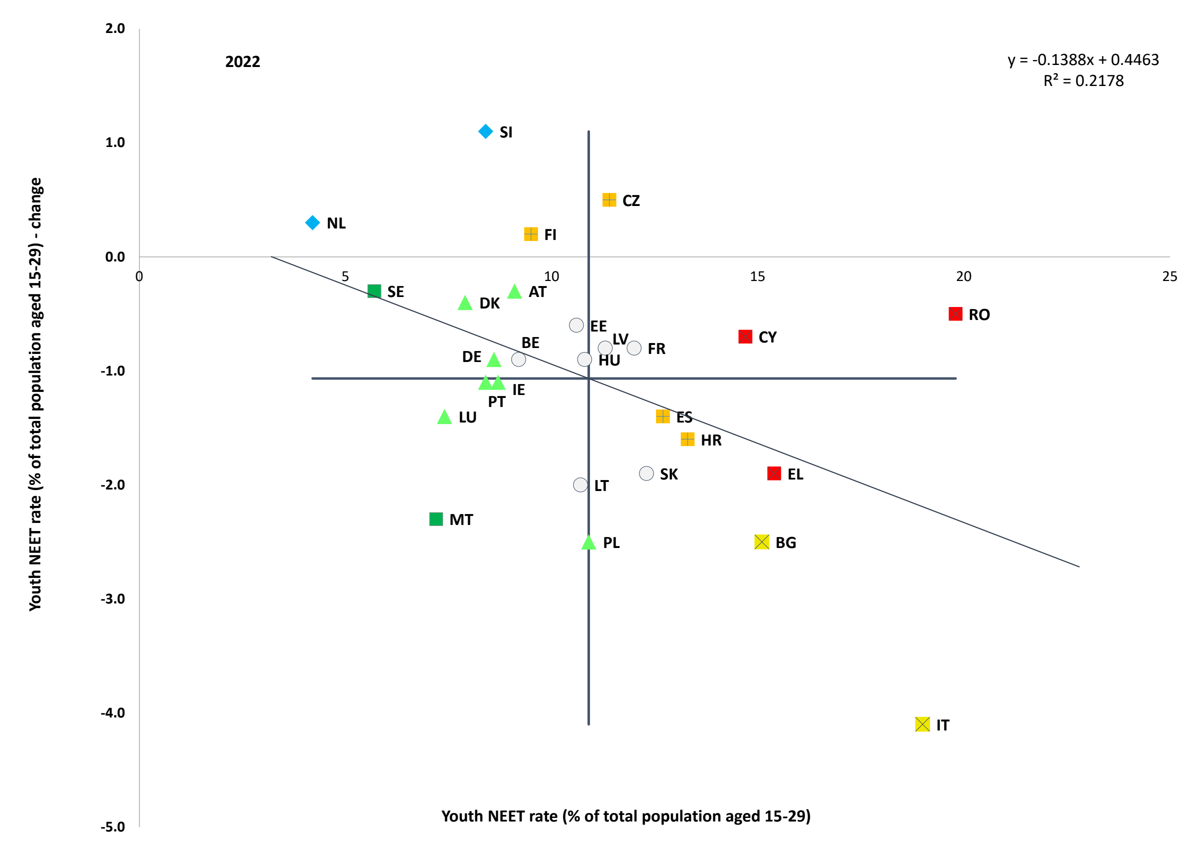


Notes: Seasonally adjusted data. Low reliability for EE, HR, LU, MT, and SI in Q4-2019 and Q3-2020, and for LU, MT, and SI in both Q2-2022 and Q2-2023. Definition differs for FR and ES in Q2-2022 and Q2-2023.
Source: Eurostat [une_rt_q], EU LFS.

Recovering from the COVID-19 crisis, the share of young people neither in employment not in education and training (NEETs) decreased significantly to below pre-pandemic levels, but challenges persist. After a significant spike during the COVID-19 crisis at 13.9% in 2020, the NEET rate (15-29) in the EU continued to decrease from 13.1% in 2021 to 11.7% in 2022. In Romania (which has the highest rate at 19.8%), Greece and Cyprus, the situation of young NEETs is nonetheless 'critical', due to persistently high levels and not sufficiently high improvements for some (see Figure 2.2.9). In Croatia, Spain, Czechia and Finland the situation is 'to watch'. The 'best performers' in the EU were Malta and Sweden recording both low levels and still substantial improvements. In a majority of Member States, regional differences in the NEET rates can also be observed (see Figure 2 in Annex 5). While the unemployed NEET rate significantly improved, decreasing by 0.7 pps from 2021 to 4.3% in 2022, and is now well below the pre-crisis level (4.9% in 2019),[143] a larger share of NEETs (7.4% in 2022, down from 7.8% in 2019) remains outside of the labour force, as better detailed in the devoted Pillar Box 3.[144] In order to achieve the ambition of a 9% NEET rate by 2030, set out in the European Pillar of Social Rights Action Plan, continuous efforts are needed, building upon recent improvements.

[143] Eurostat [edat_lfse_20].
[144] See European Commission, *Employment and Social Developments in Europe 2022*, Publications Office of the European Union, 2022.

Figure 2.2.9: NEET rates have been decreasing significantly but challenges persist
NEET rate (age 15-29), 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR.
Source: Eurostat [lfsi_neet_a], EU LFS.

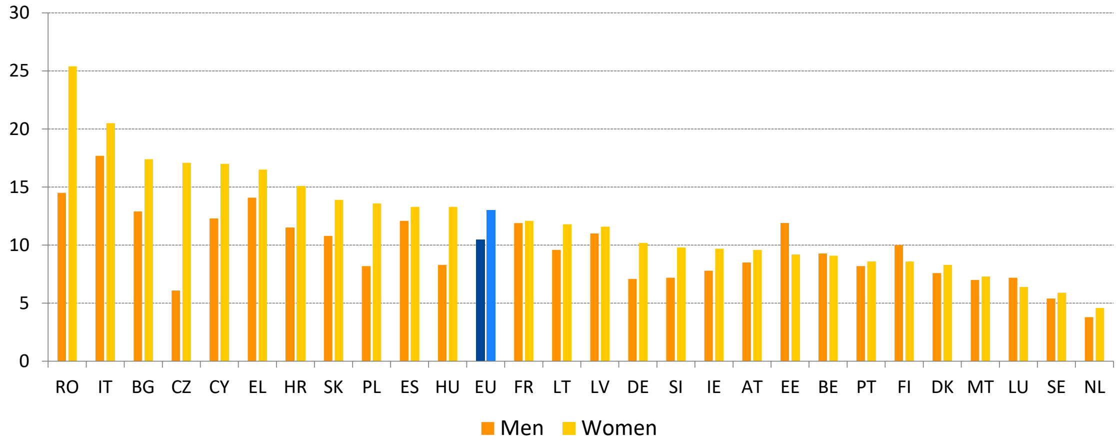
Women and people with a migrant background feature more prominently among NEETs. While improving from 2021 to 2022, the share of women not in employment, education, and training in the EU (13%) was still 2.5 pps higher than for men (10.5%) (see Figure 2.2.10). The gap was above 10 pps in Czechia and Romania. Only in Estonia, Finland, Luxembourg and Belgium the NEET rate for men was higher than the rate of women. While among NEET men, inactivity was only slightly more frequent compared to unemployment (5.7% vs 4.8%), among NEET women a significantly larger share was inactive (9.2% vs 3.8%). Finally, a markedly higher share of young people born outside of the EU was NEET compared to the native born in 2022, particularly among women. The reinforced Youth Guarantee can help target NEETs in offering quality employment, further education, apprenticeships, or traineeships within four months of becoming unemployed or leaving formal education.[145] To complement this, the Aim, Learn, Master, Achieve (ALMA) initiative helps disadvantaged NEETs to gain professional experience abroad, including intensive tailored training in their home country during the preparatory phase, and continued

[145] Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee 2020/C 372/01, OJ C 372, 4.11.2020, p. 1.

support to gain employment or further education in their home country during the follow-up phase.[146]

Figure 2.2.10: While improving overall, the gender gap in NEETs remains substantial

NEET rates of women and men (15-29,%, 2022)



Note: Definition differs for ES and FR.
Source: Eurostat [lfsi_neet_a], EU LFS.

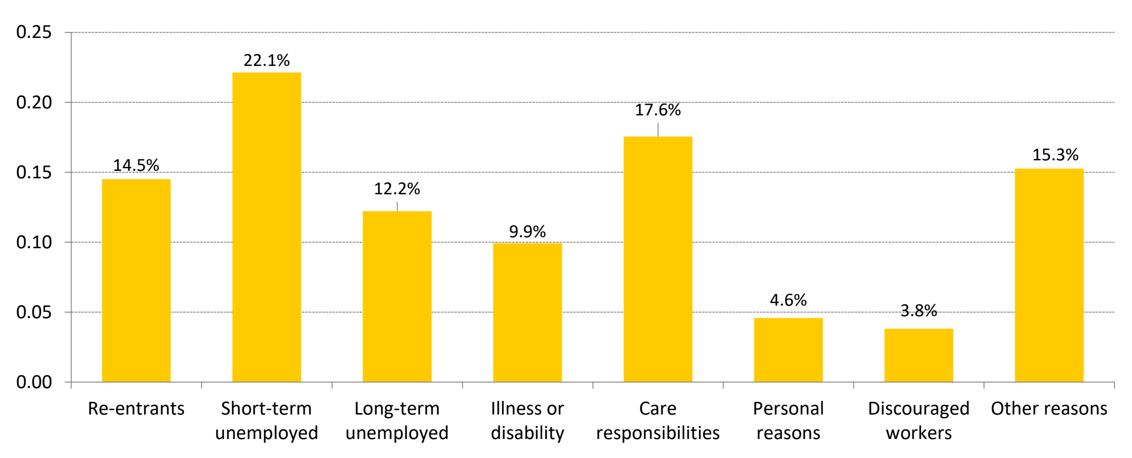
Pillar Box 3: Closing the opportunity gap for young people that are neither in employment nor in education and training

Young people neither in employment nor in education and training (NEETs) constitute an untapped source of talent and innovation which, if addressed, can contribute to the green and digital transformations and enhance economic and societal dynamism. The adequate and timely integration of young people in the labour market, or in the education and training systems, is key to avoid so called longer-term "scarring effects". This situation can harm future career prospects and earning capacity, with potentially also greater risks of poverty and social exclusion, until the more extreme cases of physical and mental health problems.[147] The big transformations ahead related to the greening and the digitalisation of our economies increase the necessity to ensure that young generations are well integrated in the labour market and in society, and are able to embrace change and steer the transformations ahead. While swift policy intervention at the EU and Member State level helped to bring down the NEET rate (15-29 years old) from its peak of 16.4% in the EU in 2013 to 12.8% in 2019,[148] and then to a record low of 11.7% in 2022, 8.3 million young NEETs continue to pose a significant challenge for the Union. This is to be addressed in line with Principle 4 of the European Pillar of Social Rights (on active support to employment), which highlights the right of young people to continued education, and swift apprenticeship, traineeship or job offers.[149]

[146] Further information available at ALMA (Aim, Learn, Master, Achieve) - Employment, Social Affairs & Inclusion - European Commission (europa.eu).
[147] European Commission, *Addressing labour shortages and skills gaps in the EU*, *Employment and Social Developments in Europe (ESDE)*, Annual review. Publications Office of the European Union, 2023.
[148] The Youth Employment Initiative (YEI) was launched in 2013 to provide support to young people living in regions where youth unemployment was higher than 25%.
[149] The European Pillar of Social Rights Action Plan proposed a reduction in the NEET rate alongside the EU employment rate target of 78% by 2030.

Diverse situation for NEETs in the EU requiring a combination of different policy approaches

Categorisation of young NEETs by reasons for not participating in employment, education or training



Source: Eurofound calculations based on Labour Force Survey microdata.

Young NEETs represent a highly heterogeneous population, which calls for tailored policy approaches. In 2022, in the EU, while the unemployed NEET rate stood at 4.3%, the share of inactive NEETs was significantly higher, at 7.4%. In particular, Romania (14.2%), Italy (12.7%), and Bulgaria (11.9%) recorded the highest rates of inactive young NEETs in the Union. Romania also presented a considerable gender gap in this statistic, with a 13.3 pps higher rate for women than for men, followed by Bulgaria (5.9 pps) and Italy (3.8 pps). According to Eurofound research, young people may be inactive NEETs for reasons such as family responsibilities, illness or disability (see Figure). Others may be discouraged as not able to find a suitable job, while facing additional barriers as time passes. Understanding the reasons behind the economic inactivity of young NEETs in each country is key for designing targeted policy interventions, which span from employability measures to care and social assistance.[150] Helping NEETs find their way into the labour market is even more important in light of the sizeable labour and skills shortages that the Union is facing.

While there is no one-size-fits-all approach, outreach and activation measures, skills development, and affordable and quality care and social services are in general important to address the challenge of young NEETs. The Pathways to Work Strategy 2021-2025 adopted by **Ireland** outlines labour market activation, up- and reskilling programmes as well as employer subsidies to incentivise the labour market participation of young NEETs. In **Romania**, the 'STONE project' focuses on strengthening the skills of NEETs. Other Member States support NEETs in digital upskilling, such as **Italy** ('*Crescere in Digitale*'), **Spain** ('*Empleando Digital*') and **Belgium** ('*BeCode*' and '*MolenGeek*').

Older people are more active in the labour market than ever before, but there is still scope for further improvement, particularly as regards older women. In 2022, half of the EU's population was older than 44.4 years and the median age is projected to rise by 4.4 years to reach 48.8 in 2100.[151] The employment rate of older workers (55-64) increased markedly from 44.7% in 2010 to 62.3% in 2020, on the back of an increase in their participation rate

[150] Sources: Eurofound, *Impact of COVID-19 on young people in the EU*, and Eurofound (2016), *Exploring the diversity of NEETs*, Publications Office of the European Union, 2021. Calculations are based on EU-LFS microdata. 'Re-entrants' include furloughed workers and people just hired or enrolled in education and training.

[151] See Eurostat, Population structure and ageing, Statistics explained, 2023.

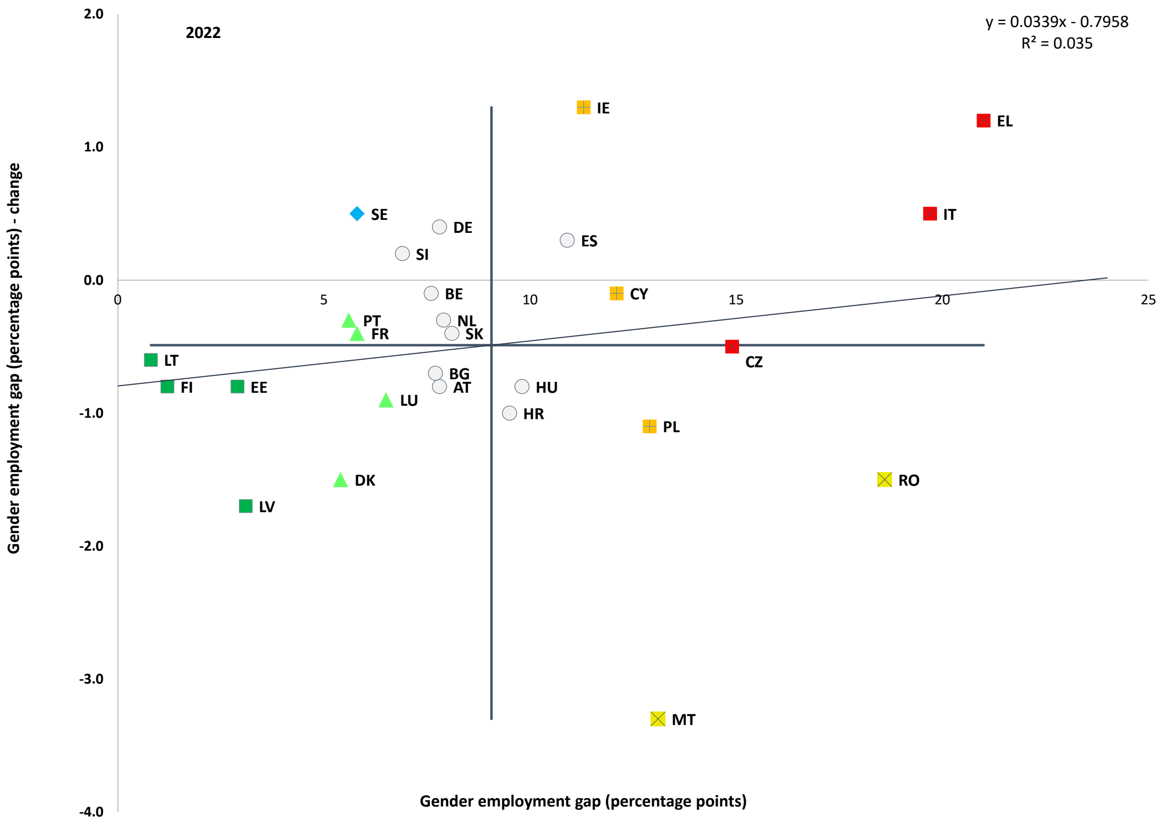
from 48% to 65.4%. In 2022, the employment rate of older women, at 56.2%, was nonetheless 12.5 pps lower than that of men, at 68.7%, though having narrowed (by 3.5 pps) since 2010. Compared to other age groups, older workers tend to have higher job stability, also reflected in their relatively low unemployment rate. In 2022, the unemployment rate of older workers (55-74), at 4.6%, was 1.6 pps lower than the overall rate at 6.2%. However, job loss when it occurs can be more damaging at an older age, also because older workers tend to face greater difficulties in keeping their skills up to date. In 2022, 51.1% of unemployed people aged between 55 and 64 had been looking for a job for over a year (compared to 35.3% for the total population). In the context of widespread labour and skills shortages across the EU and the negative demographic trends, longer working lives play an important role to support the supply of labour and ensure the fiscal sustainability of social protection systems, while guaranteeing social cohesion, solidarity and knowledge transfers between generations. As older workers may potentially be more exposed to the risk of skills obsolescence, training and life-long learning policies, including to ensure adequate digital skills, are particularly important to preserve their employability and foster active ageing.

Gender inequalities in the labour market remain pervasive, with large differences across Member States and no signs of upward convergence. In 2022, the employment rate for men stood at 80% in the EU, while being at 69.3% for women, resulting in a gender employment gap of 10.7 pps. This gap slightly narrowed over the last years (from 11.1 pps in 2020 and 10.9 pps in 2021). The widest gender employment gaps were observed in Greece and Italy, where just over half of women were employed (55.9% and 55%, respectively), compared with around three quarters of men (76.9% and 74.7%, respectively), which shows a 'critical situation' (see Figure 2.2.11). This is also the case for Czechia, where the gap improved somewhat but is still wide, at 14.9 pps. 'To watch' are Poland, Cyprus and Ireland, the latter after having experienced a further increase. On the contrary, the smallest gender employment gaps in 2022 were recorded in Lithuania (0.8 pps), Finland (1.2 pps), Estonia (2.9 pps), and Latvia (3.1 pps), which were all 'best performers'. Significant variation in the gender employment rate across regions could be observed in some Member States, for example Austria, Germany and Spain (see Figure 3 in Annex 5). In order to achieve the 2030 employment rate target set out in the European Pillar of Social Rights Action Plan, Member States strive to at least halve the gender employment gap by 2030. To achieve this, further policy action is needed in order to tackle barriers to women's labour market participation and integration, in line with the EU Gender Equality Strategy 2020-25.[152]

[152] For further information see European Commission, *2023 report on gender equality in the EU*, Publications Office of the European Union, 2023.

Figure 2.2.11: The gender employment gap has narrowed in a majority of countries but remains significant with no sign of upward convergence across Member States

Gender employment gap (age 20-64), 2022 level and change from previous year (pps, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR.
Source: Eurostat [tesem060], EU LFS.

The gender employment gap is wider when considering full-time equivalent (FTE) employment, as women more frequently work part-time. In 2022, the share of part-time work of women was significantly higher than for men (28.4% vs 8.2%), though the gender gap in part-time employment has been narrowing over the last years (from 21.1 pps in 2020 to 20.2 pps in 2022). When considering FTE employment, the gender employment gap in the 20-64 age bracket stood at 16 pps in 2022 in the EU, significantly above the gap at 10.7 pps when not considering FTE.[153] Parenthood had an opposite impact on the employment of fathers and mothers. In 2022, while the employment rate for women aged 25-54 with children in the EU was 5 pps lower compared to their peers without children, the rate for men with children was 8.5 pps higher than the rate for those without.[154] The gender employment gap reached 17.3 pps for persons with children, while it stood at 3.8 pps for those without. Among employed women with children, the share of part-time employment reached 31.5%, compared to 4.9% for men. In most countries, the impact of parenthood is reflected in lower

[153]The FTE employment rate compares differences between groups in average hours worked. The FTE employment rate is calculated by dividing total hours worked in the economy (first job, second job, etc.) by the average number of hours in a full-time schedule (around 40) and by the number of people aged 20-64. Source: Joint Assessment Framework (JAF), computation on Eurostat data.
[154] Eurostat [lfst_hheredty].

employment rates and higher shares of part-time employment for women – this is particularly the case in countries like Germany, Austria, and Ireland. Gender pay gaps have been narrowing over the last decade, but are also still wide in most countries, as detailed in the devoted Pillar Box 1.[155]

Improving the provision and accessibility of quality and affordable early childhood education and care is key for increasing women's participation in the labour market and children's development; still participation in ECEC has been decreasing.[156] After reaching 37.9% in 2021 in the EU, participation of children below the age of 3 in formal ECEC significantly decreased in 2022 (by 2.2 pps) to 35.7%, and important differences persist across Member States. Only nine of them have reached the revised 2030 Barcelona target of 45%, while a majority of Member States is still below the old target of 33% of children below 3 years in formal ECEC.[157] In 2022, the participation rate was even below 15% in Slovakia, Czechia, Romania, and Hungary, representing a 'critical situation' (see Figure 2.2.12). In Poland, Bulgaria, Ireland, Lithuania, Austria, Germany, Cyprus and Croatia, only between 15 and 28% of children below 3 years participated in ECEC, which is 'to watch'. The 'best performers' in the EU were Denmark, the Netherlands, France and Sweden, where more than 50%, and in Denmark and the Netherlands even more than 70%, of children participated. Financial, cultural and language barriers as well as regional inequalities can pose obstacles for participation in formal ECEC that need appropriate policy responses.[158] Overall, further policy action appears warranted in line with the European Child Guarantee, the European Care Strategy and the Council Recommendation on early childhood education and care.

[155] Eurostat [tesem189].

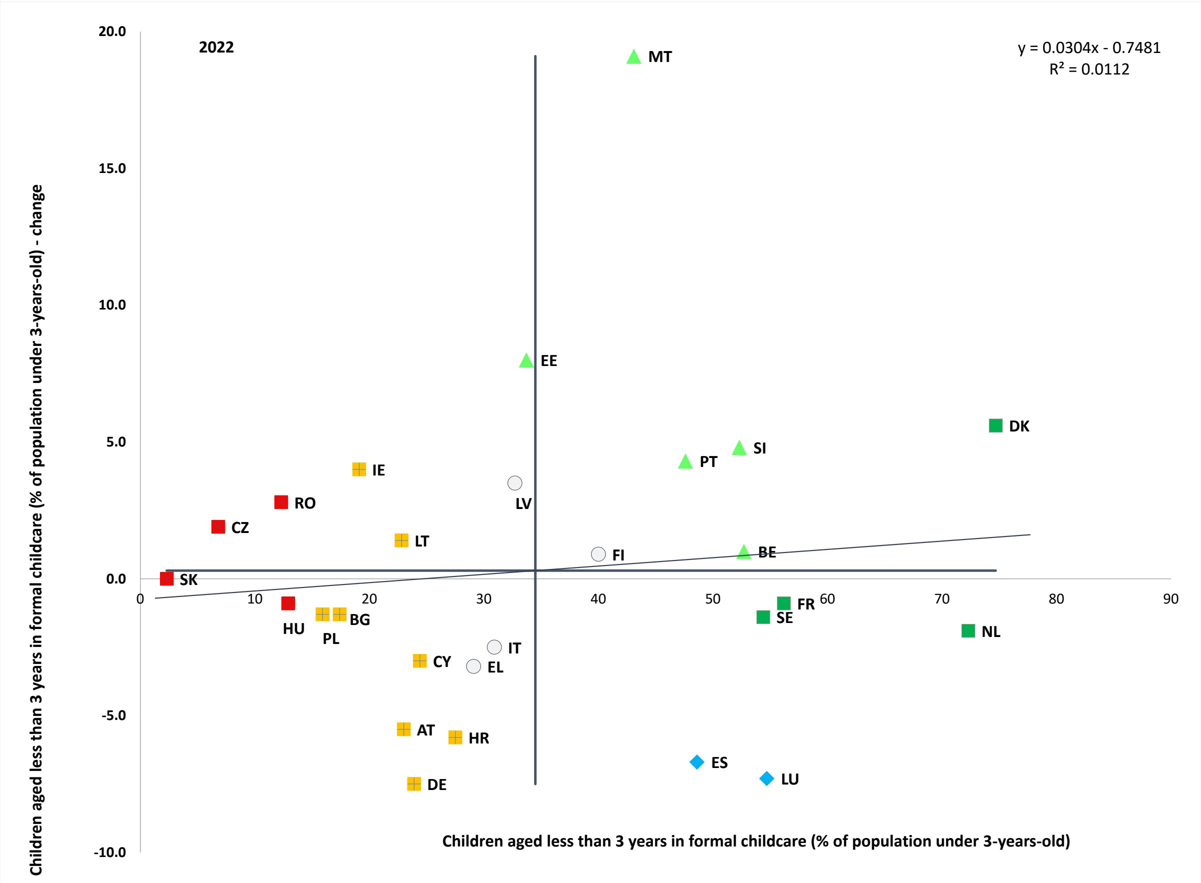
[156] See European Commission, *Employment and Social Developments in Europe 2023,* Publications Office of the European Union, 2023.

[157] In 2002, the European Council in Barcelona established targets on childcare to be achieved by 2010, namely to provide ECEC to at least 33% of children under 3 years and to at least 90% for children between 3 years and the mandatory school age. As those targets were reached, in November 2022, the Council Recommendation on early childhood education and care revised them, following the proposal of a European Care Strategy in September 2022 by the European Commission. The recommendation sets out new targets on early childhood education and care, mirroring the targets set in the European Education Area initiative. By 2030, at least 45% of children below the age of 3 and 96% of children between the age of 3 and the starting age for compulsory primary education should be in ECEC. Those Member States whose average participation in the period 2017-21 was below 20% will have to increase by 90%, while Member States whose average participation was 20-33% will have to increase by 45%, with a limit of 45%.

[158] European Commission, *Employment and Social Developments in Europe Annual Review 2022*, Publications Office of the European Union, 2022.

Figure 2.2.12: Participation in early childhood education and care decreased in most Member States

Children less than 3 years in formal childcare and yearly change, 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in the series for FR and LU.
Source: Eurostat [tepsr_sp210], EU-SILC.

Caring for persons with long-term care needs is another factor negatively affecting the labour market participation of women. While the share of women and men providing long-term care (LTC) was similar in 2022 (22% of women and 21% of men), 17% of women reduced their working time because of caring responsibilities, including informal care, or caring for own or other children, compared to 12% of men. A possible explanation is the higher intensity of care work for women. While 73% of men providing informal LTC are supported by other care services used by their care recipient, the share is only 61% for women.[159] The Council Recommendation on access to affordable high-quality long-term care emphasises the need to support informal carers through training, counselling, psychological support, respite care, work-life balance measures, access to social protection and/or adequate financial support. In addition, the Recommendation underlines the need for Member States to align the offer of long-term care services to the care needs, while providing a balanced mix of

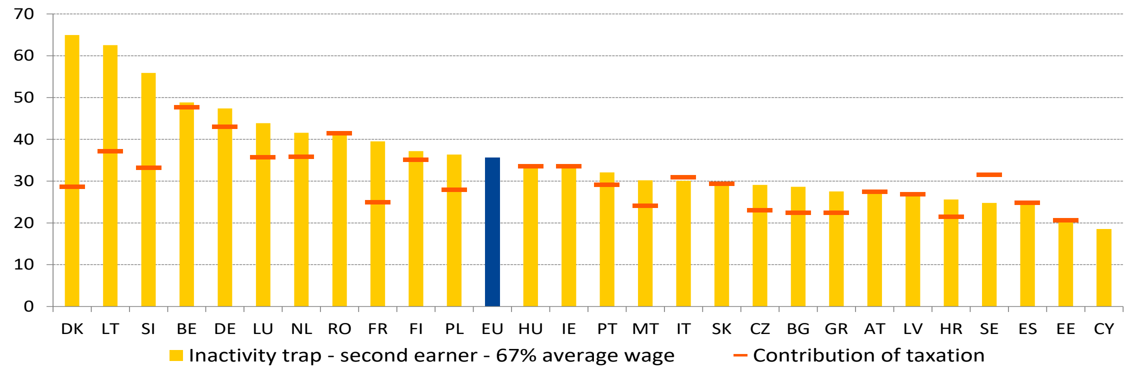
[159] European Institute for Gender Equality, *Gender gaps in the use of time: impacts on care and work-life balance* (forthcoming).

options. Further, adequate social protection for long-term care should ensure that services are timely, comprehensive and affordable.[160]

Taxation design can promote greater gender equality in the labour market, including by removing joint taxation, as 78% of second earners in the EU are women. Joint progressive taxation systems can negatively impact second earners' entry into employment and hours worked by creating a high marginal tax burden. [161] The degree of the joint taxation of the combined income of a couple (including transferable tax credits) and the benefit system design (e.g., the withdrawal of means-tested benefits) affect the level of the inactivity trap for second earners. In 2015, estimations show that women's income made up only around one third of a couple's joint income on average.[162] Couples' earnings benefit from lower taxes through joint filing of taxes (compulsory or voluntary) but this also increases second earners' marginal tax rates, which acts as a disincentive for them to work.[163][164] Indeed, recent research shows that abolishing all elements of joint taxation would considerably increase women's labour supply.[165] The inactivity trap for second earners is highest in Denmark, Lithuania, Slovenia, Belgium and Germany and in most Member States taxation significantly contributed to it (see Figure 2.2.13). For instance, if an inactive spouse with two children takes up a job at 67% of the average wage in Denmark, 65% of her earnings would be lost in additional taxes and withdrawn benefits. In contrast, this trap is less than 25% in Sweden, Spain, Greece, and Estonia, and less than 20% in Cyprus. The contribution of taxation is most pronounced in Belgium, Germany, and Romania, contributing for over 40% to the potential loss of revenue for a second earner on 67% of the average wage when entering paid employment.

Figure 2.2.13: Taxation can be a strong disincentive to paid work of second earners

Inactivity trap for second earners, (%, 2022)



[160] For details, see COUNCIL RECOMMENDATION of 8 December 2022 on access to affordable high-quality long-term care (2022/C 476/01).

[161] For details on labour taxation, see European Commission, *Annual Report on Taxation 2023*, Section 2.1.3.

[162] European Commission, Directorate-General for Justice and Consumers, Rastrigina, O., Verashchagina, A., *Secondary earners and fiscal policies in Europe*, Publications Office of the European Union, 2015.

[163] Joint filing can lower single or dual-earner couples' overall tax burden compared to separate filing when earnings are unevenly distributed between the partners. In some Member States where it exists, couples can opt out of joint filing.

[164] For further information, see: Chen, Q. et al., *The Role of Structural Fiscal Policy on Female Labor Force Participation*, IMF Working Papers 23/186, Washington D.C., International Monetary Fund, 2023.

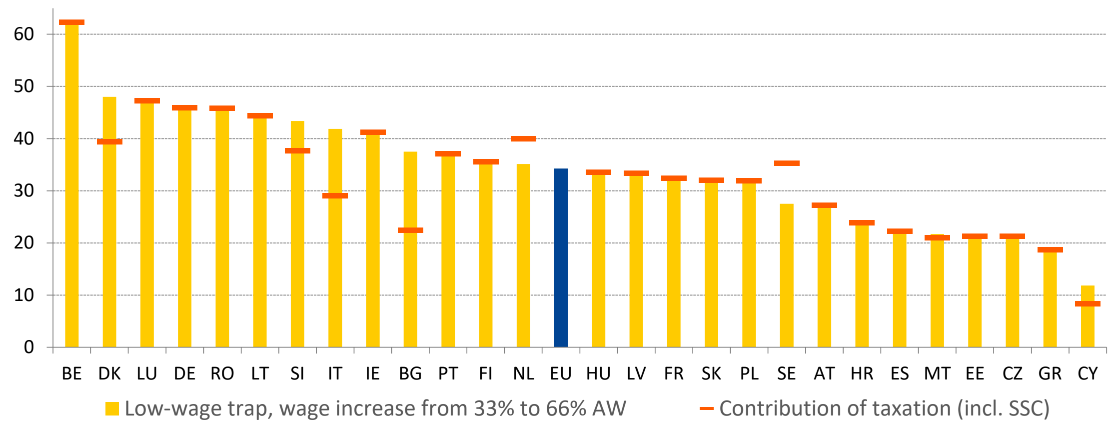
[165] See Bick, Alexander, and Nicola Fuchs-Schündeln, *Quantifying the Disincentive Effects of Joint Taxation on Married Women's Labor Supply*. American Economic Review, 107 (5): 100-104., 2017 and Bachmann, Ronald, Jäger, Philipp and Jessen, Robin. *A Split Decision: Welche Auswirkungen hätte die Abschaffung des Ehegattensplittings auf das Arbeitsangebot und die Einkommensverteilung?* Zeitschrift für Wirtschaftspolitik, vol. 70, no. 2, pp. 105-131, 2021

Note: The data are for a second earner on 67% of the average wage in a two-earner family with two children; the principal earner is on the average wage. 'Contribution of taxation (including SSCs)' refers to the percentage of additional gross income that is taxed away due to taxation and SSCs (other elements contributing to the low wage trap are withdrawn unemployment benefits, social assistance and housing benefits).
Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax/benefit model (updated March 2023).

The 'low-wage trap' can disproportionately affect women if taxes are increased and benefits withdrawn too fast when earnings rise. For second earners, taxation plays a key role in determining the level of the low-wage trap in most Member States. Figure 2.2.14 shows the percentage of additional earnings that are 'taxed away' when second earners increase their earnings from one third to two thirds of the average wage, if they increase their hours of work. On average second earners lose around one third (34.2%) of their incremental earnings across the EU. The effect of taxation in this trap is the highest in Belgium, at more than 60%, followed by Luxemburg. As above, the availability of affordable and good quality care services, as well as a wide range of well-designed work-life balance policies, can further influence people's decisions on whether to work longer hours.

Figure 2.2.14: In many Member States, taxation provide disincentives for low-wage earners to work more hours

Low-wage trap for second earners, (%, 2022)

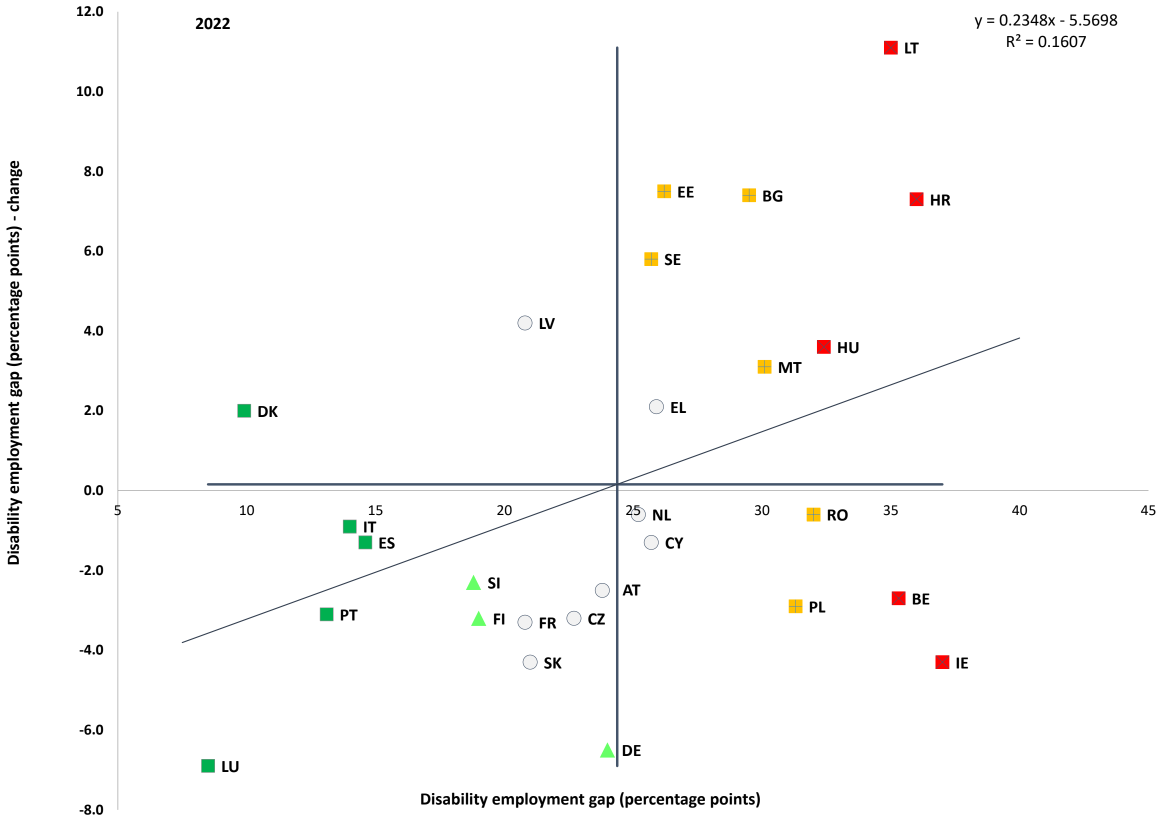


Note: Low wage trap when the second earner wage increase from 33% to 66% and the principal earner is on 100% of average wage, with two children.
Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax-benefit model.

Despite recent improvements, persons with disabilities have lower employment rates, with no signs of upward convergence across Member States. In 2022, the disability employment gap between persons with and without disabilities stood at 21.4 pps in the EU, after decreasing by 1.7 pps since 2021. The Social Scoreboard headline indicator shows a wide variety of Member States' situations (see Figure 2.2.15, and also the devoted Pillar Box 4). Reflecting a 'critical situation', the gap is widest in Ireland, Croatia, Belgium, and Lithuania (around or above 35 pps) and Hungary (at 32.4 pps). In Bulgaria, Estonia, Sweden, Malta, Poland, and Romania the situation is 'to watch' due to large increases or gaps that are relatively higher than the average. It was lowest in Luxembourg, Denmark, Portugal, Italy, and Spain (below 15 pps), as the 'best performers' in the EU. In line with the 2021-2030 Strategy for the Rights of Persons with Disabilities, further policy efforts and targeted measures, as described in the Disability Employment Package,[166] are needed to improve the labour market situation for persons with disabilities.

Figure 2.2.15: The disability employment gap remains wide, with a pronounced divergent trend among Member States

Employment gap between the persons with disabilities and those without (age 20-64), 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in the series for LU.
Source: Eurostat [tepsr_sp200], EU-SILC.

Pillar Box 4. Strengthening the labour market integration of persons with disabilities

Improving the labour market outcomes of persons with disabilities is key to enhancing equality and can also contribute to addressing labour shortages, in line with principles 3 (on equal opportunities) and 17 (on inclusion of persons with disabilities) of the European Pillar of Social Rights. The Disability Employment Package, announced in September 2022 by the European Commission, is one of the seven key initiatives of the 2021-2030 Strategy for the Rights of Persons with Disabilities. It aims at strengthening employment opportunities for persons with disabilities by providing guidance to Member States, employers and authorities covering all stages of employment, from recruitment through retention of employees to return to work. To strengthen the labour market integration of persons with disabilities, it is key to reinforce the capacities of employment and integration services,

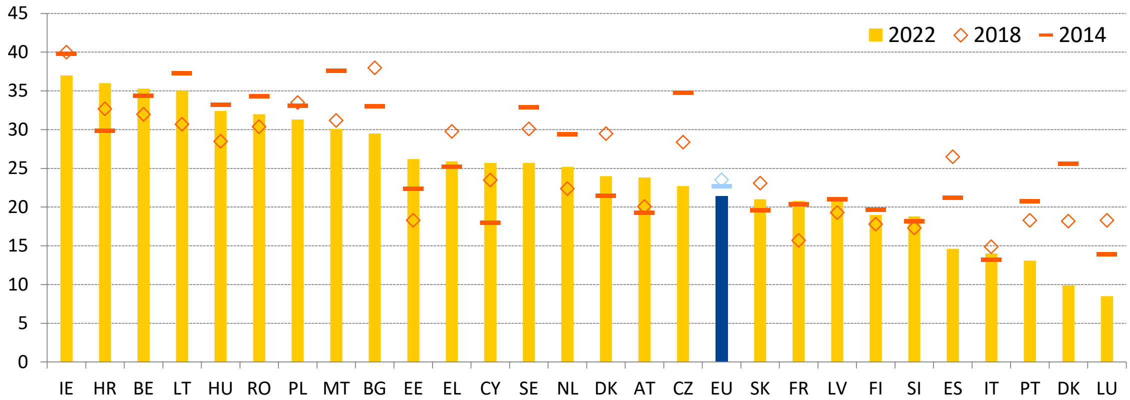
[166] See Disability Employment Package to improve labour market outcomes for persons with disabilities - Employment, Social Affairs & Inclusion - European Commission (europa.eu).

promote hiring, and combat stereotypes, while ensuring reasonable accommodations at work, depending on their needs, to ascertain that persons with disabilities can participate in employment.

Despite continuous efforts by Member States over the last decade, persons with disabilities still face significant barriers in the labour market. In 2022, about 47 million people (about 17%) of the working-age population declared a disability in the EU. Their labour market outcomes tend to be still substantially lower than for the rest of the population. While the employment rate of persons with disabilities increased from 48.7% in 2014 (in the EU-28) to 50.7% in 2020 (in the EU-27, of which one third full time), the gap between persons with and without disabilities remained wide at 21.4 pps in 2022, having narrowed by only 1.3 pps over the decade.[167] In some Member States the gap narrowed while it further increased in others (see the graph). Furthermore, in 2020, the unemployment rate of persons with disabilities was very high, at 17.1% (vs 9.7% for those without). Also, many persons with disabilities do not participate in the labour market, as reflected in an activity rate of 60.7% (vs 83.4% for those without). In some cases, persons with disabilities are employed in segregated settings like sheltered workshops, which may not always ensure adequate working conditions, labour-related rights, nor promote the transition to the open labour market.

Sizeable disability employment gap with large variation across Member States

Difference between employment rates of persons with disabilities and those without (age 20-64, pps)



Note: Data for EU-27. Break in series for LU in 2022 and provisional data for FR in 2022.
Source: Eurostat [hlth_dlm200], EU-SILC.

All Member States provide some support to facilitate hiring of persons with disabilities. These include tax relief, reductions in social security contributions or mandatory health insurance payments, wage or other subsidies, grants, awareness raising and information, training, or advice. For example, in 2022, **Ireland** started to roll out an early engagement approach aimed at improving the employment service offered through the PES to jobseekers with disabilities, by actively offering and providing employment services and support at the earliest possible opportunity. In **Lithuania**, a 2023 reform expands the applicability of ALMP measures and social services to persons with disabilities to facilitate their entry into the open labour market and removes support for social enterprises that created segregated workplaces. In 2022, the **Netherlands** introduced several measures to improve the

[167] The data presented in this section is based on the EU-SILC survey, which uses a self-defined employment status, and yield employment rates 1.5 pps below the LFS indicator (based on the ILO definition) since 2009, albeit highly correlated with it. See European Commission: *European Comparative data on Europe 2020*, 2021, and European Disability Expertise (EDE), The Employment of Persons with Disabilities, 2023 (not published yet).

employment opportunities for persons with disabilities. The concept of '*proefplaats*' was introduced, among others, allowing persons with disabilities a two-month trial period that is unpaid but retains unemployment benefit rights and includes various support services.

While the employment rate for EU citizens living in another Member State is higher than for the nationals, they tend to be over-represented in elementary occupations. After a significant decrease in the context of the COVID-19 pandemic, the employment rate for working-age EU citizens living in another Member State returned to 77.1% in 2022[168], i.e. 1.7 pps higher than the average employment rate of nationals (75.4%), and 15.2 pps higher than that of third-country nationals. Both EU citizens living in another Member State and third-country nationals were over-represented relative to nationals in elementary occupations, such as service and sales workers, as well as in craft and related trades.[169] Short-term mobile workers, such as seasonal workers, tend to be particularly vulnerable to poor working conditions and exploitation as the country of residence and work being different creates difficulties in the enforcement of equal rights.[170] Overall, while the labour market integration of non-EU born people has also been improving, further efforts appear needed. The employment rate of people born outside the EU (20-64) increased from 63.4% in 2021 to 65.9% in 2022, and the gap between their employment rate and that of the native-born decreased from 10.7 pps in 2021 to 9.7 pps in 2022. The gap was widest in Bulgaria (more than 20 pps), the Netherlands, Sweden, Belgium, and Germany (more than 16 pps), while it was even negative in Romania, Czechia, Poland, Malta and Slovakia.

The labour market situation of people born abroad varies contingent upon their level of education and country of birth. On average in the EU, 77% of people born in another EU country were in employment, against 75.6% of the native-born. Among those with lower secondary education or less, the employment rate of people born outside of the EU stood at 57.3%, i.e. 1 pps higher than for those born in the country of residence, while low-skilled people born in another EU country recorded an employment rate of 68.3%, i.e. 11 pps higher than the native-born. Among those with tertiary education, the population born in the country of residence recorded the highest employment rate in 2022, at 87.3%, compared to 85.7% among those born in another EU country and 74.5% among those born outside of the EU. The mismatch between the level of qualification and employment is significantly higher for non-EU citizens, resulting in an over-qualification rate of 39.4% in 2022 against 21.1% for the EU nationals.[171]

2.2.2 Measures taken by Member States

Member States continue to enhance access to early childhood education and care (ECEC), in particular focussing on disadvantaged children, in line with the European Child Guarantee. With the support of the Recovery and Resilience Facility (RRF), fifteen Member States committed to major reforms and investments in this policy area with a value of almost EUR 8 billion. From the academic year 2023-24, **Bulgaria** introduced a three-year compulsory pre-school from the age of 4 with a gradual implementation under its Strategic Framework for the Development of Education, Training and Learning 2021-30). In **Slovakia**, a new legislative amendment established a legal entitlement to a place in kindergarten for 4-year-olds from

[168] No data available in 2022 for BG, PL, and RO. See Eurostat [lfsa_ergaedn], LFS.
[169] European Commission, *Annual report on intra-EU labour mobility*, Publications Office of the European Union, 2023 (forthcoming).
[170] European Commission, *Report on seasonal workers and intra-EU labour mobility*, Publications Office of the European Union, 2023.
[171] *Source*: Eurostat [lfsa_eoqgan].

September 2024, and for 3-year-olds from September 2025. Since January 2023, families accessing registered early learning and childcare in **Ireland** are eligible to receive an increased hourly subsidy through the National Childcare Scheme (NCS). In **Sweden** municipalities must offer a place in ECEC to children who have lived in Sweden for a short time, even if their parents or legal guardians have not applied for it. In **Slovakia**, the European Social Fund Plus (ESF+) supports targeted measures to increase participation of children from disadvantaged backgrounds, including children with disabilities and Roma. **Portugal** is extending free access to ECEC to cover gradually all children from the age of 2 and in **Croatia**, financing arrangements between the state and municipalities are being revisited to improve the sustainability of new infrastructure and ensure equal opportunities. In **Austria**, a new amendment on the financing of kindergartens provides a total of EUR 200 million per year in special-purpose subsidies to the federal states for the years 2022-23 to 2026-27 to advance the expansion of elementary educational childcare services, in addition to measures to improve the access to ECEC in its RRP. In **Belgium** the Walloon Region foresees RRF funding for the creation and renovation of early childcare infrastructure in order to improve coverage. Focus will be on locations with a low childcare coverage combined with low employment rates of women, a high share of single parents and low per capita income. Taking advantage of RRF and cohesion policy funds, **Hungary** plans to create new ECEC places for children under 3 in order to reach 60 000 places by the end of 2026 and a needs assessment will be carried out in 2026. New places are aimed to be built in settlements (in particular disadvantaged ones) where there has not been a creche before. In **Romania,** pre-school education from the age of 3 becomes compulsory starting with the academic year 2030-2031, and as part of its RRP, investments in the construction, equipping and operationalisation of 110 creches and 412 complementary services for disadvantaged groups are being made.

There is an increased policy focus on developing the quality of ECEC services, also in light of the shortage of qualified staff. In late 2022, with the support of ESF+, **Ireland** has increased the pay for over 70% of ECEC workers, applying to about 27 000 staff, and supported the professionalisation of childcare workers. In **Denmark**, a new law on minimum standards for children-to-staff ratios will enter into force beginning of 2024. **Germany** continues to support the *Länder* in increasing provision of quality services, covering, among others, areas such as staff/child ratio, recruiting and retaining of qualified staff, leadership, language education. **Estonia** aims to develop an integrated ECEC system with common quality standards, including a common curriculum. In **Lithuania**, new guidelines on the content of pre-school education programmes were adopted, as envisaged in its RRP. In **Greece**, continuing professional development of ECEC staff has been reinforced. With EU support under the Technical Support Instrument (TSI), **Czechia** is developing a monitoring and evaluation system for the quality of ECEC, which will guide and support the current expansion of the sector financed through the RRF and cohesion policy funds. In **Belgium** the Flemish region will invest an extra EUR 270 million into ECEC to create 5 000 additional places and reduce the child/staff ratio.

There is scope for reinforcing efforts to increase the attractiveness of the teaching profession, in particular by improving working conditions in light of shortages. A broad range of measures have been implemented in recent years, but in most countries their impact is yet to be seen. In **Bulgaria,** following major salary increases since 2016 (whereby starting salaries more than doubled), the number of students in bachelor programmes in education increased by 24.5%, along with a 40% increase in the relevant master programmes between 2018 and 2022. **The Netherlands** and **Estonia** recently adopted teacher action plans, which address inter alia teacher salaries, working conditions, career and training opportunities, alternative pathways to enter the profession, as well as stronger collaboration among different stakeholders and schools. Some countries with particularly low teacher salaries engaged in major increases, setting targets in comparison to the national average wage. This is the case, for example, for **Lithuania**, **Czechia**, **Bulgaria** and **Estonia**. In June 2023, **Romania** decided to increase teacher salaries by an average of 25%. In addition to general pay rises, further financial incentives have also been introduced. For example, **the Netherlands** has launched a so-called 'labour market allowance' (*arbeidsmarkttoelage*) for teachers who teach at disadvantaged schools. In **Sweden**, school founders can receive extra grants to reward excellence or teaching disadvantaged children. Some countries have been focussing on working conditions and career opportunities. **Greece** has developed a national career framework and introduced teacher evaluation. **Sweden** and **the Netherlands** hired additional teaching assistants to reduce administrative burden for teachers. **Belgium, Czechia, Romania** and **Slovakia** are developing mentorship programmes with special focus on novice teachers.

Member States aim to structurally attract more candidates to the teaching profession, while immediate measures to remedy shortages are also put in place. To address acute teacher shortages, many Member States increasingly rely on substitute or non-qualified teachers, with potential implications on the quality of education. In **Slovenia**, a new legislation allows for the temporary employment of persons without qualification for teaching tasks, while the hiring procedure is simplified. **Belgium** has piloted platforms and pools of replacement teachers in the 2022-23 school year to combat teacher shortages. In **Ireland**, a pilot scheme for sharing teachers among schools has been announced. In the same vein, the new pre-university education law in **Romania** envisages the possibility of sharing resources, including teachers. In **the Netherlands**, the Ministry of Education allowed schools in the five biggest cities to experiment with weekly schedules. Schools may organise education differently for one day a week, for example by inviting external professionals to give classes for a small share of the curriculum. All in all, about two-thirds of the countries already created alternative pathways to the profession. More recently, **Latvia** introduced new fast-track initiatives for acquiring teaching qualifications for young professionals, in particular those from STEM areas, and created opportunities for teachers to expand their qualifications in other subject areas. A new shorter supplementary pedagogical education is piloted in **Sweden** to give faster access to the teaching profession. In **Austria**, teachers can complete their master's degree while working already as teachers. In **Czechia**, graduates who hold master's degrees corresponding to school subjects can join the profession for a maximum period of three years, during which they must obtain the required qualifications. In **Lithuania**, to encourage lateral entry in the profession, qualification requirements for teachers were made more flexible. **Belgium** acknowledges 10 years of seniority for those arriving from the private sector to attract more candidates to teaching (recently proposed to adjust to 15 years in Flanders, awaiting parliamentary approval). Additional study places in teacher education are being created in **Estonia, Finland, Ireland**, and **Luxembourg**, while scholarships have been introduced in **Bulgaria, Croatia, Estonia**, **Lithuania**, and **Slovenia** to encourage young people to study towards a teaching degree.

Member States continue to implement measures to curb early school leaving and address inequalities in education. For instance, in 2022, **Romania** launched a National Programme to Reduce School Dropout with large financial support from the RRF and ESF+ (from 2024). A share of 37% primary and lower secondary schools has since received grants to reduce and prevent dropout, including through additional pedagogical support, social support measures and extra-curricular activities. The new education law envisages the continuation of these efforts through several national programmes. In **Spain**, the Programme for Educational Guidance, Advancement and Enrichment in Centres of Special Educational Complexity (PROA+) 2021-23, funded via the ESF+ and RRF, aims at improving school success by providing targeted support to students. The centres are in areas with a high share of disadvantaged and vulnerable young people, young people with learning difficulties or any other condition that may hamper educational success. In **Luxembourg**, compulsory school age was increased from 16 to 18 years in July 2023 in order to reduce early school leaving and youth unemployment. The law will enter into force as of 2026-27. In 2023 in **Slovakia**, a network of around 160 counselling and prevention facilities have been established, which will cooperate with the school inclusion teams. These will help teachers and other staff in providing specialist support inter alia for children with autism or disabilities. Similarly, **Poland** has created 23 inclusive education support centres and expanding the employment of inclusive teams in schools, which will support the inclusion of students with disabilities too. As of April 2023, **Sweden** is stepping up financial support for special education teachers and student health services. In 2023, **Malta** published a revised strategy on early leaving from education and training based on prevention, intervention, and compensation. In September 2023, **Ireland** extended its programme supporting schools in disadvantaged locations (DEIS) to 322 additional schools and lowered the teacher-pupil ratio in those schools.

Reinforcing the acquisition of basic skills and moving towards competence-based teaching and learning remains a key priority. Several Member States have engaged in major curricular reforms in recent years, which could help reverse the deteriorating trend in learning outcomes. To foster the acquisition of key competences, **Slovakia** has rolled out a comprehensive curricular reform for primary schools supported under its RRP. The reform focuses on boosting digital skills, critical thinking and creativity for learners, strengthening inclusiveness of education and improving mentoring for teachers. As of September 2022, **the Netherlands** supports approximately 2 200 schools and 650 000 students from early childhood education to secondary and vocational education under its 'basic skills master plan'. The plan promotes Dutch reading and writing skills, mathematics, citizenship education and digital literacy. In the 2023-24 school year, **France** is introducing one weekly hour of differentiated teaching in French and mathematics to all pupils, expanding a support scheme to all schools ('*Devoirs faits*') and providing pedagogical guidance to teachers. Following curricular reforms at secondary levels, **Ireland** published a new primary curriculum framework in March 2023, which puts greater emphasis on STEM fields, wellbeing, and teaching of foreign languages as of primary level. In November 2022, **Slovenia** launched a call for project proposals under its RRP to implement large-scale training of education professionals in digital skills, competences for environmental sustainability and financial literacy, aiming to train up to 20 000 teachers and head teachers by June 2026. In September 2023, **Lithuania** adopted a specific plan to improve education outcomes in STEM subjects. It also supports the STEM education by newly created centres equipped with laboratories. **Croatia** is preparing to pilot the whole-day school reform in 2023, which would increase the number of instruction hours for all basic skills subjects.

The digital transformation of education systems has been accelerating. Following the pandemic, reforms and investments to promote digital education received a major boost from the RRF, with a total allocation of EUR 29 billion in investments in human capital and digitalisation. In a number of Member States, the digital transformation of education is addressed through various strategies on digitalisation of education and digital skills. For example, **France** adopted a new Digital Education Strategy (2023-27), which aims to strengthen cooperation between national and local actors, develop pupils' digital skills and provide teachers with digital resources and continuous professional development. **Austria** adopted a strategic framework 'Universities and Digital Transformation 2030', which defines a set of principles for universities and a series of actions to promote digitalisation of higher education. The Flemish community of **Belgium** set up the Higher Education Advancement

Fund, with RRF support, with the aim to future-proof and digitalise higher education and reinforce lifelong learning in Higher Education Institutions (HEI). In addition, all three Belgian communities foresee to make use of the RRF to provide digital equipment and IT infrastructure to schools. In **Romania,** the legislative framework for the digitalisation of the educational processes and content, which also sets out the profile on digital competences for teachers, has been approved. In **Lithuania**, the EdTech project aims at equipping educational institutions at all levels with digital tools, testing innovative digital learning solutions and online digital skills training designed according to the EU digital frameworks. By 2024, at least 3 000 teachers and academic staff shall complete the course on IT competences and at least 500 teachers shall have acquired a master's degree in ICT as envisaged in the RRP.

Member States take measures to reinforce the contribution of higher education to labour market relevant skills and driving innovation. Most of them have launched specific programmes to renew their training offer and improve their labour market relevance, many focussing on the digital transformation of higher education and on introducing micro-credentials. Others implement comprehensive reforms, including major changes in governance arrangements, accreditation, and quality assurance mechanism, enhancing research and promoting internationalisation. For example, **Bulgaria** is implementing a large-scale programme to modernise the higher education system, with co-funding from the ESF. Its aim is to introduce a competence model, support the development of joint university programmes, facilitate the development of transversal skills, and improve the competences of teaching staff. Furthermore, the curricula will also be updated with ESF+ support to reinforce focus on competences for the green transition. Under the National Plan for the Development of the Education System 2021-27, adopted in March 2023, **Croatia** is reforming its higher education system to promote excellence, improve labour market relevance and internationalisation, partly under its RRP. It has introduced performance agreements and revised methods for internal quality assurance and external evaluation of higher education institutions (HEIs), as well as accreditation procedures for HEIs and new study programmes. **Romania** signed 61 grant contracts with Universities to finance integrated measures aimed at improving the digital infrastructure and to develop the digital competences of students, together with developing the digital skills of teaching and research staff through participation in research and practice projects. Recent reforms in **Greece** include granting greater autonomy to HEIs, improving their functioning, introducing objectives and performance criteria related to funding, and upgrading quality. Under its RRP, **Slovenia** has invested EUR 56.5 million into 38 pilot projects that will test solutions for integrating digital and sustainable development competences in higher education curricula with the aim of improving labour market outcomes.

Aligning vocational education and training (VET) systems with emerging skills needs features prominently on the policy agenda of Member States. The French community of **Belgium** introduced a reform to make VET more relevant for the labour market, which will apply from 2024. In **Bulgaria**, as part of its RRP, the regulatory framework for VET is being amended to support the adaptation of VET to the labour market needs. As part of its RRP, Estonia is investing in updating and developing new professional standards, specifying the learning outcomes linked to green skills and identifying specific areas and skills with the greatest potential for the green transition. Adopted in June 2022, the measure seeks to encourage the uptake of green technologies through knowledge transfer and via modernising the content and organisation of proficiency training programmes in higher education and VET, as well as the provision of up- and reskilling. Throughout 2023, **Spain** is working under its RRP on the digital transformation, innovation, and internationalisation of VET, by investing in digital and green training of VET teachers, converting classrooms in line with technological needs and creating a network of 50 centres of excellence stimulating research and innovation, which will be completed in 2024. Under measures adopted in April 2023, **Cyprus** is targeting people employed in occupations or sectors linked to the green economy and unemployed who wish to work in such professions to provide them with re- and upskilling opportunities in Vocational Training Centres. Moreover, Cyprus has also invested in training programmes for the acquisition of digital skills in Vocational Training Centres. Based on its RRP, **Slovakia** will update education and training programmes to reflect the current labour market needs also linked to the green transition. This also involves creating new VET curricula, training the teachers, new VET equipment, and training employees.

Several EU countries are promoting work-based learning and apprenticeships through new policy measures, including in higher VET. In **Belgium**, Flanders introduced dual learning in adult education in September 2022 and financial support to businesses and pupils involved in work-based learning in September 2023. In **Lithuania,** an apprenticeship support system with a particular focus on small and medium-sized enterprises was set up under its RRP following the adoption of the apprenticeship scheme in September 2022. Benefiting from EU support, the programme involves reimbursement of employers' costs and co-financing apprenticeship salaries. Since September 2022, **Austria** rolled out its 'Dual Academy', offering work-based learning combined with education at a vocational school, and a mandatory period of mobility abroad, leading to a higher VET qualification. In September 2022, **Romania** extended dual learning into higher (technical) education under its RRP, which will become operational in the 2024-25 academic year. As a result, a full dual route will be available from upper secondary to higher education. Furthermore, **Germany** updated its 'Excellence for VET' initiative in Fall-Winter 2022, one of the components of its 'Skilled labour' strategy. The measures fall into three fields of action: 1) promoting opportunities for talent in VET, 2) establishing an attractive and innovative VET landscape, and 3) expanding international orientation in VET. New features include: improved financial support opportunities for high-performing trainees, extending vocational orientation to digital formats, a campaign to increase visibility of VET, development and testing of further innovative concepts for qualification offers, an expansion of the *National continuing education strategy* (NWS), turning inter-company vocational training centres (ÜBS) into centres of excellence, the development of a new portal that will make qualification offers for teachers and trainers transparently accessible, and incentives for trainees and young employees to go abroad for vocational training and learning.

New systems and models to anticipate future skills and training needs are being deployed in Member States. Following an amendment of the Act on Employment Services in December 2022, **Slovakia** will use ESF+ funding to strengthen cooperation with the Sectoral Councils on the anticipation of the demand for knowledge and skills. Within the Alliance of Sectoral Councils, these bodies will have the function of aligning the lifelong learning system with specific labour market needs. In 2023, as part of its RRP, a forecasting system for labour and competence needs is being developed in **Finland**. The model will include the forecasting of medium-term demand for labour, education and skills needs. This includes predicting the number of qualifications completed at different levels of education, assessing vocational transitions, as well as the labour potential of the unemployed and those outside of the labour force.

Measures strengthening digital skills of the adult population have been introduced in many countries to support the accelerated digital transition. In **Belgium,** Wallonia has adopted a framework for providing basic digital skills under a Walloon basic digital training law in August 2022. As of February 2023, **Czechia** introduced a Digital Training Course Allowance, as a new active employment policy instrument, that covers 82% of the cost of courses for acquiring digital skills as part of its RRP. **Estonia**, has worked on a reform for the digital transformation of businesses under its RRP, focusing on strengthening their capacity at management level to steer and foster the digital transition, as well as on ensuring the availability of sufficient ICT professionals. The reform, adopted in 2022 and running until 2026, also aims at offering new career opportunities and at increasing the participation of women in ICT training and professions. In 2023, **Cyprus** has invested in a Digital Citizen's Academy web portal that includes a tool for helping people to assess their level of digital skills and needs, formulating a plan for their development and offering a free choice of courses. Under its RRP, **Latvia** has included several measures related to strengthening of the digital skills. This includes supporting the identification and planning of training needs on the basis of common assessment of basic digital skills. Many of these measures are in line with the provisions of the European digital competence framework. In February 2023, **Poland** presented a new Digital Competences Development Programme to increase the level of digital competences of the general population and ICT specialists. To address digital literacy gaps, **Slovakia** has adopted in December 2022 a National Strategy on Digital Skills and an Action Plan with a variety of measures targeting ICT specialists, women in ICT, teachers on all levels of education, employees, jobseekers, and disadvantaged groups, as well as seniors.

Several EU countries introduced measures to strengthen skills development through micro-credentials. In **Hungary**, a 2023 amendment to the Adult Training Law introduced a legal definition for key terms and procedures on the provision of short (mainly online) courses and their certification. In summer 2023, a TSI project was launched in **Hungary**, supporting the establishment of an overarching legal framework and a database for micro-credentials covering all levels of education and training. Once this framework is in place, RRF and ESF+ funding will be used to incentivise the development and use of micro-credentials. In **Estonia,** the Adult Education Act is going through an amendment to incorporate quality assurance elements in the provision of micro-qualifications. The implementation will be supported by EU funding (ESF+, RRF, JTF). In **Ireland,** micro-credentials as a means to facilitate pathways for lifelong learning and support recognition of prior learning processes can be found in the Strategy for 2020-24 of SOLAS, the Irish national agency responsible for Further Education and Training. SOLAS intends to use the Innovation Fund projects to pilot three approaches with the national agency, Quality and Qualifications Ireland (QQI), allowing validation of new special purpose awards, comprising stackable, certificated modules offered by private providers in terms of further education and training. In **Spain**, as part of its RRP, a new National Catalogue of Competence Standards will replace the current National Catalogue of Professional Qualifications and will enable micro-training and micro-credentials, in accordance with the Organic Law on VET of 2022. Spain is also promoting University micro-credentials through a dedicated action plan, under which around 1 000 new courses will be created and 60 000 micro-credentials of 15 ECTS will be granted per year.

Increasing the participation of adults in learning is an objective pursued by all Member States, which calls for urgent policy action in several EU countries where the participation rates remain relatively low. The EU headline target on adult learning requires that at least 60% of adults participate in learning every year in the EU by 2030. Improving adult participation in learning was also one the main objectives of the Council Recommendation on individual learning accounts that 15 Member States so far have started implementing, also through actions funded by the ESF+ and RRF.[172] A comprehensive approach is being applied in **Belgium,** under its RRP, with the development of a dedicated information system and specific legal adjustments. In this framework, the federal government introduced, as of 2023, a

[172] They are BE, BG, CY, CZ, EE, EL, FR, HR, HU, LT, LV, PL, PT, RO, SK.

right to four days (five from 2024) of paid training leave per year for workers in companies with at least 20 employees. In addition, such companies should identify training opportunities for their employees. In 2023, three Member States finalised projects to lay the ground for launching or revising their skills strategies, with the technical assistance of the OECD, co-financed through the TSI. Priorities for **Luxembourg** include opportunities for adults to develop labour market relevant skills, better guidance, and foreign talent retention. **Ireland** had launched its national skills strategy in 2016, with objectives for 2025, from which evaluations identified further priority actions, including the need for a more balanced and diversified skills supply and for better using skills to foster innovation. Since October 2022, **Bulgaria** moved towards an action plan on skills (with TSI support) addressing skills needs for young people and adults, as well as the need to better use the skills available.

The reinforced Youth Guarantee continues to foster youth employability. Amongst the recent measures taken by Member States under the reinforced Youth Guarantee and supported by ESF+, **Spain** is working on an amendment with regards the regulation of the National Youth Guarantee system, which aims to address shortcomings in the registration procedures of young NEETs under the Youth Guarantee. In October 2022, **Slovakia** adopted its Youth Guarantee National Plan, which will intensify support for youth work, individualised counselling, mentoring, an information campaign, tools for the profiling of young jobseekers, further education and skills development and assessment (in particular digital, green and entrepreneurial skills), support for job creation, graduate traineeships and self-employment. **Greece**, as part of its Youth Guarantee National Plan, adopted the ‘National Strategy for Youth Employment 2021-27’, which will tackle youth unemployment by facilitating young people's access to the labour market through improving their skills and employability, also with support from ESF+ and RRF. In June 2022, **Bulgaria** adopted the ‘Youth Employment+’ initiative supported by ESF+, which aims to increase the employability of young people and facilitate their transition from education to the labour market, among others through traineeships, in-work training, and more generally the acquisition of transferable and soft skills. The project aims to support 15 200 inactive and unemployed, including long-term unemployed.

Member States aim to improve the transition of young people from education to the labour market, often supported by the RRF. **Spain** included the ‘Investment on Youth Unemployment’ in its RRP, which consists of three programmes. The ‘Tandem’ programme aims at achieving professional competence through training in alternation with employment, with at least 25% of the programme focused on climate related skills and 25% focused on digital skills. The second is the ‘First Experience’ programme, which facilitates a first work experience, with at least 20% of the programme dedicated to climate related skills and 20% to digital skills. Finally, the ‘*Investigo’* programme provides work linked to the development of a research project. In **Cyprus**, the Ministry of Education, Sport and Youth plans to extend the pilot graduate tracking mechanism to all higher education institutions by 2023. Furthermore, two reforms have been adopted in **Portugal** in May 2023, requiring a monthly probation allowance during the probation period of no less than 80% of the statutory minimum wage and allowing young working students (under 27 years) to accumulate family allowance and study grants with their salary. Lastly, **Sweden** has launched two initiatives, the first of which is a study exploring paths to working life for young people in upper secondary education, due in 2024. Under the second initiative, in 2023, municipalities with high unemployment can access up to SEK 150 million (approx. EUR 12.8 million) in grants for job creation measures for young people and temporary summer jobs.

Some Member States have launched and extended initiatives to improve the integration of older workers in the labour market, which are meant to help facing the challenge of

population ageing and the currently sizeable labour and skills shortages. In **Luxembourg**, a law relaxing the rules restricting paid employment for persons who have gone into early retirement has been extended in March 2023 to cover the need for staff in different sectors, particularly the health care sector, in light of shortages of qualified staff. In January 2023, a legislative amendment entered into force in **Finland** aimed at increasing the employment of those over 55 years by 10 000 persons by 2029, abolishing additional days of unemployment benefit and introducing new targeted adjustment protection for the over 55.

Member States adopted measures to improve work-life balance, in many cases to transpose the Work-Life Balance Directive. For example, in **Romania**, the paternity leave was extended in September 2022 from 5 to 10 working days (and by another 5 days for fathers who have obtained a certificate of completion of the childcare course). New rules were also introduced regarding employers' obligation to approve paternity leave, the prohibition of dismissal of the worker during paternity leave, as well as sanctions in case of non-compliance. In **Slovenia**, amendments to the Parental Protection and Family Benefits Act will enter into force in April 2024 and concern the right to parental leave (each parent is now entitled to 160 days of parental leave in contrast to the previous 130 days, with 60 days being non-transferable for both parents), to paternity leave, payment/wage compensation during such leaves, and flexible working arrangements. In **Finland**, since September 2022, both parents receive a higher quota of 160 parental allowance days, of which a maximum of 63 days can be transferred. In **Poland**, a new amendment to the Labour Code and other acts from April 2023 includes provisions concerning carers' leave (up to 5 days a year), parental leave that must be shared between parents, paternity leave, and time off from work on grounds of force majeure. In April 2023, **Portugal** introduced changes to the labour code, extending exclusive paternity leave to 28 days, instead of the current 20, as well as the possibility to take parental leave on a part-time basis. In its 2023 Budget Law, **Italy** granted an additional month of optional maternity leave or, alternatively, paternity leave, paid at 80%, up to the child's sixth year of life. **Cyprus** introduced into national legislation, in December 2022, the right to paid parental leave, to take parental leave in a flexible manner, to carers' leave, as well as the right for working parents (with children up to the age of 8) and 'carers' to request flexible working arrangements. Every working parent with a child of up to 8 years has an individual right to parental leave of eighteen weeks. In **Spain**, leave rights have been extended to unmarried couples in June 2023, which contributes to transpose the EU Directive on work-life balance for parents and caregivers. These concern: (i) leave due to serious accident or illness; (ii) leave due to death; (iii) right to reduced or adapted working hours; (iv) leave due to registration of the partnership; and (v) personal leaves (*excedencias*) for care.

Member States introduced measures to support women's employment and tackle the gender pay gap. In **Estonia**, as part of its RRP, the prototype of a gender pay gap tool called 'Pay Mirror' has been developed in the Ministry of Social Affairs in cooperation with Tallinn University and Statistics Estonia. The tool will be rolled out by 31 March 2024 offering employers an easy way to receive and analyse data and information concerning the gender pay gap and its possible reasons in their organisations, thereby supporting them in making informed decisions and taking effective action to implement the principle of equal pay for jobs of equal value. In **Spain**, RRF funding will be dedicated to support employment of women through three main areas: a) training on digital, green, long-term care, entrepreneurship and social economy; b) integration pathways for women victims of violence or trafficking; and c) gender mainstreaming in all elements of PES annual employment plans. **Austria** launched a call for projects for measures for the empowerment of girls and women in the digital world, and diversification of education and occupations paths with a focus on the field of STEM (science, technology, engineering, and mathematics). In **France**, a proposed law would raise to 50% the mandatory quota of women for new appointments to senior and executive positions in the public sector. It would also introduce an index of professional equality between men and women in the public services, modelled on the private sector. In **Belgium**, the federal government launched the 'Bread and Roses' project in April 2023, focusing on employment of women, in particular those in vulnerable situations. In **Germany**, through the programme 'Integration Course with a Child: Building Blocks for the Future' (*Integrationskurs mit Kind – Bausteine für die Zukunft*), the Federal Government provides childcare support for participants of integration courses with children under compulsory school age if there are not enough regular municipal childcare services. In **Sweden**, the government and the Swedish Association of Local Authorities and Regions have agreed on a joint initiative to support foreign-born women with children aged 0–6 years. The agreement covers just under SEK 20 million (approx. EUR 1.7 million) and will cover the period 2023-25.

Several Member States are adopting measure to improve the inclusiveness of their education systems and improve access to lifelong learning for persons with disabilities. In **Ireland**, a pilot project will increase schools' capacity to design and implement specialist provision to support inclusive education in mainstream settings, upskill teachers to ensure quality inclusive education, as well as to promote stakeholders' awareness towards inclusive education. The project is supported by the TSI and will run over two school years, ending in June 2025. In addition, the 4th national access plan for higher education will continue to facilitate access and successful completion among vulnerable groups, including students with disabilities. **Belgium** has adopted a new federal law in 2022 that establishes the obligation for employers of 20 workers or more to draft a company training plan every year, in consultation with the workers' representation council, the trade union representation or workers, defining the target groups among the workers. This would in particular focus on groups at risk defined in collective agreements (including persons with disabilities,) and on job profiles in short supply. **France** has passed a law that seeks to improve the working conditions of support staff for students with disabilities and educational assistants, by improving access to indefinite-term contracts. **Malta** has launched a reform under the RRP to improve education pathways towards inclusive and quality education. The measures under the National Inclusion Policy Strategy are to be implemented by December 2025 and include among others yearly Individual Education Plans (IEPs) for students with special needs.

Several Member States have adopted measures supporting the labour market integration of displaced persons from Ukraine. From March 2022 to April 2024, **Austria** has enabled teachers from Ukraine to be employed via a special contract based on their qualifications, temporarily suspending the requirement to have at least basic German language skills. **Bulgaria** has introduced a targeted support of EUR 6.9 million from REACT-EU resources to promote the rapid labour market integration of more than 3 220 refugees from Ukraine. In **Sweden**, since March 2023, municipalities can access SEK 100 million (approx. EUR 8.5 million) in state grants to offer municipal adult education in Swedish for people protected by the temporary protection directive. Since June 2022, Ukrainian refugees, who have applied for a residence permit in **Germany** under the temporary protection directive and did not find a job, are eligible to access regular social assistance and job-seeker's benefits, including access to integration and language courses, job offers, and support in organising childcare.

2.3 Guideline 7: Enhancing the functioning of labour markets and the effectiveness of social dialogue

This section looks at the implementation of the employment guideline no. 7, which recommends that Member States enhance the functioning of labour markets and the effectiveness of social dialogue. It covers, among others, balancing flexibility and security in labour market policies, fighting undeclared work, preventing labour market segmentation and fostering the transition towards open-ended contracts, as well as ensuring the effectiveness of active labour market policies. These goals are in line with principles 4 (on active support to employment), 5 (secure and adaptable employment), 7 (information about employment conditions and protection in case of dismissals), 8 (social dialogue and involvement of workers), 10 (healthy, safe, and well-adapted work environment) and 13 (unemployment benefits) of the European Pillar of Social Rights. Building on existing national practices, the promotion of social dialogue and the engagement with civil society organisations are also discussed. Section 2.3.2 reports on policy measures of Member States in these areas.

2.3.1 Key indicators

While different contractual arrangements also cater for various individual preferences and needs offering greater flexibility, labour market segmentation remains one of the multiple causes of inequality. This is so in particular when temporary contracts do not act as stepping stones to permanent jobs. Such contracts (and especially those with very short duration) are often associated with less favourable working conditions, fewer incentives to access or invest in continuous education and job-specific training, and gaps in social protection compared to permanent employment.[173] Self-employed workers without employees (also known as own-account workers) are generally also subject to higher risks of precariousness and may in certain cases conceal dependent employment relationships ('bogus' self-employment), on top of experiencing persisting gaps in social protection coverage.[174] More broadly, the widespread use of non-standard forms of employment can make sectors and occupations less attractive for workers and thus contribute to driving labour shortages.[175] A wide choice of contractual arrangements needs to go along with adequate access to social protection and to learning and development opportunities, thus also preparing workers for the transformations ahead. Preventing employment relationships that lead to lower job security and higher precariousness and the abuse of atypical contract, contribute to the implementation of principle 5 of the European Pillar of Social Rights on secure and adaptable employment.

The steady rise in employment following the COVID-19 crisis has not led to an increase in the share of temporary workers in the EU. The percentage of employed people on temporary contracts in the EU among all employees aged 20-64 remained broadly stable at 12.9% in 2022, 1.3 pps below its peak in 2019.[176] However, there are still substantial variations across Member States, with a 22 pps gap between the highest and the lowest shares. While the Netherlands, Spain, Italy, Portugal, Poland and Finland record shares of

[173] Eurofound, *Labour market segmentation, Observatory*, 2019.

[174] See the report on the implementation of the 2019 Council Recommendation on access to social protection, COM(2023) 43 final.

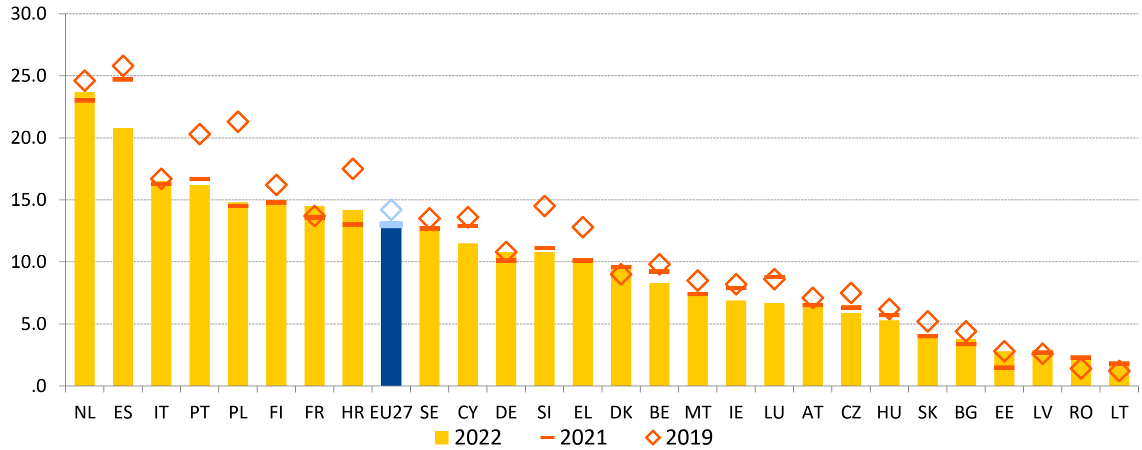
[175] European Commission, *Employment and Social Developments in Europe, Annual Review 2023*, Publications Office of the European Union, 2023.

[176] This is defined as having a non-standard working arrangement (such as flexible, temporary, on call and zero hours contracts), a contract with a temporary employment agency, or working part-time (Eurostat indicators [lfsi_pt_a] and [lfsi_pt_q]

temporary employment at or above 15%, the figures are below 4% in Bulgaria, Estonia, Latvia, Romania and Lithuania (see Figure 2.3.1). In terms of more recent quarterly figures, the share of temporary employees (20-64; seasonally adjusted) stood at 12.3% in Q2-2023 in the EU, 1 pp lower than in Q1-2022. Between Q2-2020 and Q2-2023, Spain and Poland recorded significant reductions in their shares of temporary employees (by 5.2 pps and 3.9 pps, respectively) while increases (above 2 pps) were observed in France and Italy.

Figure 2.3.1: Temporary employment below pre-crisis levels, albeit with differences across Member States are substantial

Share of temporary employees among all employees (20-64, %, annual data)

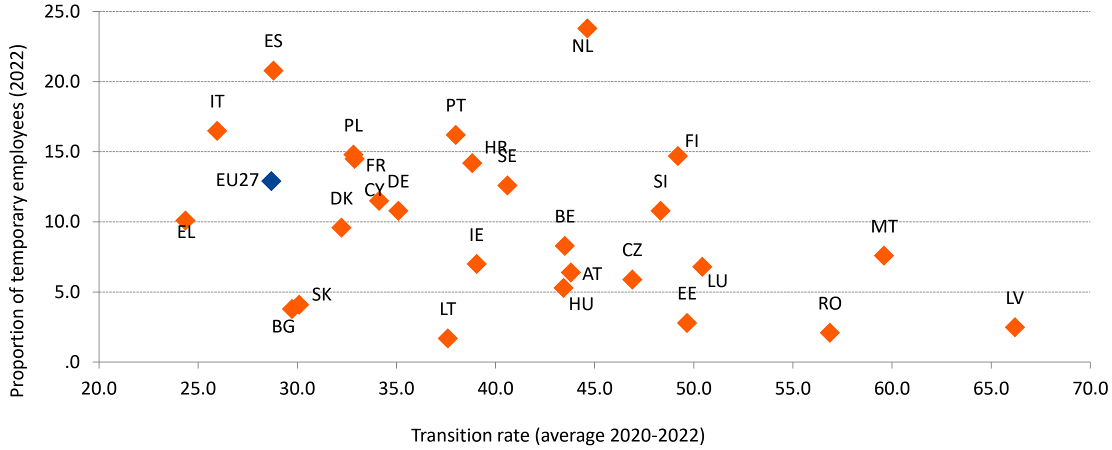


Note: Definition differs in ES and FR in 2021 and 2022 (see metadata).
Source: Eurostat, [lfsi_pt_a], EU LFS.

In some Member States high shares of temporary employment are combined with low transition rates to permanent contracts, which poses challenges to well-functioning and inclusive labour markets. In 2022, Spain and Italy had high rates of temporary contracts (above 15%, with Spain even beyond 20%) combined with low transition rates (below 30%), (EU averages are 12.9% and 28.7%, for the two statistics respectively – see Figure 2.3.2). Other Member States such as the Netherlands, Portugal, Poland, Finland, France and Croatia still showed rates of temporary employment above the EU average but coupled with relatively high transition rates to permanent contracts (between 32% and 50%). Conversely, Latvia, Romania and Estonia displayed low shares of temporary contracts (below 4%), accompanied by very high transition rates (close to or above 50%).

Figure 2.3.2: Temporary contracts go along in some cases with low transition rates to permanent jobs

Temporary employees as a percentage of the total number of employees (20-64) in 2022 and transition rate to permanent jobs (15-64) (average value for 2020, 2021 and 2022).



Note: The broader 15-64 age cohort is considered for transition rates between temporary to permanent contracts. Labour transition rate for DE, FR, LT, AT, PT and the EU-27 average refer to 2020; values for IE, SK and SE refer to 2021. The 20-64 age cohort is used for temporary employment, in line with the Social Scoreboard Headline indicator on employment and related analysis in the section. Definition differs for ES and FR in 2022.
Source: Eurostat, [lfsa_etpgan], EU LFS and [ilc_lvhl32], EU-SILC.

Some employees are on temporary contracts because they cannot find a permanent job, or the post is only available under this type of contract, with significant variation across EU countries. The proportion of involuntary temporary workers is an important indication of labour market segmentation that does not correspond to preferences for more flexibility on the employee side. The percentage of employees (aged 20-64) that are involuntarily on temporary contracts stood at 7.3% in the EU in 2022, which is 0.6 pps lower than in 2021. However, significant differences remain across Member States, with figures spanning from above 10% in Spain, Italy, Portugal, Finland and Cyprus, to 3% or below in Austria, Bulgaria, Denmark, Hungary, Romania and Lithuania.[177] The share of involuntary temporary employment is generally higher among employed women (with some exceptions such as Bulgaria, Lithuania and Luxembourg) though the gap is relatively narrow overall (below 1.5 pps), except for Cyprus, Greece, Spain and Finland where it is larger than 4 pps.

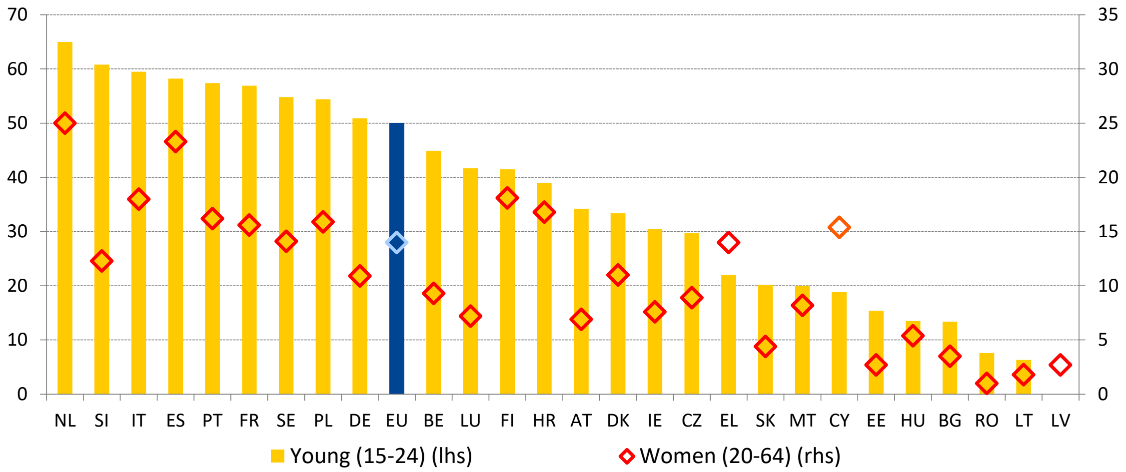
The proportion of workers in temporary employment remains significant among young people, women and migrants. In 2022, it reached 50% among young people (aged 15-24) in the EU (up by 1 pp compared to 2021). This figure is 39.1 pps above those aged 25-59. In 2022, the highest shares of young people with temporary contracts were reported for the Netherlands, Slovenia, Portugal, Italy and Spain (all around or above 60%), while the lowest were in Romania and Lithuania (below 10%, see Figure 2.3.3). The share of employed women (aged 20-64) on temporary contracts in the EU was 14%, broadly unchanged from 2021. The gender gap in temporary employment increased from 1.5 pps in 2021 to 2 pps in 2022, with significant differences across Member States. The largest shares of temporary employees among women were observed in the Netherlands, Spain, Finland and Italy (around or above 18%), followed by Croatia, Portugal, Poland, France, Cyprus and Sweden (all still above the EU average). In Romania, Lithuania, Estonia, Latvia and Bulgaria, the percentage was around or lower than 4%. In 2021, one in five migrants was employed on a temporary contract,

[177] Eurostat [lfsa_etgar]. Low reliability for EE, LV, and SK in 2022. The definition differs for ES and FR.

compared to around one in eight native workers.[178] Overall in 2022, workers in temporary employment also experienced a higher poverty risk (12.2%, based on 2021 incomes) than those on permanent contracts (5.2%).[179]

Figure 2.3.3: The incidence of temporary employment for young people and women differs significantly across Member States

Share of temporary employees among all employed women (%, 2022, right axis) and share of young temporary employees (15-24 year-olds) among all employees in this age cohort (%, 2022, right axis).



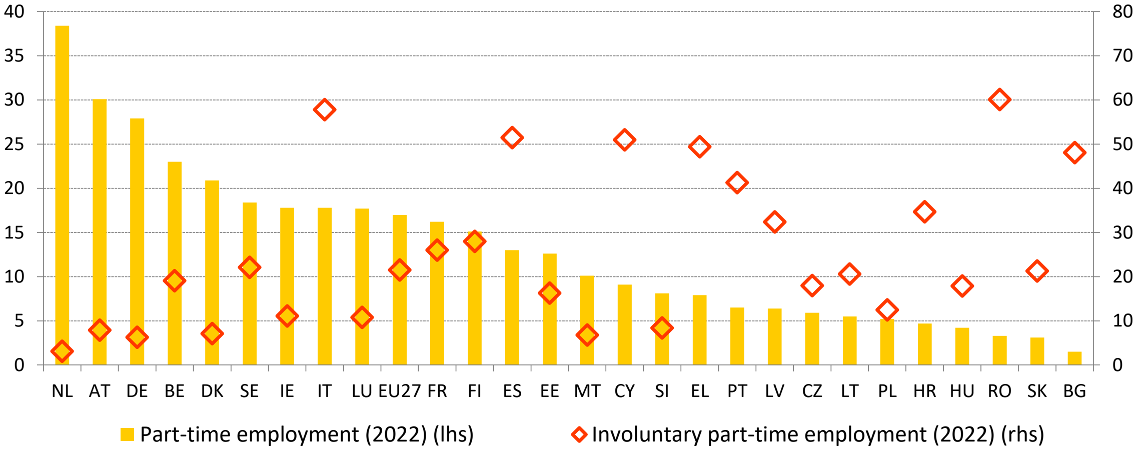
Note: No data for LV.
Source: Eurostat [lfsi_pt_a], EU LFS.

The share of part-time employment continued its slow but steady decline in 2022 in the EU, albeit with a still significant involuntary component in several Member States. Some 32.8 million employed persons (aged 20-64) worked part-time in the EU in 2022, which is 2.7 million fewer than in 2019. This translated into a share of 17% in 2022 (1.7 pps lower than in 2019). This downward trend may also importantly contribute to at least in part address the sizeable labour and skills shortages in the Union. Differences across Member States remain nonetheless important. The Netherlands, Austria, Germany, Belgium and Denmark recorded shares of part-time workers above 20%, while Bulgaria, Slovakia, Romania, Hungary and Croatia were below 5% (see Figure 2.3.4). The share of involuntary part-time work in total part-time employment decreased by 2.5 pps to 21.5% in 2022 in the EU, again with significant differences across countries.[180] Romania, Italy, Spain, Cyprus, Greece and Bulgaria reported figures around or above 50%, while the Netherlands, Austria, Germany, Denmark, Malta and Slovenia recorded values below 10%.

[178] European Commission, *Employment and Social Developments in Europe, Annual Review 2023*, Publications Office of the European Union, 2023.
[179] Eurostat [ilc_iw05].
[180] Eurostat [lfsa_eppgai], EU LFS.

Figure 2.3.4: The share of part-time employment continues to slowly decline, but with strong differences in the involuntary component across Member States

Share of part-time employment in total employment (20-64) and involuntary part-time employment as percentage of the total part-time employment (20-64) (%, annual data).



Note: Definition differs in ES and FR in 2021 and 2022 (see metadata).
Source: Eurostat, [lfsi_pt_a] and [lfsa_eppgai], EU LFS.

The share of 'solo self-employed' is relatively high in several Member States, with the youth often relying more on one primary or single client. In 2022, self-employed workers without employees (i.e., 'solo self-employed') represented 9% of total employment in the EU (for the 20-64 age group), which is some 17.5 million persons.[181] Following a strong decrease in 2020, the share has not yet recovered the pre-crisis level (of 9.4% in 2019). The highest rates (above 14%) are observed in Greece, Poland and Italy, followed by Czechia, the Netherlands, Slovakia, Malta, Belgium, Lithuania and Romania (above 10%). Conversely, the lowest shares (below 6%) are reported for Germany, Denmark, Sweden and Luxembourg. In 2022, there were around 770 000 self-employed without employees in the EU (or around 4% of the total number of self-employed without employees) at risk of so called 'dependent self-employment' (i.e., who worked during the last 12 months for only one or dominant client, and this client decided about their working hours). A report from the European Labour Authority shows that the characteristics of this dependent self-employment can be more frequent among young self-employed (a share of 6% of those aged 15-34). In terms of occupation types, such characteristics of economic and organisational dependency are more prevalent for plant and machine operators, assemblers, and in elementary occupations (9.8%), in the education, health and social sectors (5.8%) and in information and communication, finance and insurance and real estate activities (4.1%).[182]

The rebound in the EU labour markets has strengthened the role of the platform economy, which contributes to the creation of labour market opportunities, while it may pose challenges to working conditions and social protection. On average, 2.4% of respondents in the EU reported having provided work through online digital platforms in

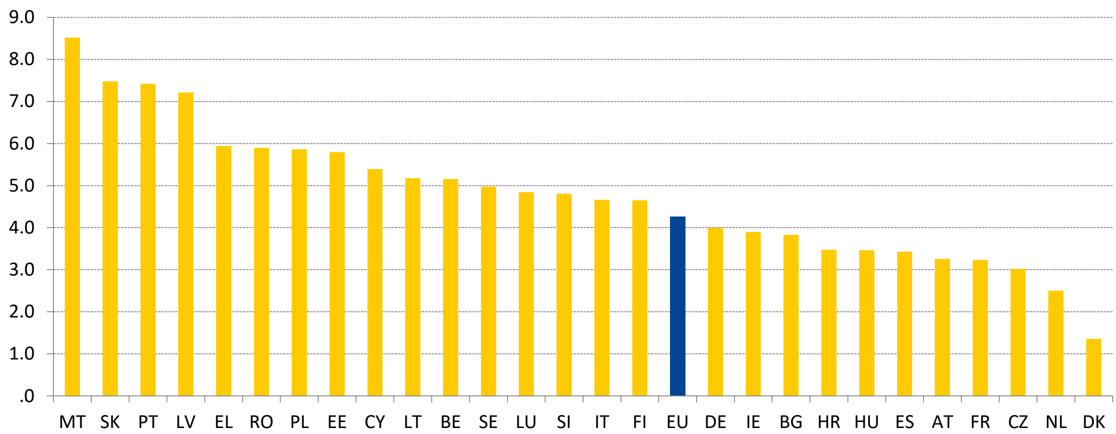
[181] Comparison with values before 2021 are not made as there is a break in time series for this indicator in 2021 for all Member States due to the entering into force of the new regulatory framework for European Social Statistics. Eurostat [lfsa_esgais] and [lfsa_egaps], EU LFS. See also Milasi, Santo, *et al.*, *Solo self-employment and lack of paid employment: an occupational perspective across EU countries*, 2022.

[182] These figures may not align with the definitions used in national legislation and therefore should be treated with caution. See: Williams, C., *et al.*, *Extent of dependent self-employment in the European Union*. European Labour Authority: European Platform Tackling Undeclared Work, 2023.

2022, and 1.9% through on-location digital platforms.[183] Figure 2.3.5 shows large cross-country differences in the share of respondents who declared having provided work through digital labour platforms, with as many as 8.5% in Malta and 7.5% in Slovakia and Portugal, compared to 2.5% in the Netherlands and 1.4% in Denmark. While the proportions of men and women who have engaged in platform work are relatively similar, there are gender differences in the respective motivations to engage in such type of work (i.e., women use platform work to gain additional income and flexibility to reconcile with family commitments, while men are drawn to it for opportunities to work globally and expanding their client base).[184] Overall, challenges related to platform work refer to the opacity of algorithmic management (AM) systems and their influence on the allocation of tasks, and thus earnings, for platform workers (analysed in detail in the devoted Pillar Box 5), as well as to the possible misclassification of the employment status of these workers (who might find themselves falsely labelled as self-employed and thus not entitled to employee rights and protections). Moreover, access to collective representation and bargaining has remained limited in the context of platform work so far.[185]

Figure 2.3.5: Different intensity of working through digital labour platforms across Member States

Share of respondents who have ever provided work through digital labour platforms in the EU, June 2023.



Source: Eurofound, e-Survey, 2023.

Studies on artificial intelligence (AI) point to a potentially strong impact of machine learning on labour markets, with white collars and creative occupations expected to be more affected compared to past technological developments. According to the OECD, overall, 26.7% of the workforce in member countries were in jobs at high risk of automation in 2019, with Hungary, Slovakia, Czechia, and Poland as the most affected at aggregate level in the EU, with around 35% of employment in such occupations (see Figure 2.3.6).[186] Social

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[183] Online and on-location are examples of specific types of platforms. A non-exhaustive list of online digital platforms includes Upwork, Freelancer, Clickworker, or PeoplePerHour; Uber, Deliveroo, Handy or TaskRabbit are examples of on-location platforms. See*:* Fernandez Macias, E., *et al.*, The platformisation of work, Publications Office of the European Union; and Eurofound's Platform Economy Database, 2023.

[184] See*:* Eurofound, Gender differences in motivation to engage in platform work, Publications Office of the European Union, 2023.

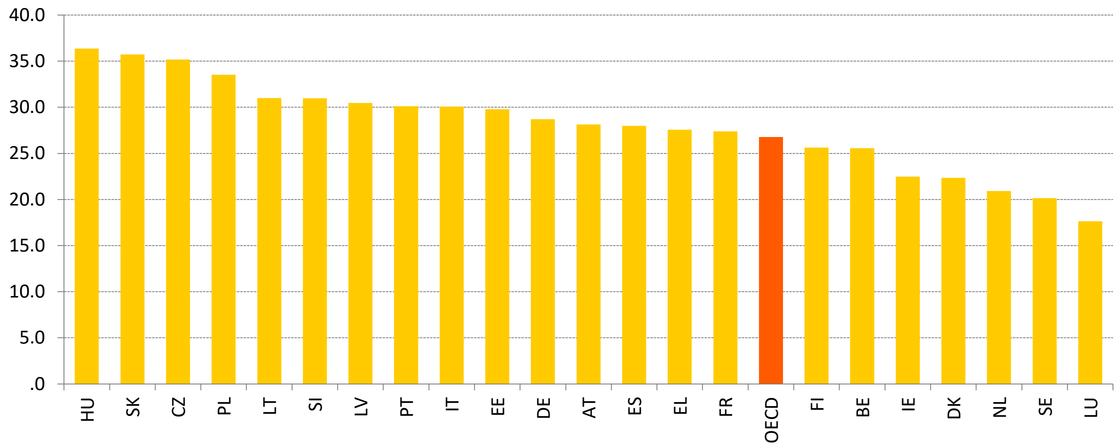
[185] European Commission, *Joint Employment Report 2023 – As adopted by the Council on 13 March 2023*, Publications Office of the European Union, 2023, https://data.europa.eu/doi/10.2767/372552.

[186] OECD, *OECD Employment Outlook 2023: Artificial Intelligence and the Labour Market*, OECD Publishing, 2023 and Gmyrek, P., *et al.*, *Generative AI and Jobs: A global analysis of potential effects on job quantity and quality*, ILO Working Paper 96, 2023.

dialogue and collective bargaining are crucial in such context to ensure a participatory approach to managing change due to technological developments, addressing potential concerns (i.e., related to possible job losses, skills obsolescence or reduced job crafting), while fostering workers' adaptation (including via skills provision). Furthermore, effective active labour market policies, including up-and reskilling systems, and employment services are of the essence to accompany such changes while ensuring wide gains for society as a whole, also thanks to effective support for job-to-job transitions where needed. As regards generative AI, according to Eurofound, the use of machine learning is seen as positive overall by the surveyed workers, as it may help free time from routine tasks and allow to focus more on tasks with higher value-added.[187] Overall, while artificial intelligence and machine learning models, especially those based on generative pre-trained transformers (such as ChatGPT), bring great opportunities, they may have a strong impact on white-collar workers in the future,[188] and even affect creative occupations.[189] The rapid advancements in these technologies necessitate vigilant oversight to harness their benefits while anticipating potential negative impacts and crafting adequate policy responses, including concerning labour markets and workers' adequate participation into the productivity gains generated by AI. In this context, AI presents challenges in terms of transparency, accountability, and its possible impact on workers' rights and incomes. For instance, the proposed AI Act designates AI systems used in recruitment and worker management as high risk, imposing requirements for transparency, safety, accuracy, and human oversight.

Figure 2.3.6: Cross-country differences are reported in the expected impact of automation on employment

Share of employment in occupations at the highest risk of automation; %, 2019.



Note: The results are based on a survey of experts who evaluated the degree of automatability for a number of skills and abilities by occupation. OECD countries which are part of the EU-27.

Source: OECD, *OECD Employment Outlook 2023*, OECD Publishing, 2023.

[187] Eurofound, *Ethical digitalisation at work: from theory to practice*, 2023; Eurofound, *Ethics in the digital workplace*, 2022; and Eurofound, *Digitisation in the workplace*, Publications Office of the European Union, Luxembourg, 2021.

[188] Gmyrek, P., Berg, J., Bescond, D. 2023. *Generative AI and Jobs: A global analysis of potential effects on job quantity and quality*, ILO Working Paper 96 (Geneva, ILO), https://doi.org/10.54394/FHEM8239.

[189] See, for instance, the agreement between the Writers Guild of America and the Alliance of Motion Picture and Television Producers to address existing concerns on the AI's influence on the film industry. The new contract includes regulations on the use of AI in film and TV projects, reached at the end of one of Hollywood's longest strikes.

Pillar Box 5: Impact of algorithmic management in the workplace, including in the context of digital labour platforms

Promoting fair working conditions and inclusive workplaces is key, notably given the accelerated use of algorithms and artificial intelligence. Algorithmic management (AM) refers to the use of algorithms and artificial intelligence (AI) techniques (i.e., machine learning and other computational methods). While originally associated with the platform economy, AM has been gaining traction also in traditional economic sectors, such as finance, retail, or logistics. Its primary focus is the coordination and management of labour input, for instance, to make predictions and optimise business decisions, such as resource allocation, task assignment, scheduling and performance evaluation of workers. Some of the principles of the European Pillar of Social Rights are particularly important in order to develop and use AM and AI techniques in a human-centric, transparent, and responsible way. For instance, Principle 10 emphasises the importance of a healthy, safe, and well-adapted working environment, including workers' rights to privacy, data management and protection. Principle 3 aims to prevent discrimination by establishing the right to equal treatment and opportunities, among others regarding employment, including when using algorithms.

Algorithmic management can be expected to contribute to enhancing efficiency and improving the overall quality of service in the platform economy. Digital labour platforms use automated monitoring and decision-making systems, empowered by algorithms and data-driven technologies, to coordinate and optimize the task allocation for workers.[190] These algorithms consider factors such as location, availability, skills, and historical performance data to match tasks with the most suitable workers in real-time, thereby improving efficiency. The monitoring of workers' performance in AM through ratings and other metrics provides real-time feedback that can be used to enforce platform standards. AM's dynamic pricing and incentives (i.e., bonuses) can also enable platforms to attract workers during peak demand periods.

At the same time, algorithmic management also poses some challenges for workers, including ethical considerations and implications for working conditions. The adoption of AM by companies may lead to heightened surveillance and assessment exposure, which may impact on employees' right to well-being. For instance, the algorithm decision-making power in digital labour market platforms, including the ability to terminate contracts, may negatively impact workers. The integration of AI systems within AM carries the risk of reinforcing existing biases and discriminatory practices. AM's reliance on data processing and storage further exposes workers to potential data breaches. In this context, safeguards and risk mitigation measures are essential to address the consequences of potential breaches and protect individuals. Furthermore, AM's automated control mechanisms might curtail workers' autonomy, limiting their decision-making authority and control over their work tasks, ultimately affecting their psycho-social and health outcomes.

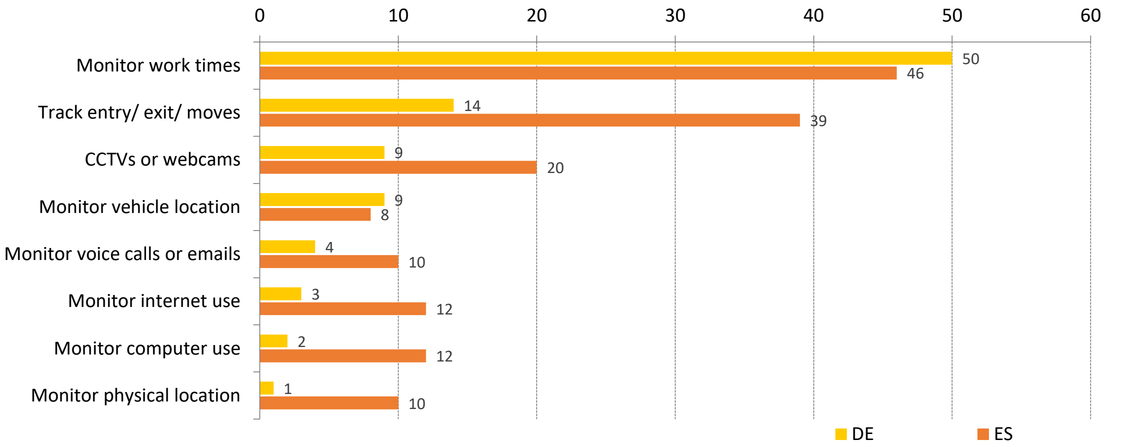
Algorithmic management in workplaces is a relatively novel concept and the policy evidence across Member States and industries is still rather limited. A recent study by the European Commission's Joint Research Centre provides insights into the adoption and

[190] The 3rd edition of COLLEEM has been expanded and rebranded as AMPWork: Algorithmic Management and Platform Work Survey. The previous COLLEEM surveys (I and II) provided a quantitative approximation to the prevalence and conditions of platform work in Europe.

prevalence of automated monitoring and decision-making tools in Germany and Spain.[191] It revealed that approximately 20% and 35% of German and Spanish workers respectively experienced exposure to at least one of the automated decision-making systems. These involve using algorithms to automate task allocation, provide instructions or assess performance through automated rankings (see examples and prevalence of digital monitoring types in the graph). The research also showed that only 5% and 15% of German and Spanish workers respectively were aware of their organisation's policy on the digital information collected about them or their work activities.

The tracking of working times is reported by around half of all workers surveyed in Germany and Spain

Use of types of digital tools for monitoring and surveillance of work, % of respondents mentioning each type.



Source: Fernández-Macías, E., *et al.*, The platformisation of work. Evidence from the JRC.

Only a few Member States have adopted policy measures so far to ensure that algorithmic management enhances workplace efficiency without compromising the employees' well-being. In **Portugal**, Law No. 13/2023 requires employees to receive information about the parameters of algorithms impacting the employer's decisions. Similarly, in **Spain**, Law 12/2021 grants workers' representatives the right to be informed about algorithms' parameters, rules and instructions influencing working conditions. The proposed Directive on enhancing working conditions in platform work will serve to mitigate the potential hazards associated with algorithms for individuals engaged in digital labour platforms. It also establishes collective information rights for workers' representatives. These new rights will not only enhance the transparency of automated systems for platform workers but also require digital labour platforms to systematically assess the impact of such systems on working conditions. Furthermore, these rights will ensure that significant automated decisions are subject to human review in the context of platform work.

There are signs of decreasing undeclared work in the EU, albeit with large differences across countries. Recent estimates[192] indicate that 9.7% of the total labour input in the EU private sector was undeclared in 2019 (versus 10.2% in 2013). Undeclared work accounted for 14.6% of gross value added in the private sector in the EU in 2019 versus 14.9% in 2013.

[191] Fernandez Macias, E., et al., *The platformisation of work*, Publications Office of the European Union, 2023.

[192] Estimates of the real size of the undeclared economy need to be treated with caution. See Franic, J., *Extent of undeclared work in the European Union*. European Labour Authority: European Platform Tackling Undeclared Work, 2023.

Between 2013 and 2019, there seems to have been a decline in 19 Member States (out of 26 as estimates are not available for Malta in 2013), with the exceptions being Bulgaria, France, Germany, Italy, Lithuania, the Netherlands and Romania. This may reflect progress made in tackling undeclared work through, among others, changes to labour laws, increased resources for labour inspectorates, as well as actions to address infringements and ensure compliance (see Section 2.3.2). According to Eurofound,[193] the resources allocated to enforcement institutions indeed increased over the last decade in most EU countries. However, many Member States were still below the recommended number of inspectors per 10 000 employed persons in 2021. The European Platform tackling undeclared work supports the sharing of best practices between EU countries, including the design and monitoring of key performance indicators (KPIs), in order to assess the effectiveness of labour inspectorates.[194]

Long-term unemployment fell on the back of the post-COVID-19 recovery, albeit some Member States still face considerable challenges. The long-term unemployment rate stood at 2.4% in 2022 in the EU, which is 0.4 pps lower than the year before, having decreased in almost all Member States (see Figure 2.3.7). The difference between the highest and the lowest rates across EU countries decreased from 8.4 pps in 2021 to 7.2 pps in 2022, in a sign of upward convergence, thanks to the Member States with the highest rates in 2022 having recorded the most significant yearly improvements. These are Greece (-1.5 pps to 7.7%), Spain (-1.2 pps to 5%) and Italy (-0.8 pps to 4.6%). Austria saw also a substantial decrease (-0.8 pps), but at relatively low levels (1.2% in 2022). On the other hand, the long-term unemployment rates increased in Slovakia, now in a ‘critical situation’, Romania that is now ‘to watch’, and Malta that is ‘good but to monitor’. Conversely, Denmark, Austria, Czechia, Germany, Estonia, Ireland, Luxembourg, Hungary, the Netherlands and Poland are ‘better than average’, with low and generally decreasing rates in 2022. The gender gap in long-term unemployment rates was low (below 0.5 pps) in 2022 in most Member States, with the exception of Greece, Spain and Latvia (5 pps, 2 pps, and 1.2 pps, respectively). Large regional disparities are also observed (see Figure 7 in Annex 5), with the highest dispersions in long-term unemployment rates at NUTS-II level in Austria (79.7%), Italy (69.9%), Bulgaria (67.9%) and Belgium (64.1%).[195] Member States’ progress in implementing the 2016 Council Recommendation on the integration of the long-term unemployed remains key to address the challenge.[196]

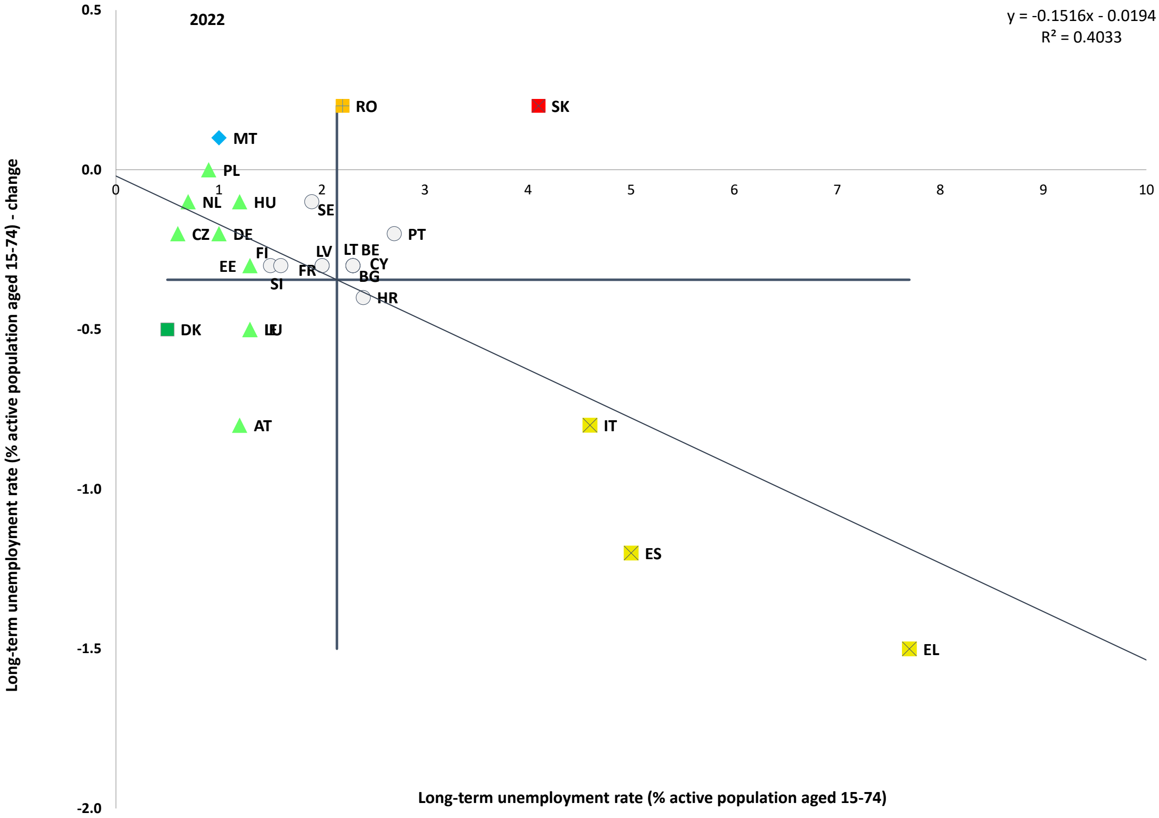
[193] Eurofound’s Network of European Correspondents. See: Eurofound, Minimum wages: Non-compliance and enforcement across the EU, 2023 (forthcoming).

[194] Williams, C., et al., *Key Performance Indicators measuring the effectiveness of labour inspectorates*. European Labour Authority: European Platform Tackling Undeclared Work, 2023.

[195] Eurostat [lfst_r_lmdltu].

[196] COM(2019) 169 final on the evaluation of the Council Recommendation on the integration of the long-term unemployed into the labour market.

Figure 2.3.7: Declining long-term unemployment rates in almost all Member States, and in particular in those with the highest levels
Long-term unemployment rate, 2022 levels and changes from 2021 (%, Social Scoreboard headline indicator)



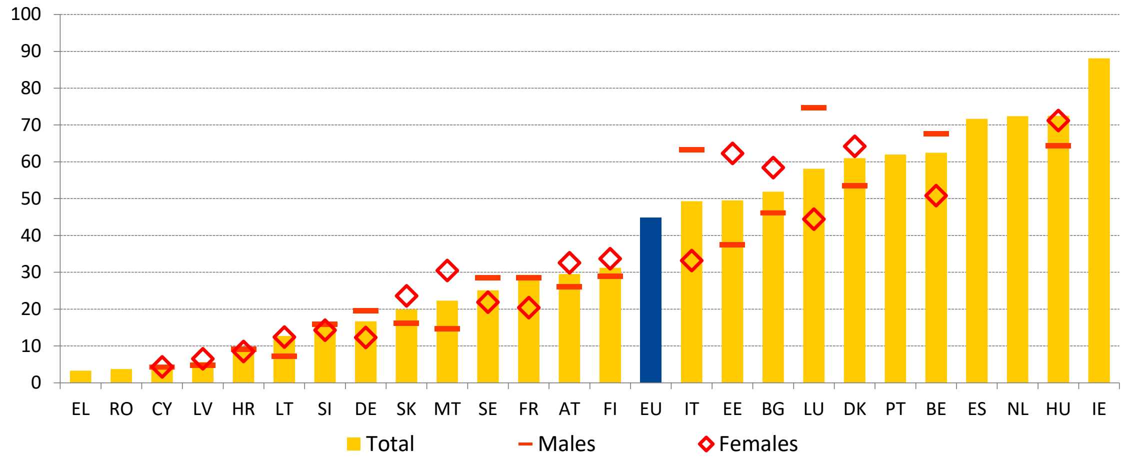
Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR.
Source: Eurostat [tesem130], EU LFS.

Participation rates in activation measures differ across Member States, even when factoring in cross-country differences in long-term unemployment rates. In 2021, the share of unemployed persons willing to work who participated in active labour market policy measures differed significantly across Member States. On the one hand, countries like Greece, Romania, Cyprus, Latvia, and Croatia had figures below 10%. On the other hand, the percentage was almost 90% in Ireland, and above 70% in Hungary, the Netherlands, and Spain. In some countries (Luxembourg, Italy, Estonia, Belgium, Malta), gender differences in participation are pronounced (i.e., equal to or significantly higher than 15 pps, see Figure 2.3.8).[197] In Member States with relatively high yet improving long-term unemployment rates, closer monitoring of participation in activation measures and assessment of the quality and effectiveness of interventions, including the links with social protection, remain key to address the challenge.

[197] Labour market policy (LMP) measures (categories 2-7) include amongst others the provision of training (2), employment incentives (4), supported employment and rehabilitation (5), direct job creation (6) and start-up incentives (7). This indicator should nonetheless be interpreted with caution, as it only measures participation in (and not effectiveness of) labour market policies.

Figure 2.3.8: Different participation rates in active labour market policies across Member States, with high gender gaps for some

Participants in regular labour market policy (LMP) interventions (categories 2-7) per 100 unemployed persons wanting to work, total age class, results by gender, 2021



Note: Time series not available for CZ. Latest available data for women in EL, IE, NL, PT, PL (2019), and RO (2020). No gender breakdown available at EU level. Figures above 100% would indicate that people register more than once in the Active Labour Market Policy dataset as part of their participation in different categories of measures or due to participants who are not registered as jobseekers.
Source: Eurostat [lmp_ind_actsup].

One of the key objectives of the Council Recommendation on the integration of the long-term unemployed into the labour market is to deliver Job Integration Agreements to all those registered for at least 18 months. In 2021, 54.4% of all long-term unemployed in the EU who were offered a dedicated job integration agreement (JIA) regained the labour market. This figure increases to 61.1% for the long-term unemployed participating in individualised action plans (IAPs) with in-depth assessment. However, the proportion of long-term unemployed in regular IAPs that ended in employment was lower, at 47.7%, below the 2021 average of 49.9%. While half of the Member States achieved at least 95% coverage in 2021, there remained nine countries where at least one in three long-term unemployed registered for 18 months or more did not have a JIA seven years after the adoption of the Council Recommendation. This highlights the importance of stepping up targeted efforts in the concerned Member States.[198]

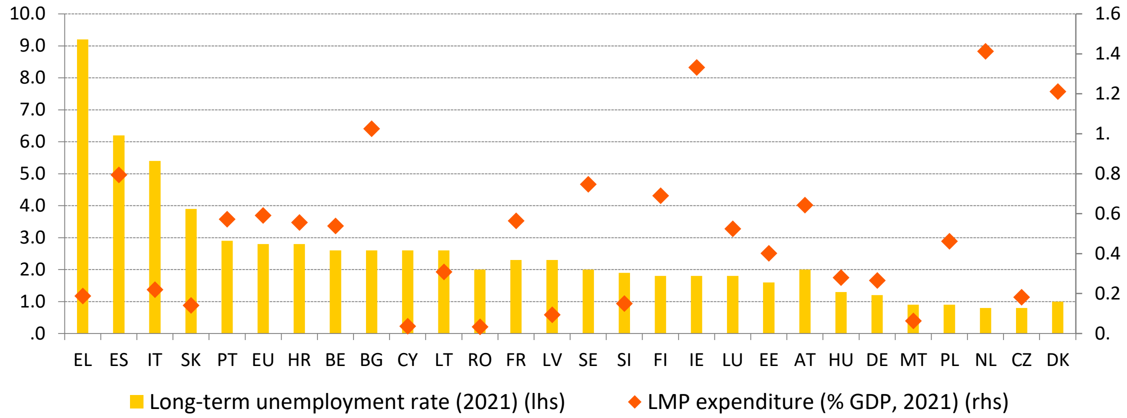
Effective active labour market policies play a key role in raising employment rates, supporting job transitions and addressing labour and skills shortages in the EU, with considerable variation in expenditure across Member States. The analysis of spending on labour market measures as a percentage of GDP can serve as a proxy for Member States' efforts in addressing their labour market integration challenges, in particular when looked at jointly with long-term unemployment rates.[199] For instance, in 2021 Spain, spent relatively more in active labour market policy interventions (i.e., 0.8% of GDP), having a relatively high long-term unemployment rate, above 6% (see Figure 2.3.9). On the contrary, in Greece, Italy and Slovakia, all with long-term unemployment rates above the EU average (above 9%, 5% and at around 4%, respectively), spending on labour market measures was relatively low (i.e., at or around 0.2% of the GDP). In the Netherlands, Ireland and Denmark, spending on

[198] European Commission, *Data collection for monitoring of the LTU Recommendation: 2021*, 2022.
[199] As regards the effectiveness of the ALMPs financed by ESF, the recent meta-analysis of the ESF counterfactual impact evaluations indicates that, on average, they have a positive impact on the probability of the participants entering employment.

labour market measures was relatively high, at or above 1.2% of GDP in 2021, but with low shares of long-term unemployed (i.e., below 2%). Finally, in countries like Portugal, Croatia and Belgium, the level of spending was around the EU average, as were their respective long-term unemployment rates.

Figure 2.3.9: There is considerable variation between Member States in terms of expenditure on activation

Spending on active labour market policy interventions (categories 2-7, in percentage of GDP, 2021) and long-term unemployment as a percentage of population (aged 15-74) in the labour force (%, 2021)



Source: Eurostat [lmp_expsumm], Labour market policy (LMP) database and [tesem130], EU LFS.

Public employment services (PES) have further digitalised their services and strengthened cooperation with employers. Following the COVID-19 pandemic, PES have progressively developed their services (i.e., registration, profiling, job matching and delivery of counselling and training) through digital platforms. They also have further integrated the use of skills intelligence tools in their work.[200] PES have increased their cooperation with employers, including in some cases by developing new employer services around branding, public relations and Human Resources management. Cooperation has generally been strengthened with local and regional authorities, for instance, when dealing with vulnerable groups. Following Russia's war of aggression against Ukraine, PES have played an instrumental role in supporting the labour market integration of displaced persons from Ukraine. In April 2023, their total number registered at PES amounted to 344 000. Figures reported by 19 PES indicate that around 1.5 million displaced persons are in employment in the respective countries.[201]

The number of short-term unemployed covered by unemployment benefits decreased slightly in the EU and in almost all Member States in 2022. Their share decreased from 42.2% in 2021 to 40% in 2022 (see Figure 2.3.10).[202] This hides significant differences across Member States. While Lithuania (-9.9 pps), the Netherlands (-9.1 pps) and Portugal (-9.1 pps)

[200] See European Commission, *Annual Report: European Network of Public Employment Services (PES)*, 2022; European Commission, *Main outcomes of the third cycle of PES Benchlearning*, Network of Public Employment Services, 2022; and European Commission, Peters, M., *Assessment report on PES capacity: 2022*, Publications Office of the European Union, 2022.

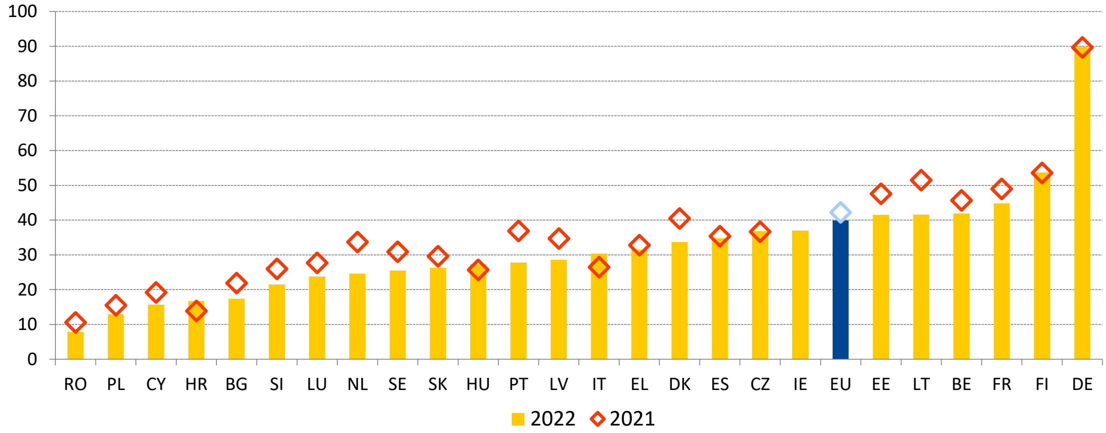
[201] The use of different sources across countries can affect comparability of employment data. The statistics should therefore be interpreted with caution. See European Commission, DG EMPL, PES Network questionnaire to PES (news) and European Labour Authority, Overview of the measures taken by EU and EFTA countries regarding employment and social security of displaced persons from Ukraine, February 2023.

[202] Short-term unemployed are those unemployed for less than 12 months.

saw the biggest declines, coverage increased in Italy (3.9 pps) and Croatia (2.8 pps). In 2022, the highest coverage rates were observed in Germany (90%) and Finland (over 50%), followed by France, Belgium, Lithuania, and Estonia with lower figures but still at or above 40%. On the opposite side, the lowest coverage was recorded in Romania, Poland, and Cyprus (below 15%). In 2022, 35% of the unemployed registered for less than one year received benefits or assistance in the EU against 37.8% in 2021.

Figure 2.3.10: Slight decline in coverage rates of unemployment benefits in almost all Member States, with differences persisting

Coverage of unemployment benefits for the short-term unemployed (less than 12 months, 15-64 year olds, %)



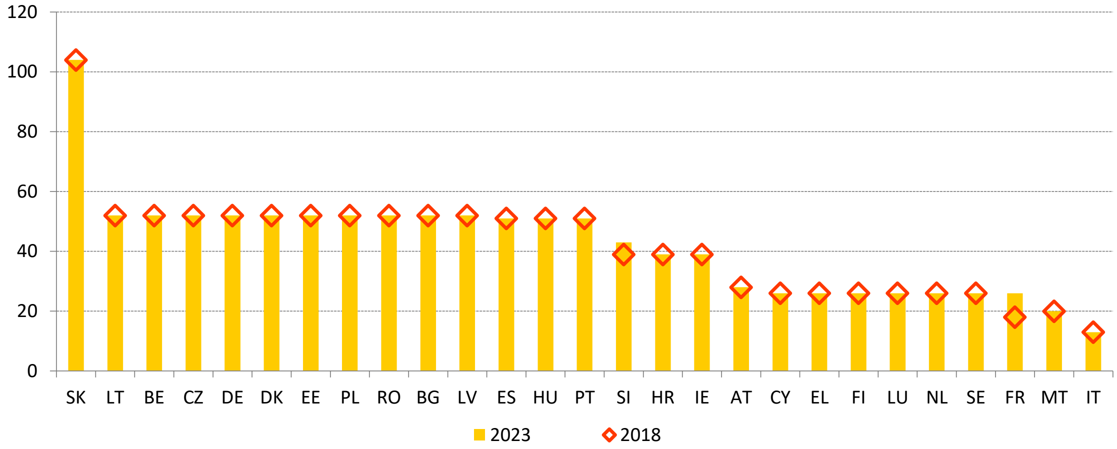
Note: Data for 2021 are not available for IE and MT. Data for 2022 are not available for AT and MT.
Source: Eurostat [lfsa_ugadra], EU LFS.

The qualifying period for unemployment benefits remained broadly stable in 2023, as well as the maximum claim period.[203] The qualifying period remained stable in almost all Member States, ranging from 13 weeks of insurance contributions in Italy to 104 weeks in Slovakia (see Figure 2.3.11). In France, the maximum duration of benefits (for a worker with a one-year work history) was increased from 52 to 72 weeks in 2019, while in Latvia it was reduced from 39 to 35 weeks in 2020. For all other Member States, the duration remained unchanged over the last 5 years, with considerable differences persist across Member States (see Figure 2.3.12). Overall, in 16 EU countries, benefits for the unemployed with a one-year work history can be claimed for at most 6 months (24 weeks). Income replacement remains closely linked to the length of the unemployment spell. Figure 2.3.13 compares the net replacement rates for low-wage earners (at 67% of the national average income) with a short work history (12 months of social security contributions) across the EU, at the 2nd and 12th month of the unemployment spell. The net replacement rates in the second month range from 7.9% of the previous (net) earnings in Hungary to 90% in Belgium. In Luxembourg, Denmark, France and Finland the replacement rate (for all above 60%, and in some cases significantly above) remains the same at the 12th month of the unemployment spell.

[203] The analysis refers to unemployment benefits generally given to those individuals registering as becoming unemployed through no fault of their own, without including schemes of a temporary nature that may have been adopted in response to the COVID-19 crisis.

Figure 2.3.11: With very few exceptions, the contribution period to qualify for unemployment benefits remained stable in the last five years

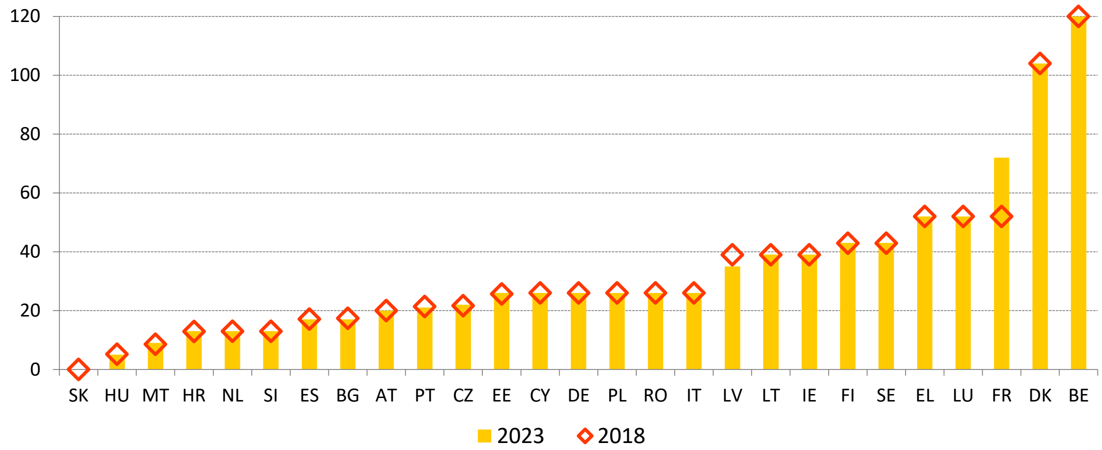
Lengths of the required qualifying period (weeks, 2023 and 2018)



Note: In Malta (2018 and 2023), at least 50 weekly contributions, of which at least 20 paid or credited in the previous 2 calendar years, must have been paid since the person first started work; in Ireland (2018 and 2023), at least 104 weekly contributions must have been paid since the person first started work; in Austria (2023), at least 52 weekly contributions must have been paid for first time applications, and at least 28 weekly contributions must have been paid for subsequent applications.
Source: MISSOC database (January 2018 and January 2023).

Figure 2.3.12: In most Member States, a one-year work history gives access to unemployment benefits for a maximum of 6 months

Maximum duration of benefits in number of weeks with a one-year work history (weeks, 2023 and 2018)



Note: In Belgium, there is no limit on the duration of benefits. In Cyprus, weeks are calculated based on 6 working days per week. In Ireland, benefit is paid for 39 weeks (234 days) only for people with 260 or more weekly PRSI contributions paid. In Slovakia, a person with a one-year record cannot qualify for unemployment benefits (at least 2 years of unemployment insurance contributions during the last 4 years are required). In Poland, duration depends on the level of the unemployment rate of the region relative to the national average.

Source: MISSOC database (January 2018 and January 2023) and national legislation.

Figure 2.3.13: Unemployment benefit replacement rates at the second month of unemployment are higher than 60% in the majority of Member States

Net replacement rate of unemployment benefits at 67% of the average wage, at the 2nd and 12th month of unemployment (2022)

Note: The indicator is calculated for the case of a single person without children with a short work history (one year) and aged 20. Different income components, unemployment benefits and other benefits (such as social assistance and housing benefits) are included.

Source: European Commission calculations, based on OECD Tax-Benefit Model.

Overall figures of intra-EU mobility remained stable between 2016 and 2022, as did the composition of flows by citizenship. In 2021, the biggest net outflows of EU nationals per year were registered from Poland, followed by Germany and Italy. For all the other Member States, the flows of EU nationals in and out of their countries were rather balanced. Despite the 8% increase in cross-border mobility of workers in the EU between 2021 and 2022, the direction of cross-border mobility flows remained broadly unchanged. Overall, this takes place mostly between EU regions that are geographically adjacent and where differences in average wage levels and labour conditions are more visible.[204]

Social partners have a key role to play in the design and implementation of reforms and policies at national level that support employment, job quality, skills development and social protection. Figure 2.3.14 shows the involvement of social partners in 440 cases of governments passing legislation or implementing other (non-binding) texts as well as tripartite agreements between January 2022 and July 2023.[205] The reported degree of involvement varies by thematic area, even within the same country. The highest degree of social partner involvement was found in the area of employment protection and retention, followed by income protection and supporting business to stay afloat. Overall, in the Member States with well-established social dialogue traditions, the quality and intensity of the involvement ranked better, as one could expect, including in relation to consultations in the context of the European Semester. The conclusions from the yearly Employment Committee (EMCO) multilateral surveillance reviews in the meantime highlighted that, while in all but few Member States the institutional framework for social dialogue is adequate, it remains of the utmost importance to avoid a mere formalistic involvement and ensure a timely and

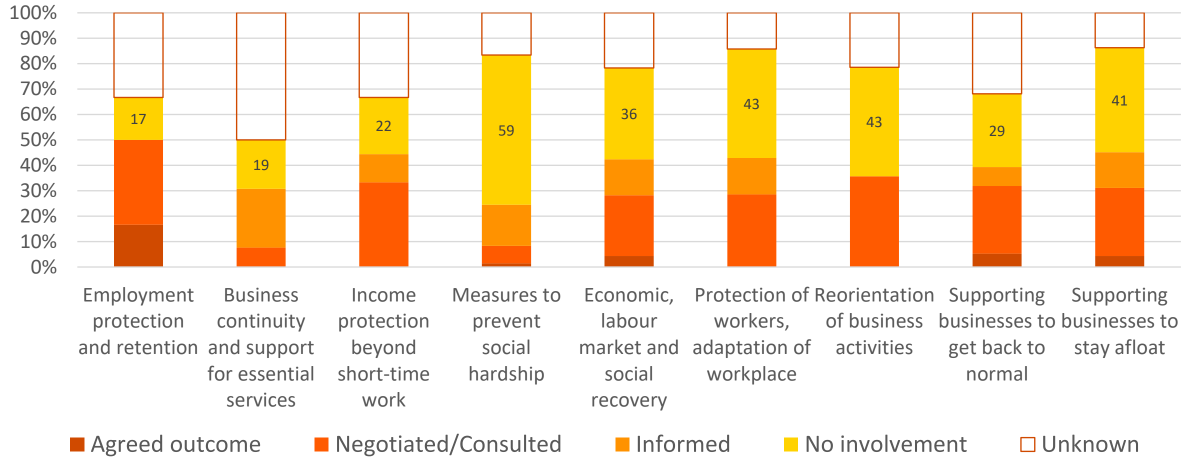
[204] See European Commission (2023), Annual report on intra-EU labour mobility (forthcoming).

[205] See Eurofound, *Involvement of social partners in the implementation of national recovery and resilience plans*. Publications Office of the European Union, 2023. Key measures can be found in Eurofound's EU PolicyWatch Database.

meaningful consultation throughout the entire policymaking process. The reviews also underlined how the quality of consultations can improve when underpinned by evidence-based findings and ex-ante impact assessments of the proposed legislation.[206] Over two years after the adoption of the Recovery and Resilience Facility, social dialogue processes around the implementation of the recovery and resilience plans (RRPs) are progressing in most Member States.[207] Taking into account the differing speeds of implementation of the RRPs, several social partners believe that there is still scope for improvement in some Member States, according to a survey conducted by Eurofound in June 2023.[208]

Figure 2.3.14: The degree of involvement of social partners differs by thematic area

Form of involvement of social partners in the design of policy measures in the recovery



Note: Policy measures, collective agreements and company practices by governments, social partners and other actors collected between January 2022 and July 2023. The figure shows 440 cases of legislation or non-binding texts which were considered as being in the social partners' domain.
Source: Eurofound's EU PolicyWatch Database.

Following the Commission proposal of 25 January 2023, the Council adopted the Recommendation on strengthening social dialogue in the European Union in June 2023. It recommends Member States to ensure an *enabling environment* for bipartite and tripartite social dialogue, including collective bargaining, in the public and private sectors, at all levels, that (i) respects the fundamental rights of freedom of association and of collective bargaining; (ii) promotes strong, independent trade unions and employers' organisations for the purpose of fostering meaningful social dialogue; (iii) includes measures to strengthen the capacity of trade unions and employers' organisations; (iv) ensures access to the relevant information that is necessary to participate in social dialogue; (v) promotes engagement in social dialogue from all parties; (vi) adapts to the digital age and promotes collective bargaining in the new world of work and a fair transition towards climate neutrality; and (vii) provides appropriate

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[206] Opinion 9955/23 of the Employment Committee and the Social Protection Committee.
[207] European Commission, *Report from the Commission to the European Parliament and the Council – Review report on the implementation of the Recovery and Resilience Facility*, COM(2022) 383 final, 2022.
[208] Results from the ongoing Eurofound study on the involvement of national social partners in the implementation of the RRPs. Summary results of the views expressed by 174 social partners and government representatives to the Eurofound network of national correspondents. See Eurofound, *Involvement of social partners in the implementation of national recovery and resilience plans*, Publications Office of the European Union, Luxembourg, 2023.

institutional support for the purpose of fostering meaningful social dialogue.[209] In line with the 2023 Employment Guidelines, the Council Recommendation calls on Member States to involve social partners in a *meaningful and timely* manner. The Recommendation further asks for a *systematic* involvement of social partners in the design and implementation of employment and social policies and, where relevant, economic and other public policies.

The European Social Fund Plus (ESF+) requires Member States to which a country-specific recommendation on social dialogue was addressed to spend at least 0.25% of the funding on supporting the capacity-building of social partners and civil society organisations. All the other Member States are called to allocate an appropriate amount of ESF+ resources. Provisional data indicate that 17 Member States have programmed an allocation of more than 0.5% of their ESF+ funding to support the capacity building of social partners and civil society. The total allocation is estimated to be EUR 1.07 billion, or approximately 0.75% of the total ESF+ funding (at current prices).[210]

The consultation and involvement of civil society organisations are key to driving sustainable and inclusive change. The Employment Guidelines identify civil society organisations as key interlocutors for relevant legislation and government action on employment and social issues. Building upon existing national practices and traditions, efforts to strengthen the involvement of civil society organisations in relevant policy making are key to provide valuable insights on existing and emerging challenges, as well as on the effectiveness of policy interventions on the ground. As with the social partners, appropriate consultations need to be meaningful, transparent and timely. At the EU level, civil society organisations are consulted on policy priorities and proposals, including in the European Semester context, they are involved in policy implementation and supported through EU funding programmes, including the ESF+ EaSI funding strand and the Citizens, Equality, Rights and Values (CERV) programme.

2.3.2 Measures taken by Member States

Some Member States reviewed legislation and took measures with the aim of addressing the causes of labour market segmentation. In **Belgium**, a new measure (i.e., Federal Labour Market Deal) adopted in January 2023 provides, under certain conditions, a new scheme for workers to start working in a new job during the notice period or to participate in early activation measures during one third of the notice period, while keeping their wage and other benefits. In May 2023, **Italy** updated legislation to extend the duration of fixed-term contracts, which can now exceed 12 months and up to 24 months under certain conditions. **Italy** also adopted a targeted measure to grant throughout 2023 an exemption in social security contributions (within the limit of EUR 8 000) for companies that hire under permanent contracts, or transform temporary contracts into permanent ones, for beneficiaries of the minimum income scheme. In July 2022, **Spain** introduced amendments in the rules applicable to the statutory health service staff to reduce fixed-term employment in the public health sector. As part of a broader reform within its RRP, **Portugal** introduced amendments to the fixed-term

[209] Communication from the Commission on *strengthening social dialogue in the European Union: harnessing its full potential for managing fair transitions* and Council Recommendation on *strengthening social dialogue in the European Union*.

[210] Allocation per Member State for capacity building as a percentage of the total ESF+ funding in the country for the 2021-2027 period. Figures compiled by DG EMPL in July 2023 for information purposes only. Actual data is subject to programming and may differ.

contracts. With the adoption of the new provisions in May 2023, temporary fixed-term contracts can be renewed 4 times (down from 6 times previously). The maximum duration of successive temporary employment contracts with the same employer should also be shorter than 4 years, and converted into an open-ended contract if this duration is exceeded. In addition, **Portugal** adopted other measures concerning the termination of a fixed-term contract setting the compensation at 24 days of basic salary per year (vs 18 days before). New provisions were also introduced to change the trial period for fixed-term contracts, depending on the duration of the previous work relationship. In April 2023, **Czechia** adopted new amendments to the labour law to improve the protection of temporary agency workers to a level similar to that of regular employees, for instance in the event of employers' insolvency.

Various Member States have been adjusting their employment protection legislation. As part of a broader reform, **Spain** adopted provisions in June 2023 to add new cases of objective nullity of dismissals for employees in the new parental leave or benefiting from an adaptation of their working time. It also extended until 31 December 2023 the ban on dismissals on objective grounds related to the increase in energy costs for companies benefitting from public aid. In February 2023, **Spain** adopted new rules on the protection of whistle-blowers and the fight against corruption to prevent workers from suffering unfavourable or detrimental consequences in their employment relationship. Finally, in September 2022, amendments to the national science law were adopted with the aim of improving working conditions and creating better career prospects for research personnel (i.e., similar to the 'tenure track' system). In February 2023, **France** adopted provisions for the new practice of regulated liberal professions within a company. They simplify and clarify the legal framework applicable to the practice, coming into effect on 1 September 2024. In October 2022 as part of its RRP, **Sweden** updated its labour code with the aim of increasing the predictability for employers and employees by introducing clear rules for dismissal for objective reasons. The fixed-term period was replaced by a special period which provides swifter access to permanent employment.

The introduction of new measures and implementation of existing ones promoting a healthy, safe, and well-adapted work environments progressed in several Member States. As part of a broad reform, in March 2023, **Denmark** adopted amendments to the Act on Equal Treatment. The new provisions include a clarification of the employer's responsibility for certain offences, including harassment. In June 2022, **Germany** adopted a targeted measure to promote a more inclusive labour market, including actions to increase occupational health and safety on the way to the workplace from the workplace, and in the workplace itself. In August 2022, **Greece** adopted its Strategy for Health and Safety at Work 2022-27 as well as an accompanying Action Plan 2022-23. Relying on social dialogue, the new strategy achieves a balanced participation of employees and employers on occupational health and safety. In March 2023, **Spain** adopted its Occupational Health and Safety Strategy 2023-27 to further improve health and safety conditions at work, reduce accidents at work, and anticipate possible threats and risks to the health and safety of workers. For the first time, mental health was included as a priority in the strategy. In October 2022, **Spain** had already established a new compensation fund (managed by the National Institute of Social Security) for victims of exposure to asbestos at work, at home or in the environment. Later in May 2023, a targeted measure was adopted to reduce occupational hazards arising from outdoors work under extreme weather conditions. In this context, companies must implement a series of measures depending on the severity of the conditions (e.g., high temperatures). Finally, **Poland** published a draft regulation to update the existing minimum health and safety requirements for workstations with screens.

Various Member States have adopted measures to provide employees with more flexible working arrangements. In January 2023, **Belgium** adopted a reform to introduce more flexibility in working hours and better support to work-life balance. The measure includes the right to a 4-day working week (by working more hours per day), to have a changing work regime (i.e., work more hours one week and less the other week) and early information of flexible part-time schedules. In May 2023, **Portugal** adopted provisions to regulate the payment of overtime work for those who exceed 100 hours per year. Beyond that limit, the measure establishes the amounts to be paid per hour or fraction of hour based on different criteria. Within its RRP, **Portugal** also adopted in June 2023 a pilot programme to implement a 4-day working week in the private sector. It consists of a trial period for 6 months where the weekly working hours would be reduced to 36, 34, or 32 hours without any reduction in wages. After the end of the trial period, the company will have one month to decide to continue (or abandon) the new scheme.

Furthermore, some Member States adopted new provisions or amended existing legislation on working time and organisation to factor in trends in relation to telework, remote work, and the right to disconnect. In **Croatia**, national legislation has been updated under the RRP through amendments to the country's Labour Act that entered into force in January 2023. In addition to traditional telework, the new legislation introduced the possibility of remote work, under which the employees can freely determine their place of work. In **Romania**, the Telework Law No. 81/2018 was amended through Governmental Emergency Ordinances following the rapid increase in telework arrangements seen during the COVID-19 pandemic. In September 2022, **Belgium** stipulated the need for companies with 20 or more employees, company-level collective agreements or the employer's general rules to include provisions on the workers' right to disconnect. Similar provisions have been approved for evening and night work under specific conditions. In April 2023, **Poland**, in line with its RRP, introduced regulations on remote work. The amendments to the Labour Code and other acts include a new definition of remote work, and two specific forms of teleworking: remote work (i.e., for workers in professions that are deemed eligible due to their nature) and occasional teleworking (i.e., up to 24 days a year for each worker). In July 2023, in **Luxembourg**, a new law introduced the right to disconnect, while in **Romania**, a new law makes remote working available to employees with children. In **Italy**, the 'Labour Decree' has been transposed into law with the introduction of new rules on smart working for vulnerable people. Linked to the RRP implementation, **Spain** plans to adopt regulatory development provisions concerning teleworking rights and conditions in the public sector. **Cyprus**, again within its RRP, plans to adopt a new bill to regulate the rights and obligations of employers and employees making use of teleworking.

Several Member States have taken measures to enhance working conditions in platform work, focusing mainly on the transport and delivery sectors, following significant growth in the platform economy. In October 2022, **Malta** passed a new law, introducing a presumption of an employment relationship for workers of digital platforms. The legislation also ensures that platform workers earn a salary equal to or above the minimum wage. In **Spain**, the 'Riders' law,' enacted in 2021 under the RRP, establishes the legal presumption of employment relationship in the delivery sector. The law also grants workers' representatives the right to be informed about algorithms' parameters affecting working conditions. In **Belgium**, the 'Labour Deal' implemented in January 2023 introduces a legal presumption of employment for platform workers. This new law outlines eight criteria used by labour courts to determine whether a worker should be classified as self-employed or as an employee. In **Croatia**, a bill presented in February 2023 under the RRP introduces joint liability for digital labour platforms and aggregators acting as intermediaries with platform workers. The main objective is to address employee misclassification. The bill outlines factors that indicate an employment relationship with platforms or aggregators, irrespective of the contract type. In

April 2023, **Portugal** modified its labour code, establishing a presumption of an employment relationship for platform workers based on a set of six criteria. Besides, the law requires employers to provide information and transparency on the use of algorithms or artificial intelligence in worker selection and dismissal processes.

Some Member States are taking steps to tackle undeclared work with the aim of better protecting workers' rights and ensuring fair competition. In December 2022, **Italy**, in its RRP, adopted a national plan for the fight against undeclared work with an implementation roadmap. Also as part of a broader reform under its RRP, **Croatia** passed a new labour law on tracking undeclared work. Adopted in December 2022, the new law defines undeclared work and all its manifestations, provides additional means to better support labour inspections, lays down misdemeanour provisions and regulates the process of transferring workers from undeclared to declared work. In April 2023, **Czechia** introduced legal amendments to ensure that employers report and register foreign employees entitled to temporary protection. The aim is to protect persons with agreement to perform work from unlawful practices by employers and increase the efficiency of social security spending for persons entitled to temporary protection. As part of its RRP, **Romania** plans to establish a functional digital platform to manage the use of vouchers for domestic workers and allow the interoperability of voucher-related operations across public databases.

Various Member States adopted targeted measures to address long-term unemployment and ensure a more resilient labour market. With the support from EU funds, **Belgium** launched in April 2023 the project 'Territoires zéro chômeurs de longue durée', aiming to decrease the number of long-term unemployed and provide additional job opportunities in specific areas in the Walloon Region. In October 2022, **Cyprus** launched within its PES the design and implementation of 4-months individualised support programmes, with at least 40 vulnerable unemployed persons in each programme. These programmes are based on frequent meetings and referrals, follow-up and evaluation. At the same time, **Spain**, in its RRP, provides since August 2021 funding for new territorial projects putting forward individualised itineraries for long-term unemployed, including support for entrepreneurship and microenterprise projects. In March 2023, **Sweden** adopted a targeted measure to strengthen the support provided by the public employment services (PES) to people who are or are at risk of becoming long-term unemployed. Some of the measures include more dedicated interventions or aim at strengthening PES capacity.

A number of Member States amended their existing ALMP frameworks to improve their effectiveness in connecting job-seekers with available opportunities. In July 2022, **Belgium** adopted a targeted reform to strengthen activation of the unemployed and inactive and the transition of workers in the region of Flanders. The measure follows an agreement between the regional government and the Flemish social partners. In August 2022, **Greece**, in its RRP, adopted its National Strategy for Active Labour Market Policies 2022-30. The Strategy provides a holistic approach to the development and implementation of activation measures in combination with other policies. The measures under the strategy are also funded by the RRF and ESF+. As part of a broader reform, **Lithuania** established in July 2022 a separate status of a person preparing for the labour market. The purpose is to identify and support individuals facing challenges to access employment. The measure is organised by municipalities and provided by a case management team with the cooperation of social partners. In December 2022, Lithuania, as part of its RRP, expanded the existing framework to facilitate the activation and transition into employment of persons in vulnerable situations. This employment promotion model combines the provision of employment guidance and various consultations with direct income support in coordination with the social services. As part of its RRP, **Spain** is set to create a network of 20 centres of orientation, entrepreneurship and innovation for employment by the end of 2024. These are expected to be distributed throughout the territory (i.e., one centre at central government level and another one in each region) with the aim of improving coordination across regional PES. As part of a broader reform, **France** plans to reorganise its PES system 'Pôle Emploi' to further increase the coordination among stakeholders and improve the guidance and support provided to job-seekers. The draft law 'for full employment' also introduce stricter conditions for receiving minimum income support, including participation in mandatory weekly activities. As part of its RRP, **Latvia** is planning to amend its ALMP framework and update the offer of up- and reskilling to strengthen the focus on digital skills. By the end of 2023, **Cyprus**, in its RRP, is expected to adopt a Strategy on Active Labour Market Policies 2023-25. The new strategy should improve the participation in activation measures, especially of vulnerable groups, and the administrative efficiency and long-term capacity of PES.

Some Member States introduced measures related to public employment services (PES) to make them more accessible and effective, also in light of changing labour market and skills needs. In **Belgium**, a job trial programme at the Walloon PES (Forem) allows registered jobseekers to access various jobs before deciding which employment or training to choose, thus helping to reduce the risk of overqualification.[211] In 2022, **Austria** increased its financial contribution to support labour market activation of women (by 4% compared to 2021). This effort has enabled around 239 000 women to participate in employment support measures, 137 000 of which related to skilling. In **France**, the PES programme 'companies get involved' (*Les Entreprises s'engagent*) offers now an interface where employers can ask to be contacted about procedures to hire persons displaced from Ukraine.[212] Within its RRP, **Finland** updated its Nordic model of employment services, establishing various targets for individualised support to jobseekers (i.e., annual number of job search interviews). In 2022, **Sweden** updated its assignment to the PES, which is now expected to strengthen the links with the private sector, further support job-seekers who are far from the labour market, and step up efforts to increase the number of participants in job placements, training, and subsidised employment schemes. In August 2022, as part of its RRP, **Lithuania** introduced new provisions to reform its career guidance system, laying down the framework, management, and quality assurance of the system of career counselling. It sets out the functions and basic competency requirements of career professionals and the institutions involved, including the social partners. In December 2022, **Greece**, in its RRP, established a Digital Registry for the DYPA (the Greek PES) with the aim of improving records of jobseekers and providing them with better access to benefits and social services through an interoperable system. **Greece** also updated its mutual obligation framework between the DYPA and registered job-seekers, to better track and enforce the obligations of all parties. In February 2023, **Spain**, in its RRP, adopted new legislation to strengthen its employment system. It includes measures to boost the participation of private and local entities, improve the evaluation framework, and a new catalogue of guaranteed services for both employers and jobseekers. The country is expected to conclude the modernisation (i.e., internal management and digitalisation systems) of its central PES by the end of 2023. In March 2023, **Denmark** revised the existing framework to reduce the administrative processes in the job centres by, among others, expanding the use of digital tools and simplifying follow-up procedures. In June 2023, **Denmark** also adopted a targeted measure, which will enter into force on 1 January 2024, to give increased responsibility for PES to contact recipients of unemployment benefits in the first 3 months of the programme. In July 2023, **Ireland**

[211] Examples of best practices collected by the PES Network in the context of PES benchlearning. For more information, see also PES Knowledge Centre.

adopted the Pathways to Work 2021-25 strategy. One of its core objectives is to enhance Intreo (the Irish PES) by developing its capacity and costumer-focus approach. It includes measures supported by the RRP and ESF+.

Collaboration between public employment and social services is very important for effective ALMPs. In March 2023, **Sweden** proposed improvements to the exchange of information between the PES and the country's municipalities to address the risk of labour market exclusion and facilitate the transition from unemployment to adult education. In June 2023, **Denmark** adopted a temporary measure to reintroduce the right to training or up-skilling with an increased unemployment benefit rate of 110% in occupations facing labour shortages. The measure plans to create further synergies between the guidance provided by the job centres to unemployed persons and accompanying support measures over the course of the up-skilling.

Some targeted measures have been taken by Member States to facilitate labour mobility and to attract foreign talent to shortage occupations. In November 2022, **Belgium** adopted the 'Federal Labour Market Deal' where various sectoral committees of social partners were tasked to list all job profiles in short supply, analysing its causes and recommending measures to take. This is expected to guide efforts to increase the attractiveness of certain jobs, including in terms of working conditions. In July 2023, **Belgium** (Wallonia region) public employment service (Forem) updated the list of professions in short supply, including for instance 56 profiles in construction, followed by industry. This will help to steer the unemployed towards these profiles and better target various financial incentives. Similarly in February 2023 the Flemish region updated its list of professions in short supply, thereby using a distinctive methodology indicating three potential causes of shortage - quantitative, qualitative and/or specific labour circumstances. The list totalises 234 professions in short supply of which 1/3 industrial professions and crafts. In June 2023, **Germany** updated its legal framework to facilitate the migration of skilled labour from third countries, including via easier recognition of skills and previous professional experience. In July 2022, **Spain** adopted measures to reinforce its pathways to legal migration and improve the management of migration procedures. Spain has also enlarged the legal regime for highly skilled migrants to persons holding a higher VET degree and removed some requirements for enterprises to hire foreign employees. In view of the increasing labour shortages in healthcare and social services, **Slovenia** has taken steps to simplify procedures for employing foreign workers, including the possibility for them to change employers more easily, allowing for more flexibility and fairer working conditions.

During the first half of 2023, some Member States took measures to better adapt their unemployment benefit systems to the socio-economic context. In November 2022, **Belgium** decided to increase the minimum unemployment benefit by 1.3 pps, in addition to the automatic indexation for inflation. In December 2022, **Estonia**, as part of its RRP, extended the duration of its unemployment insurance, starting from July 2023. In December 2022, **France** adopted a temporary reduction in the duration of unemployment benefits (until August 2024), and the elimination of access to unemployment benefits in the event of job abandonment or refusal of an open-ended contract. The measure also aims to facilitate access to professional certification and reskilling, especially in sectors experiencing labour shortages (i.e. healthcare). In September 2022, **Spain** adopted new amendments to provide domestic workers with the right to contributory unemployment benefits and, since July 2023, it grants special unemployment benefits to artists. In June 2023, **Sweden** amended its unemployment insurance act, easing the requirements to access to and qualify for unemployment benefits (i.e., from 80 hours to at least 60 hours, during a minimum of 6 months in a 12-month time frame). The number of hours worked has been also reduced from 480 hours to at least 420 hours, and the qualifying period has been temporarily reduced too, from 6 to 2 days. In December 2023, **Croatia**, in its RRP, plans to adopt a new act amending the Labour Market Act, which increases the amount and prolongs the duration of unemployment benefits, relaxes requirements for workers in vulnerable situations, and digitalises the application process for unemployment benefits. **Finland** has announced changes to the unemployment benefit system to improve incentives to work, notably by imposing a more stringent qualifying period. Changes are also expected in the right to daily allowance for the unemployed. The conditions to claim benefits will be determined by new income limit conditions and the amount of unemployment benefits is also expected to be staggered from the current level to 80 per cent of the original level after 8 weeks of unemployment, and to 75 per cent after 34 weeks of unemployment.

Several Member States are taking steps to enhance social dialogue and collaboration with social partners when formulating policies related to employment. In December 2022, **Romania**, within its RRP, adopted a new social dialogue law to address deficiencies in the social dialogue process, in line with the relevant country-specific recommendations adopted by the Council and the ILO recommendation. The new law includes some revisions of the definition of the economic sectors as a basis for further sector-level collective agreements. In May 2023, **Hungary** (as part of the enabling conditions under cohesion policy funding) set up an ad-hoc subcommittee of the tripartite forum (i.e., the Permanent Consultation Forum) to ensure that the design, implementation, monitoring and review of the strategic framework for ALMPs is conducted in cooperation with the social partners. Setting up this subcommittee is expected to increase the frequency and depth of the discussions.

2.4: Guideline 8: Promoting equal opportunities for all, fostering social inclusion and fighting poverty

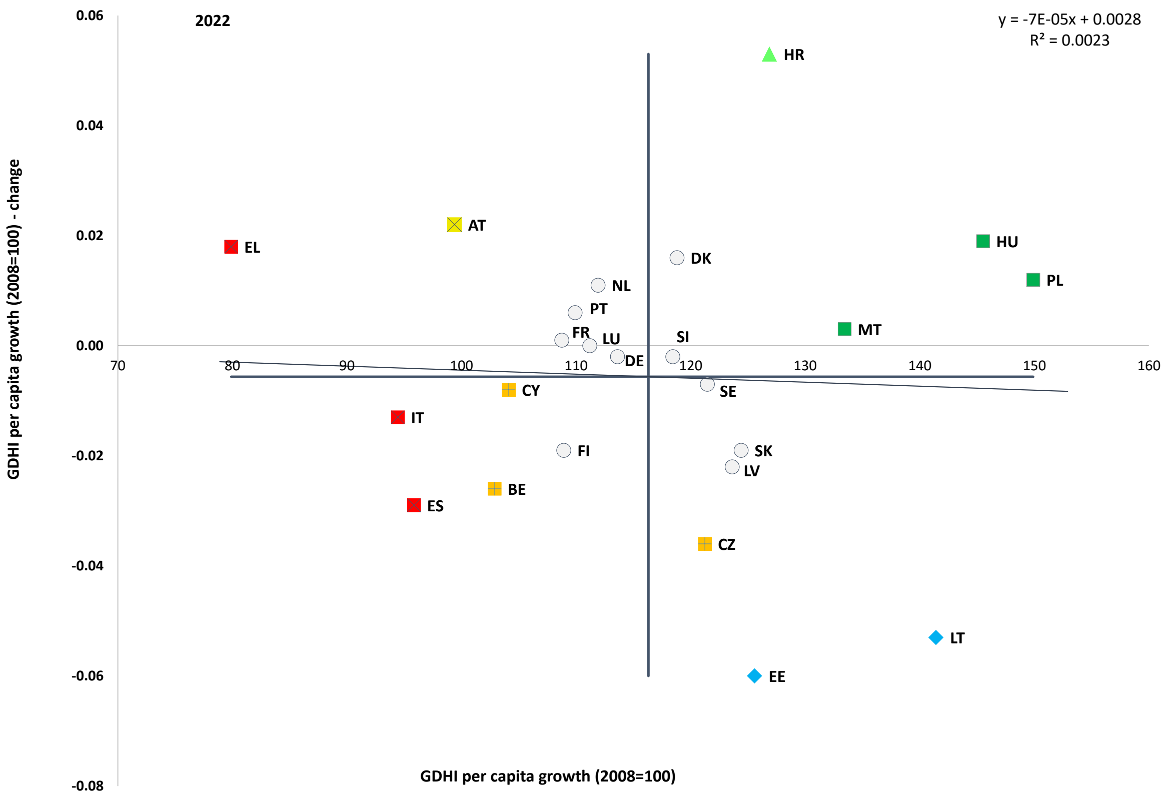
This section looks at the implementation of the employment guideline no. 8, which recommends that Member States promote equal opportunities for all, foster social inclusion and fight poverty, in line with Pillar principles 2 (on gender equality), 3 (on equal opportunities), 11 (on childcare and support to children), 12 (on social protection), 14 (on minimum income), 15 (on old-age income and pensions), 16 (on healthcare), 17 (on inclusion of persons with disabilities), 18 (on long-term care), 19 (on housing and assistance for the homeless) and 20 (on access to essential services). Section 2.4.1 provides an analysis of key indicators, while section 2.4.2 reports on policy measures undertaken by Member States.

2.4.1 Key indicators

The growth in gross disposable household income (GDHI) per capita decreased slightly at EU level and remained overall stable in Member States in 2022 amidst a gradual economic slowdown. The greatest increase was observed in Croatia, while smaller, but still substantial ones were reported in Austria, Hungary, Greece and Denmark (see Figure 2.4.1). The ‘best performers’ are Hungary, Poland and Malta due to high levels in 2022, at more than 140-130% of the 2008 level. Estonia witnessed the largest decrease, followed by Lithuania, Czechia and Spain, retaining a still high level of real income with the exception of the latter. As shown in section 1.2, these changes reflect the combined effect of decreasing real wage growth and the evolution of other components of GDHI, including the further phase out of temporary income support measures after the post-COVID recovery and a stabilisation thereafter. Based on performance in 2022 and the change from 2021, Greece, Italy and Spain were found to be in ‘critical situations’ due to very low levels and a combination of low levels and deteriorations at the same time, respectively. The situation is somewhat similar in Cyprus and Belgium, where levels are higher but deteriorations are present and also in Czechia, where both the level and the deterioration are larger. These three are all situations 'to watch'.

Figure 2.4.1: Growth in gross disposable household income (GDHI) per capita was broadly stable in most Member States in 2022

Real gross disposable household income (GDHI) per capita growth, 2022 levels and changes from previous year (2008=100, Social Scoreboard headline indicator)



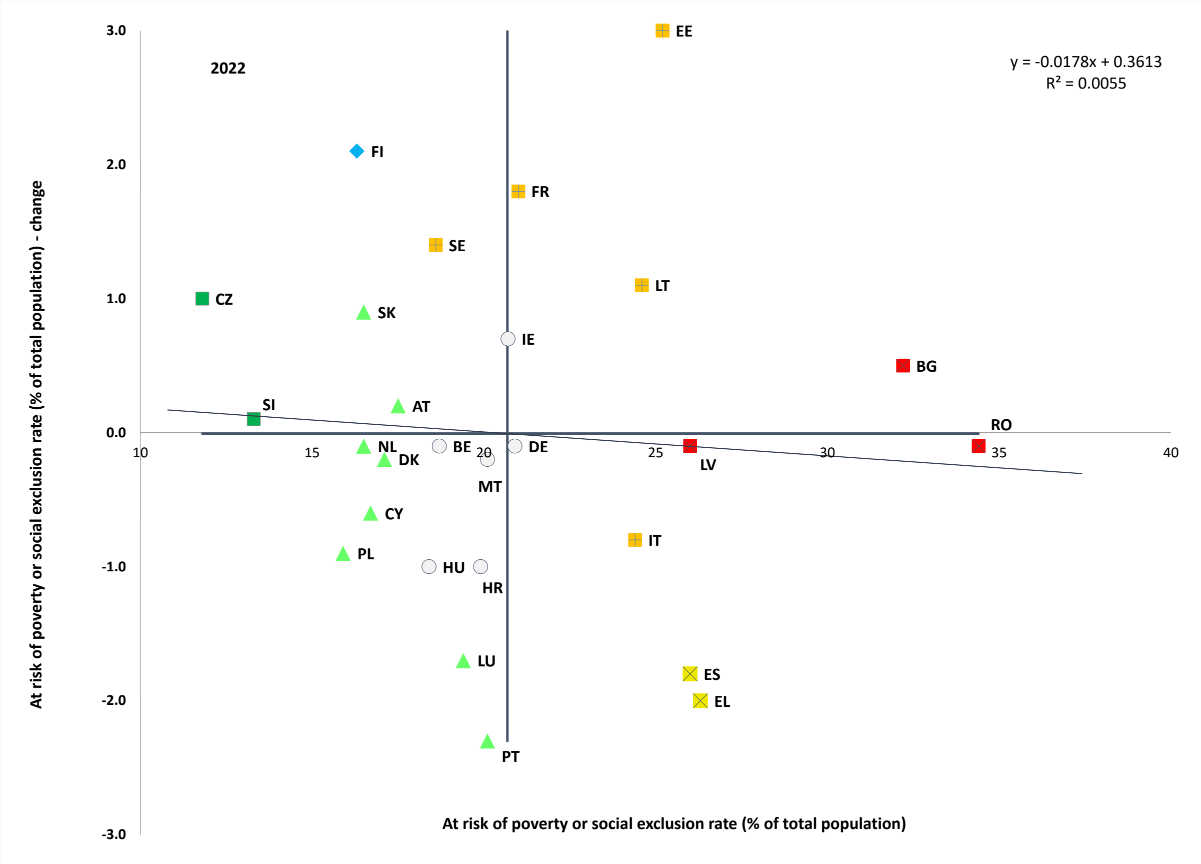
Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data not available for BG, IE and RO.
Source: Eurostat [tepsr_wc310], European sector accounts.

The share of people at risk of poverty or social exclusion (AROPE) remained broadly stable in the EU and decreased or remained stable in most Member States in 2022, thanks to decisive policy action taken in the COVID and energy crises. The situation is 'critical' in Romania, Bulgaria and Latvia, for which the relatively high levels did not improve (at 34.4%, 32.2% and 26%, respectively, see Figure 2.4.2). France, Sweden, Italy, Lithuania and Estonia are 'to watch', and all but Italy experiencing significant increases (between 1 and 3 pps), while already well above the EU average in the case of Estonia and Lithuania. In Greece, Spain and Italy, AROPE levels remained above the EU average (21.6%), but declined. Most countries that are qualified as 'better than average' exhibited declines in AROPE levels, with the largest improvements in Portugal and Luxembourg, by 2.3 and 1.7 pps respectively. Slovenia and Czechia are 'best performers' with the lowest AROPE levels (13.3% and 11.8%, respectively), though Czechia showed an increase. As certain Member States with levels around or above the EU average improved more than average, there are some signs of convergence, but differences remain large across Member States. Variations in AROPE are large also across EU regions, including within Member States, like in Italy, Poland, Hungary, Spain and Belgium (see Figure 8 in Annex 5).

Continued assessment of the distributional impact of reforms and investments[212] is crucial to ensuring their effectiveness in reducing poverty, contributing to the EU headline target of lifting at least 15 million people out of poverty by 2030.

Figure 2.4.2: The share of people at risk of poverty or social exclusion remained overall stable in the EU, with some signs of convergence across Member States

Share of the population at risk of poverty or social exclusion, 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in the series for FR, LU and FI.

Source: Eurostat [ilc_peps01n], EU-SILC.

Monetary poverty, severe material and social deprivation and the share of people living in (quasi)-jobless households also showed broad stability in most Member States. Despite the higher energy prices and cost of living in the post-COVID-19 recovery, like for the AROPE, this trend reflects the effects of the policy responses taken at the EU and Member States' level during the recent crises. In 2022 (referring to 2021 incomes), Czechia, followed by Slovenia, Hungary, Denmark and Finland, had the lowest at-risk-of-poverty (AROP) rates in the EU, though having increased for Czechia and Finland (see top panel of Figure 2.4.3). On the contrary, Bulgaria, Estonia, Latvia and Romania had the highest shares, with Bulgaria and Estonia having also recorded increases. According to Eurostat's flash estimates referring to 2022 incomes, AROP rates remained stable in most Member States, increased in Greece and Croatia, while decreasing in Italy, Estonia, Bulgaria and Romania.[213] Positive developments on this dimension also result from income support measures taken that

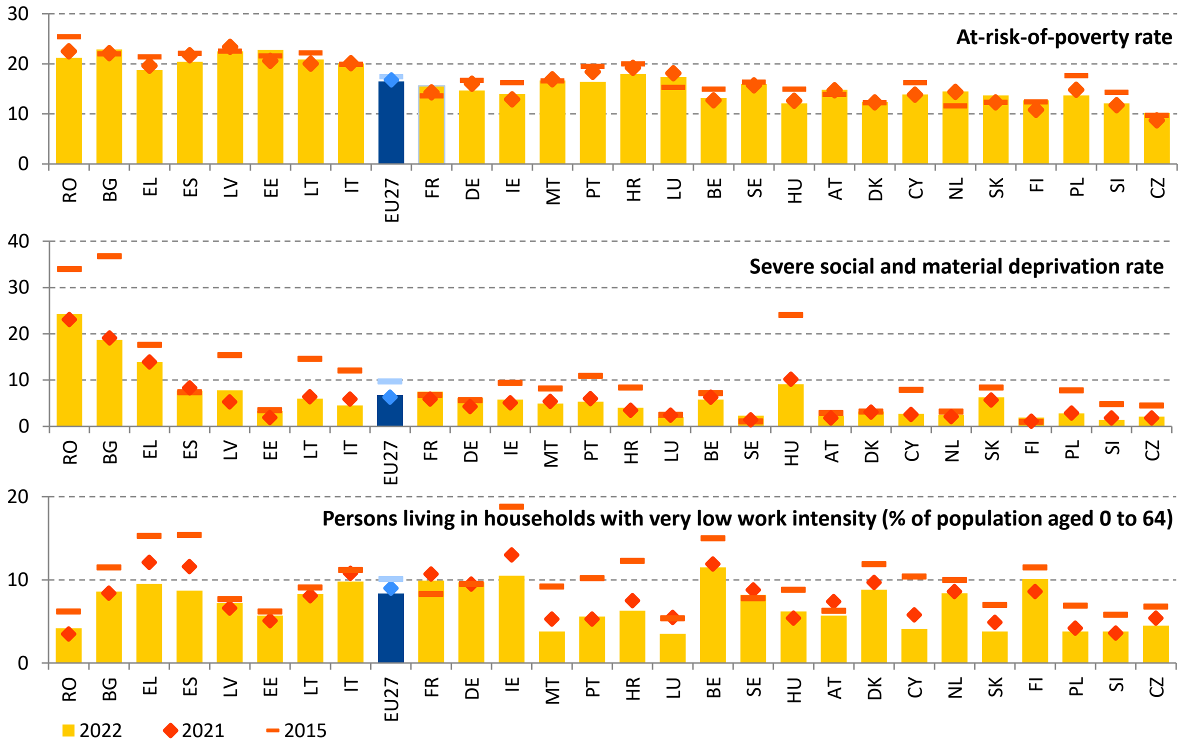
[212] See Commission's Communication on Better assessing the distributional impact of Member States' policies (COM(2022) 494 final).

[213] See Flash estimates experimental results available at the dedicated Eurostat webpage.

mitigated the impact of high inflation on the more vulnerable. The increase in cost of living, however, affects real incomes, as captured by the AROP rate *anchored at 2021* that is estimated to have increased in approximately half of the Member States, rather pointing to deteriorations in living standards.[214] The share of persons in severe material and social deprivation also remained broadly stable in the EU in 2022, but still varied considerably across Member States, ranging from 1.4% in Slovenia to 24.3% in Romania (see the middle panel of Figure 2.4.3). The rate decreased by more than 1 pp in Italy and Hungary, while remaining broadly stable in most other countries, and increasing in just a few others, like Romania, Latvia, Estonia, France and Germany. Reflecting the positive labour market dynamics in the recovery phase, the share of persons living in (quasi-)jobless households in 2022 (based on 2021 activity) decreased in most Member States, and in particular by 2 pps or more in Luxembourg (which also had the lowest level, at 3.5%), Spain, Greece and Ireland (see the middle panel of Figure 2.4.3). Ireland and Greece, however, are still among the Member States with the highest rates (i.e. above 9%), together with Belgium, Germany, Italy, France, and Finland. Among these, only Finland experienced an increase.

Figure 2.4.3: Poverty risks (AROP), severe social and material deprivation and (quasi)jobless households show broad stability or declines in most Member States

Components of the at-risk-of-poverty or social exclusion rate headline indicator (%, 2015, 2021, 2022)



Note: Indicators are ranked by AROPE rates in 2022. Data for FR are provisional. Break in series for FR and LU for all three components and also for FI for VLWI.
Source: Eurostat [tessi010], [tepsr_lm420], [tepsr_lm430], EU-SILC.

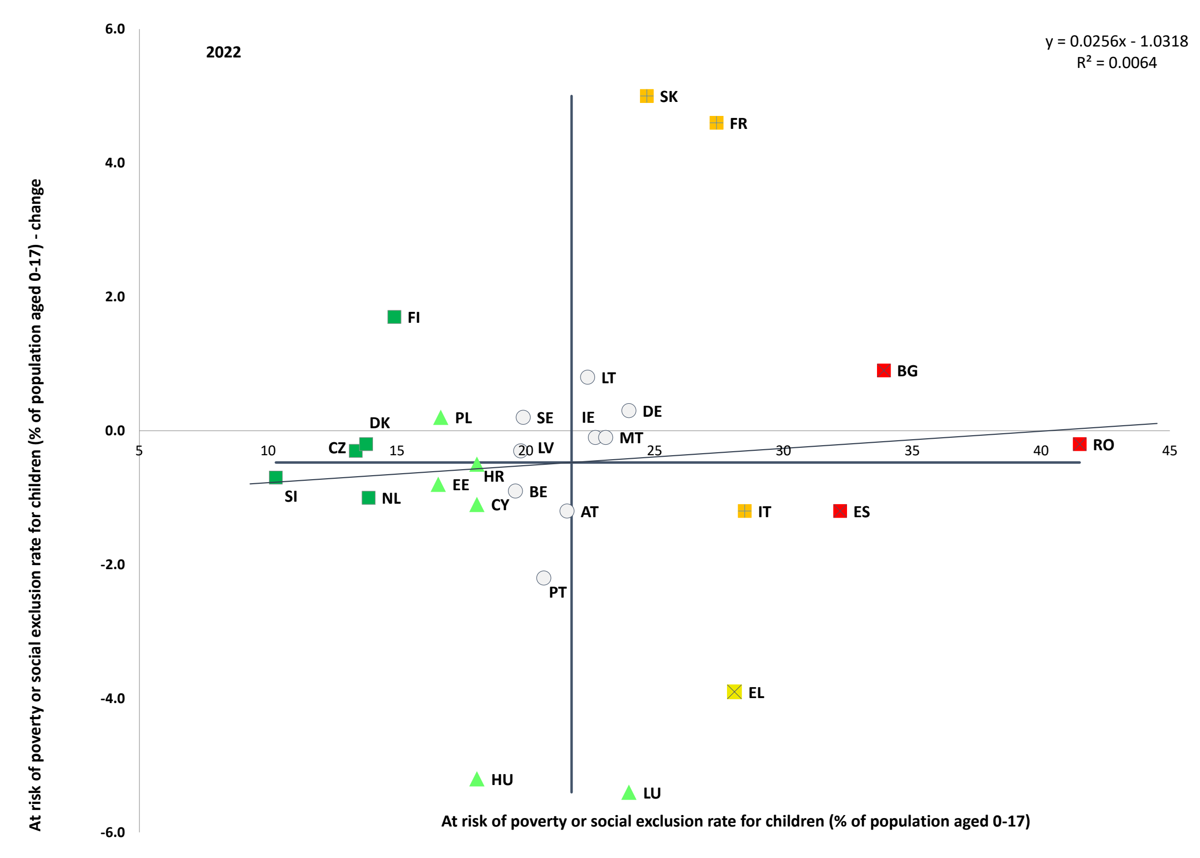
214 People at-risk-of poverty anchored at 2021 are those with an equivalised disposable income below the at-risk-of-poverty threshold *calculated in 2021*, adjusted with the harmonised price index (HICP) between 2021 and 2022. See the dedicated Eurostat article.

The share of children at risk of poverty or social exclusion increased slightly in 2022.[215] The EU average was 24.7%, against 24.4% in 2021. Slovenia, Czechia, Denmark, the Netherlands and Finland recorded the lowest rates (with an increase recorded only for Finland), and were all 'best performers' (see Figure 2.4.4). On the contrary, Romania, Bulgaria and Spain had the highest shares, and were all in 'critical situations', with rising incidence for Bulgaria and no substantial improvements for Romania and Spain. Large increases took place in Slovakia and France while the largest decreases were recorded in Luxembourg, Hungary, Greece and Portugal. Child monetary poverty (AROP) in 2022 (referring to 2021 incomes) was at 19.3%, and declining in 21 Member States, but with large increases in France and Slovakia. Eurostat's flash estimates for 2022 incomes indicate an overall stability of child poverty for most countries (with declines in Greece and Ireland and an increase in Czechia). While on average in the EU the share of children in severe material and social deprivation increased from 7.5% in 2021 to 8.4% in 2022, it decreased in half of the Member States, and especially in Hungary and Italy. Hungary nevertheless remained among those with the highest shares, alongside Romania, Bulgaria and Greece. The share of children living in (quasi)-jobless households decreased or remained stable in 20 Member States (based on 2021 activity). It remained the highest in Ireland, followed by Germany, France and Bulgaria, all somewhat above 10%.

[215] Besides AROPE for children, this paragraph refers to Eurostat flash estimates calculations and AROPE components, [ilc_li02], [ilc_mdsd11] and [ilc_lvhl11n]. On the reference year of the AROPE rate for children and its components, see footnotes 4 and 5 in Annex 2.

Figure 2.4.4: The share of children (0-17) at risk of poverty or social exclusion remained broadly stable in 2022, with no clear sign of convergence across Member States

Share of the population at risk of poverty or social exclusion, 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in the series for FR, LU and FI.
Source: Eurostat [tepsr_lm412], EU-SILC.

Children growing up in poverty or social exclusion are less likely to realise their full potential in the labour market and society. This relates in particular to their difficulties in accessing and completing quality education and acquiring labour market relevant skills, as well as accessing career opportunities at a later stage, which increase the risk of an inter-generational transmission of poverty. In this light, early interventions to reduce child poverty appear particularly important. The benchmarking framework on childcare and support to children identifies indicators that allow monitoring the situation of children across Member States.[216] In 2022 (referring to 2021 income levels), the impact of social transfers (excluding pensions) on reducing child poverty remained significantly lower than the EU average (at 42%) in some Member States, and notably Spain, Romania and Greece (21.5% for Spain and 24.8% for both Romania and Greece), while well above it among the 'best performers (58.1% in Germany, 59.9% in Ireland and 66.8% in Finland; see Figure 2.4.9 for the same indicator referred to the overall population).[217] Furthermore, child-specific material deprivation

[216] The related information note for the SPC Indicator Subgroup is available online.

[217] This can be calculated from the AROP rate for children after and before transfers (excluding pensions), Eurostat [ilc_li02] and [ilc_li09], respectively, similarly to the headline indicator. Social transfers in kind, including, among others, free early childhood education and care, education and health care, are not considered in this analysis. There is a break in time series in the 2022 data of Spain and Romania.

remained close to or higher than 20% (in 2021) in Bulgaria, Greece, Cyprus, Hungary, Romania and Spain, against an EU average of 13%.[218]

The depth of poverty decreased on average in the EU and in about half of the Member States, for the total population as well as for children. This depth is measured as the gap between the typical income level of those at risk of poverty and the income level below which persons are considered to be at such a risk. For the total population in 2022 (referring to 2021 incomes), this gap, in relative terms, was 23.1% of the at-risk-of-poverty threshold in the EU, versus 24.5% in 2021 (referring to 2020 incomes).[219] It was the widest in Romania (32%), despite having decreased substantially (by 6.1 pps), followed by Spain, Latvia, Italy and Bulgaria (27.8%, 27.7%, 26.1% and 26% respectively). The sharpest declines were reported in Slovakia and Hungary, having reached levels below the EU average (at 18.4% and 19.4% respectively). Poverty is deeper among people living in (quasi)-jobless households, at around 36% in the EU in 2021 (referring to 2020 incomes). The situation across Member States is broadly similar when focussing on children, for whom poverty depth is larger on average in the EU (24.4%) than for the general population. The poverty depth for children was highest in Bulgaria (42.8%), where it also increased substantially (by 9.1 pps), followed by Romania (33.1%), Spain (31.8%) and Italy (27.9%), which remained high despite recent decline. The figures for children are large also for Portugal and the Netherlands (26.1% and 26% respectively). On the opposite side, Finland and Hungary reported the lowest rates (12.3% and 14.5% respectively).

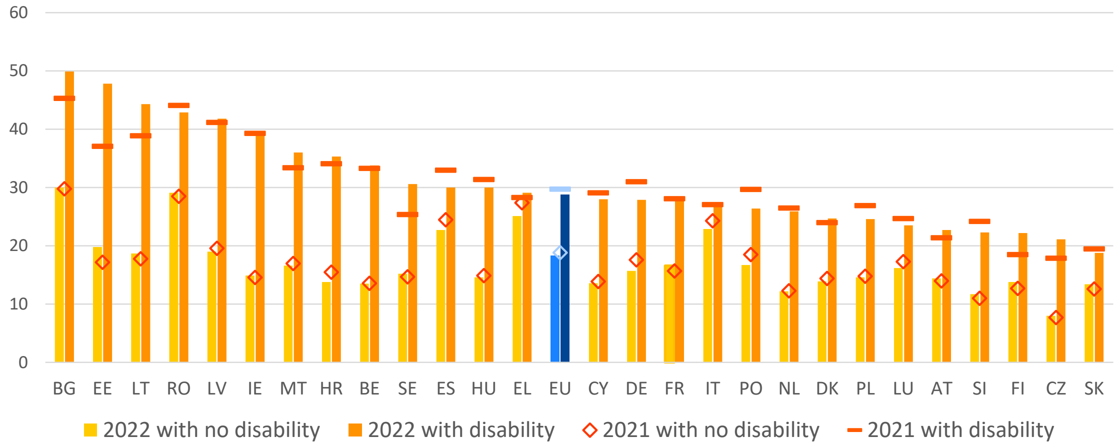
Against the stable or positive trends for the overall population, the risk of poverty or social exclusion for persons with disabilities improved only slightly in 2022. The AROPE rate for persons with disabilities decreased from 29.7% in 2021 to 28.8% in 2022 in the EU, but remains higher than for the rest of the population and varies significantly across Member States (see Figure 2.4.5). With AROPE rates over 35%, the situation is particularly difficult in 8 Member States (Bulgaria, Estonia, Lithuania, Romania, Latvia, Ireland, Malta, and Croatia). Among these countries, only Romania experienced a decrease (by 1.3 pps), while substantial increases were recorded for Estonia, Lithuania and Bulgaria. Sweden saw a substantial increase in the AROPE rate for persons with disabilities as well, albeit the rate remained much closer to the EU average (30.6%). Overall, the risk of poverty or social exclusion tends to be lower for persons with disabilities aged 65 or older living in private households, with the notable exceptions of Estonia, Bulgaria and Latvia, which recorded rates more than double the EU average for this age group (61.8%, 55.1% and 48.1% respectively, compared to 23.9% as the EU average). There is a large cross-country variation also in the gap in poverty risks between persons with and without disabilities. Italy and Greece had the narrowest gaps in 2022 (4 pps), while Estonia, Lithuania and Ireland experienced differences that were six times wider (28, 25.6 and 24.6 pps, respectively).

[218] Eurostat [ilc_chmd01] – more information on this indicator is here. Child-specific deprivation relates to the lack of access to at least three out of 17 items which are essential for children in particular to be able to follow school classes and grow healthy (e.g. suitable books and fresh fruits and vegetables).

[219] This paragraph relies on Eurostat [ilc_li11]. This indicator, also known as relative median at-risk-of-poverty gap, is calculated as the difference between the median equivalised disposable income of people below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold, expressed as a percentage of the at-risk-of-poverty threshold (cut-off point: 60% of national median equivalised disposable income). The indicator for people living in (quasi)-jobless households is calculated by Eurostat (unpublished) as the distance between the median equivalised total net income of persons – whose equivalised disposable income is below the at-risk-of-poverty threshold and that are living in a (quasi)-jobless household – and the at-risk-of-poverty threshold itself, expressed as a percentage of the at-risk-of-poverty threshold. This threshold is set at 60% of the national median equivalised disposable income of all people in a country and not for the EU as a whole.

Figure 2.4.5: Persons with disabilities face a higher risk of poverty and social exclusion than those without

Shares of persons with and without disabilities at risk of poverty or social exclusion a, age group 16 years and older, 2022 and 2021 (%)



Note: Break in time series for FR and LU.
Source: Eurostat [hlth_dpe010], EU-SILC.

The share of persons with a migrant background at risk of poverty or social exclusion remained much higher than for the rest of the population in 2022, calling for targeted interventions. AROPE rates for people born outside of the EU were in most cases much higher than those for the native born (by more than 20 pps) in several Member States: 52.2% vs 24.1% in Greece, 50.9% vs 20.6% in Spain, 42.7% vs 15% in Belgium, 41.4% vs 11.6% in Austria, 41.2% vs 16.5% in France.[220] Among these, the AROPE rate for the non-EU born decreased only in Spain (by 5.5 pps) in comparison to 2021.

A very significant number of Roma continue to face poverty in EU countries. This, in turn, further contributes to fuelling discrimination. On average, in 2021, 80% of Roma were at risk of poverty in the Member States surveyed by FRA, and for Roma children, the rate was even higher, at 83%, with no apparent progress between 2016 and 2021.[221] Almost half of the Roma population (48%), on average, faced severe material deprivation, with even higher shares among younger and older people. The gap in material deprivation between Roma children and others reaches 47%. In comparison to 2016, this situation however improved in six of the nine countries for which comparable data are available. The 2020-30 EU Roma strategic framework for equality, inclusion and participation adopted in October 2020 calls on Member States to reduce the poverty gap between Roma and the general population, including for children, by at least half and to ensure that by 2030 the majority of Roma escape poverty. With the Council Recommendation for Roma equality, inclusion and participation, adopted in March 2021[222], Member States committed to combatting the extremely high at-risk-of-poverty rate and material and social deprivation among the Roma,

[220] As shown by the Eurostat indicator [ilc_peps06n], comparing those born in non-EU27 countries to those born in the reporting country; persons aged 18 years or more. Data are not available for 2022 for Romania.

[221] Data concerning Roma are from the FRA Roma Survey 2021. The surveyed countries are BG, CZ, EL, ES, HR, HU, PT, RO and SK. Due to different sample size and characteristics, comparisons with previous editions of the Survey (i.e., 2016) should be taken with caution. See the FRA Survey report (p. 10-11) for a thorough acknowledgement of possible limitations in analysing the trends. The next FRA Roma survey will be run in 2024, built on the 2021 survey.

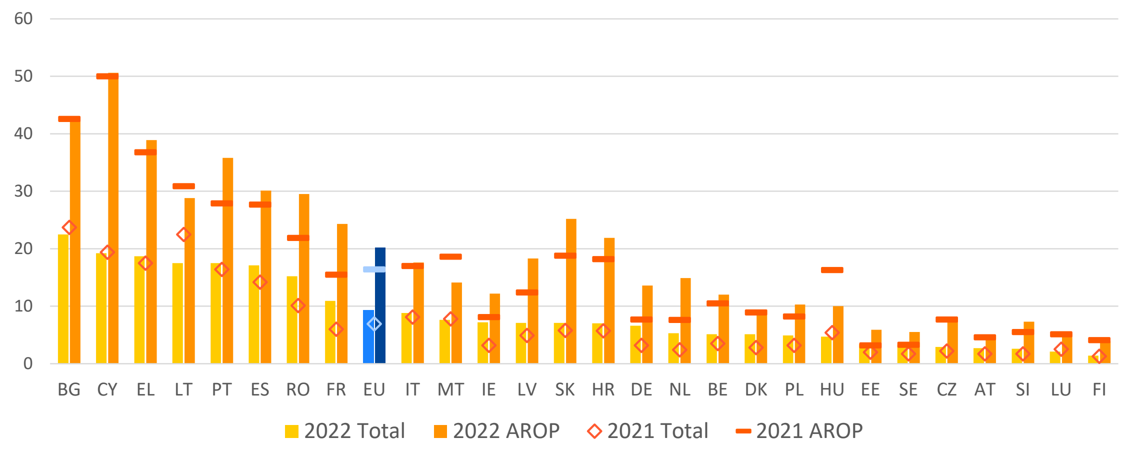
[222] The Council Recommendation for Roma equality, inclusion and participation was adopted in March 2021. OJ C 93, 19.3.2021, p. 1–14

in order to provide effective support for Roma equality, inclusion and participation. The assessment of renewed national Roma strategic frameworks calls on Member States to address the areas for improvement identified as well as to renew and amend their frameworks, including to make them more ambitious.[223] The Council adopted on 9 October 2023 Conclusions on ensuring equal access for Roma to adequate and desegregated housing, and to address segregated settlements, inviting Member States to identify and use all funding available for this purpose.

Energy poverty increased across the EU in 2022, also reflecting the initial impact of the energy crisis. The share of people unable to keep their home adequately warm is one of the main indicators used to monitor energy poverty in the EU.[224] Its 2022 figures reflect the impact of the spike in energy prices that started in the second half of 2021 and aggravated in 2022. Against this background, the share of people unable to keep their home adequately warm increased by 2.4 pps in the EU, reaching 9.3% in 2022. This broke a EU trend of constant decline over the period 2015-21 (from 9.6% to 6.9%). As could be expected, the share of people in this situation among those at risk of poverty increased faster than for the general population in 2022, by 3.8 pps, and reached a figure more than double the overall EU average (20.2% in 2022). The incidence of the inability to keep home adequately warm in the population varied greatly across Member States, ranging from 1.4% in Finland in 2022 to 22.5% in Bulgaria (see Figure 2.4.6). For all Member States it was higher among people at risk of poverty, ranging from 3.9% in Finland to 50.6% in Cyprus. Romania, France, Ireland, and Germany experienced the largest increases for the total population, while Portugal, Romania, France, Latvia, Slovakia, Germany and the Netherlands had the largest ones for people at risk of poverty.

Figure 2.4.6: Energy poverty was on the rise in the EU and in most Member States in 2022

Persons unable to keep home adequately warm, total and at-risk-of poverty population, 2021 and 2022 (%)



Note: Break in time series for FR and LU.
Source: Eurostat [ilc_mdes01], EU-SILC.

Pillar Box 6: Access to essential services in the EU

Essential services fulfil basic human needs, are key to well-being and support access to enabling goods and services to foster active participation in society and the labour

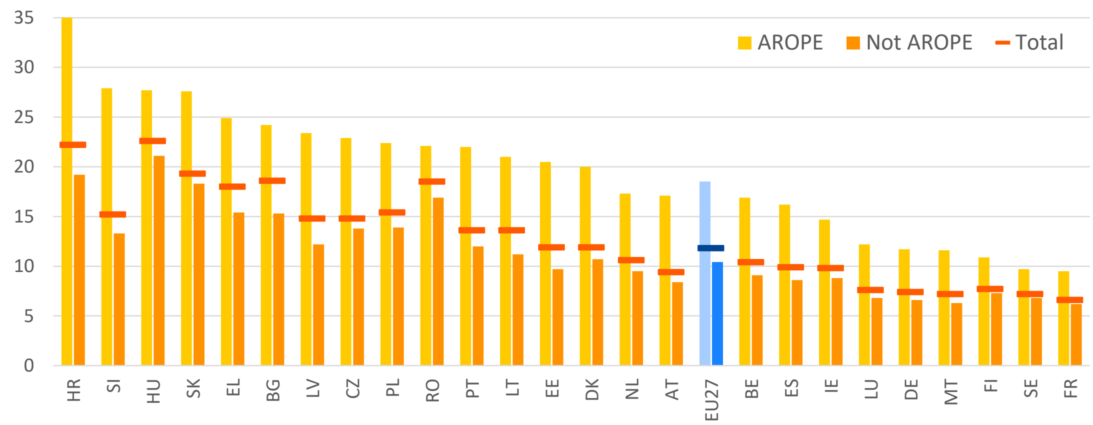
[223] See COM/2023/7 final for the assessment.
[224] For more information, see the SPC-ISG Fiche on available energy poverty indicators at EU level.

market. Principle 20 of the European Pillar of Social Rights states that everyone has the right to access essential services[225] of good quality and calls for support in this sense to those in need, which is important to foster progress on the 2030 EU poverty reduction target. At the EU level, access to essential services has been supported through sectoral legislation, universal and public service obligations, consumer protection and funding. Sectoral legislation adopted or reviewed since the adoption of the Pillar includes provisions to better identify people without access, assess the reasons for this and take the necessary measures.[226] The Council recommendations on ensuring a fair transition towards climate neutrality and on minimum income also call on Member States to support access to essential services.[227] In June 2023, the Commission released its first report on access to essential services in the EU.[228]

While most of the EU population has access to essential services, people at risk of poverty or social exclusion and the most vulnerable face significant barriers. Affordability can be an important barrier. In this respect, 9.3% of the EU population are unable to keep their home adequately warm, 2.4% cannot afford an internet connection for personal use at home, 2.4% cannot afford regular use of public transport, and 1.5% live in households without a bath, shower or flushing toilet, with considerable variation across countries.[229] Households at risk of poverty or social exclusion (AROPE) tend to spend around 60% more of their budget on essential services, which makes them more vulnerable to price increases (see graph). Availability and accessibility also pose challenges, sometimes linked to other dimensions, like lack of skills or geographical factors (urban/rural divide, remote and insular regions).

Households' spending on essential services, AROPE and not AROPE

Median share of essential services in disposable income of households AROPE and not AROPE, 2015 (%)



Note: The EU weighted average excludes CY and IT. Old definition of AROPE for EU2020 strategy used.
Source: Eurostat [icw_aff_03], HBS.

[225] Essential services are access to water, sanitation, energy, transport, financial services and digital communications. Enabling services are early childhood education and care, education and training, healthcare, long-term care, as well as social inclusion services.
[226] E.g. Directive (EU) 2018/1972 establishing the European Electronic Communications Code (recast); Directive (EU) 2020/2184 on the quality of water intended for human consumption (recast) and the Proposal for a directive concerning urban wastewater treatment (recast) (COM(2022) 541 final).
[227] Council Recommendation on ensuring a fair transition towards climate neutrality (2022/C 243/04) and Council Recommendation on adequate minimum income ensuring active inclusion (2023/C 41/01), respectively.
[228] *Commission Report on access to essential services in the EU*, SWD(2023) 213 final/2.
[229] Eurostat, EU SILC [ilc_mdes01], [ilc_mddu07a], data for 2022, [ilc_mdes13a], data for 2014 (in ad-hoc module on material deprivation, new evidence expected in 2024 through the 6-year module on access to services) and [ilc_mdho05], data for 2020, respectively.

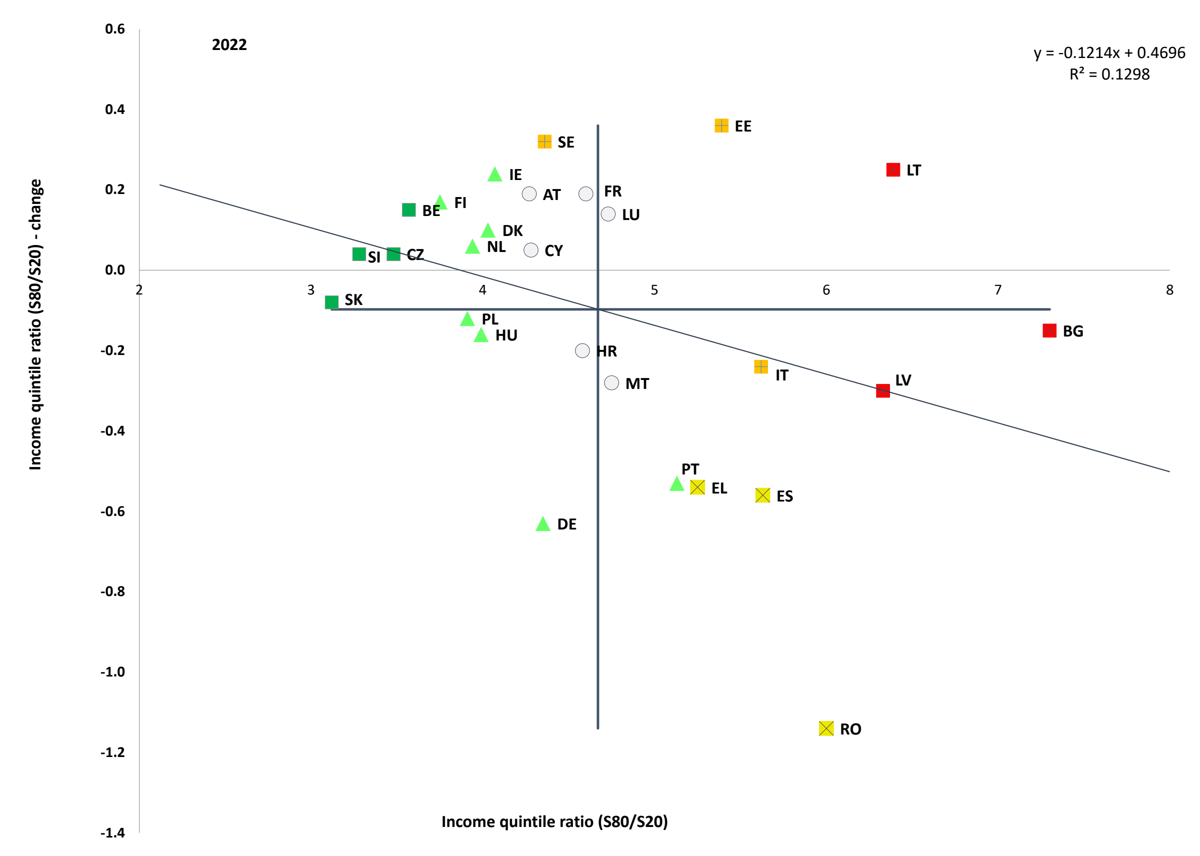
Significant variation is observed across Member States on how access to essential services is supported for vulnerable groups. In **Germany** and **Finland**, support is provided as part of the minimum income benefit system, with amounts that explicitly take into consideration the costs of essential services. In **Sweden**, indirect support is provided, as costs for essential services are included in the rent and thereby in the calculation of the cash benefit. In **Malta**, low-income households are entitled to the 'energy benefit', which covers water, electricity, and gas. In **Lithuania** and **Romania**, municipalities cover all or some of the costs of connecting low-income households to the water and sewage system. In **Cyprus**, free school bus tickets, a 50% discount on travel fare for all social card holders and free transport for all recipients of assistance and for people on low pensions are provided. Four Member States (**Germany, Lithuania, Portugal, and Finland**) ensure basic supply or no interruption in the supply of digital connectivity for households at home, while two others (**Belgium** and **Portugal**) have recently updated their telecom laws to extend social tariffs to the provision of mobile broadband internet access. In a few Member States (**Lithuania, Ireland, Spain, and Finland**), strategies are being developed to ensure that cash withdrawal through ATMs is always possible reasonably close by.

Income inequality decreased on average in the EU in 2022, with different situations observed across Member States. The EU average declined from 4.99 in 2021 to 4.74 in 2022 (income year 2020 and 2021, respectively), with varying trends across Member States (see Figure 2.4.7). The decrease was the largest in Romania (1.14), which nonetheless still has one among the highest levels (6) and is now 'weak but improving'. Spain and Greece registered much smaller decreases of about 0.5, starting also from relatively high levels, and thus being 'weak but improving' too. 'Critical situations' were recorded in Bulgaria and Latvia, with levels of income inequality that are among the highest in the Union, despite relatively small declines in 2022, while Lithuania, also in a 'critical situation', even experienced a further increase. Estonia and Sweden registered the largest increases and are 'to watch', like Italy, which on the contrary showed a small decline but from a higher level. Slovakia, Slovenia, Czechia and Belgium were 'best performers' in 2022, all with relatively low levels. In some Member States, for example Hungary, Italy and Sweden, the level of income inequality varies by regions (see Figure 4 in Annex 5). According to Eurostat's flash estimates, income inequalities also remained either stable or declined (e.g. in Romania) in 2022 (income year), reflecting the swift policy response put in place at EU and Member State level to counteract the negative impact of inflation,[230] notably on low-income households. Systematic distributional impact assessments of policy measures are particularly important to factor in their impact on income inequality and inform policy-making ex-ante.

[230] See Flash estimates experimental results p.11.

Figure 2.4.7: Income inequality has decreased on average in the EU, with different situations at country level

Income quintile share ratio (S80/S20), 2022 levels and changes from previous year (Social Scoreboard headline indicator)

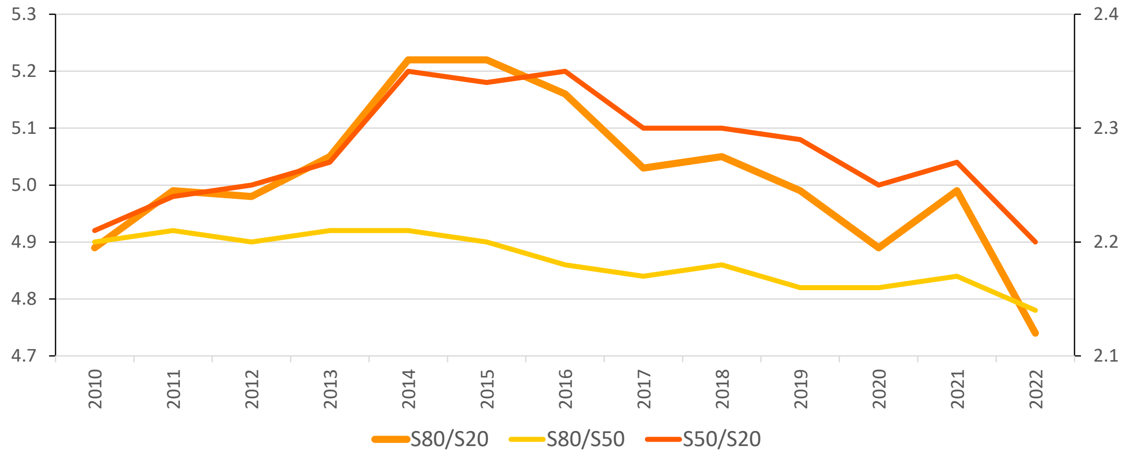


Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in the series for FR and LU.
Source: Eurostat [tessi180], EU-SILC.

The average decline in income inequalities in the Union is mostly driven by developments at the lower end of the income distribution. Increases in income inequalities in the early 2010s were driven, on average, by increases at the lower end of the income distribution (as shown by the S50/S20 indicator - see Figure 2.4.8). Similarly, the overall decline over more recent years, from 2016, reflects mostly a decline at that end of the income distribution. As in previous years, Member States that experienced higher overall income inequality (as measured by the S80/S20 indicator) in 2022 (referring to 2021 incomes) generally featured higher inequalities at both the lower and higher ends of the income distribution, as emerging from the analysis of the S50/S20 and S80/S50 indicators. With only a few exceptions (i.e. Bulgaria, Lithuania, Portugal and Malta), Member States with income inequalities above the EU average had nonetheless still larger inequalities at the lower than at the higher end of the income distribution. This is most pronounced for countries like Romania, Spain and Latvia.

Figure 2.4.8: Income inequalities declined in the EU, mostly driven by increases at the lower end of the income distribution

Quantile share ratios S80/S20 (left axis), S80/S50 (right axis) and S50/S20 (right axis), 2010-2022



Note: Break in series in 2020, estimated for 2014-2019.
Source: Eurostat [tessi180], [ilc_di11d], [ilc_di11e], EU-SILC.

Early estimates of social protection benefit expenditures (as a share of GDP) show a continued decrease in 2022. The share of such expenditures over GDP was 27.2% in 2022 (just slightly above the pre-COVID crisis level in 2019, i.e. 26.8%), 3 pps and 1.5 pps lower than in 2020 and 2021, respectively.[231] Overall, despite some convergence in expenditure levels during 2020 and 2021 (due to the policy response to the COVID-19 crisis), there remained in 2022 large variations across the EU in the share of (social protection benefit) expenditures as percentage of GDP, with levels around or higher than 30% in 5 Member States, while below 20% of the GDP in 8 others. EU-wide, expenditures in 2022 decreased sharply for unemployment benefits (-25.2%) while they increased for family benefits (+6.1%), disability benefits (+4.9%), old-age and survivors' benefits (+4.9%), sickness and healthcare benefits (+3.5%), social exclusion (+1.4%) and housing benefits (+1.2%). Overall, old-age and survivor benefits continued to represent the top category of expenditures on benefits in 2022 (46.3% at EU level, compared to 45.3% in 2021), and their share increased in almost all Member States (21 out of 24). The second top category of expenditures on benefits remain healthcare and sickness (30.0% at EU level, compared to 29.7% in 2021) though their overall share declined in 12 Member States. Family benefits represented 8.6% of expenditures on benefits in 2022 (up from 8.3% in 2021), while disability benefits made up 7.0% (compared to 6.9% in 2021). The share of unemployment benefits declined EU-wide from 5.9% in 2021 to 4.3% in 2022 (across 26 Member States). Finally, the share of social exclusion (2.6% in 2022) and housing benefits (1.3%) remained stable compared to 2021 (respectively at 2.6% and 1.3%).

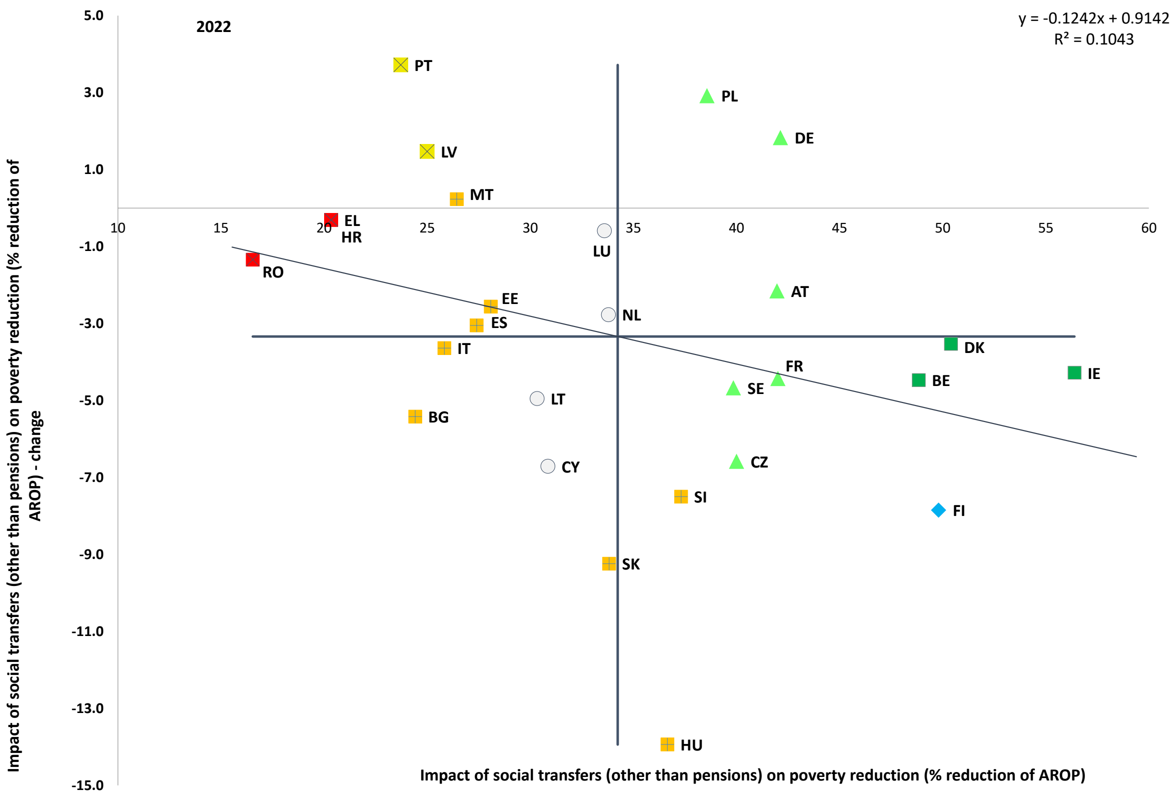
The impact of social transfers (excluding pensions) on poverty reduction decreased in 2022, also due to the phasing out of exceptional support measures taken in the COVID-19 crisis. This trend was observed both at EU level and in the large majority of Member States between 2021 and 2022 (referring to 2020 and 2021 income years, respectively; see Figure 2.4.9).[232] The differences across Member States in both levels and changes remained

[231] Eurostat, Early estimates - Social protection (last updated on 31/10/2023), covering all Member states except EL, NL and RO but including estimate of the EU-27 aggregate.
[232] While a break in series is present for this indicator in 2022 for almost all Member States due to a methodological change (this was implemented before for EE, FI and SE), (unpublished) indicator values

significant. In 2022 (referring to 2021 incomes), the impact of social transfers on poverty reduction ranged from 16.5% in Romania to 56.4% in Ireland. With low levels around or below 20%, Romania, Croatia and Greece were all in 'critical situations'. As many as eight countries were 'to watch' (Hungary, Slovakia and Slovenia - all with values at or above the EU average but with very large decreases - as well as Bulgaria, Italy, Spain, Estonia and Malta – all with values below or significantly below the EU average and for all but Malta further decreases). On the opposite side of the spectrum, Ireland, Denmark, and Belgium had the highest levels (around 50% or above) as 'best performers', though all having experienced declines. Finland, from among the highest levels too, registered nonetheless a relatively large drop in poverty-reduction effects of its social transfers, which made the situation 'good but to monitor'. Only Portugal, Poland, Germany and Latvia displayed increases in the effectiveness of their social transfers, while the largest declines were registered in Hungary and Slovakia (with more than 9pps decreases). Differences in the impact of social transfers on poverty reduction were large also across EU regions, especially in Italy, Hungary, and Poland (see Figure 9 in Annex 5).

Figure 2.4.9: The impact of social transfers (other than pensions) on poverty reduction decreased in most Member States in 2022

Impact of social transfers (other than pensions) on poverty reduction, 2022 levels and changes from previous year (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in the series for all Member States except EE, FI, and SE.
Source: Eurostat [tespm050], EU-SILC.

calculated by Eurostat based on the old methodology show a similar drop in 2022, yielding broadly the same overall assessment.

Social protection continues to play an important role in terms of reducing poverty risks for people in non-standard forms of employment; still monetary poverty remains higher for them than for other workers. The impact of social transfers on poverty reduction in 2022 in the EU was significantly higher for workers in non-standard forms of employment, such as employees on temporary contracts[233] (27.3%), and part-timers (24.8%), as well as the self-employed (26.7%) than for the average employee (12.5%). In spite of this higher impact of social transfers for these workers, in 2022 (referring to 2021 incomes), monetary poverty was greater among them in most Member States. At EU level overall, the at-risk of poverty rate was 15.9% among temporary contract workers, 14.6% among part-timers and 21% among the self-employed[234], against 6.6% among all employees on average. Monetary poverty for workers on temporary contracts was even 20% or higher in nine Member States, above the EU average for four of these countries (Italy, Portugal, Spain and Sweden). Among the self-employed, the poverty rate was higher than the EU average in eight Member States, and as high as 30.9% and 55.8% in Estonia and Romania respectively.[235] Gaps in social protection are also apparent for those that lack a job, as shown by the high poverty rates among the unemployed, at 46.2% for the EU in 2022, and reaching more than 50% in countries like Bulgaria, Latvia, Lithuania, the Netherlands and Slovakia.

Coverage of social benefits varies widely across Member States and for different categories of workers, as well as by employment status. On average in the EU in 2022 (referring to 2021 incomes), the share of working-age people (16-64) at risk of poverty before social transfers and receiving social benefits[236] was higher among temporary contract (44.9%) and part-time workers (36.1%) than among all employees (35.6%). However, there were seven Member States (Luxembourg, Hungary, Estonia, Cyprus, Belgium, Latvia and Bulgaria) where temporary contract employees were less likely to receive benefits than those under permanent contracts, and in six Member States (Luxembourg, Spain, Lithuania, Malta, Slovenia and Bulgaria) part-time workers were less likely to receive benefits than full-time ones. Overall, in 5 countries (Croatia, Greece, Luxembourg, Poland, and Romania), less than 10% of those in employment and at risk of poverty before social transfers were receiving social benefits. Self-employed at risk of poverty before transfers were the least likely to receive social benefits, with a coverage at 16.5% in 2022 in the EU-27, down from 29% in 2021, reflecting the phasing out of exceptional support measures taken as a response to the COVID-19 pandemic.[237] This share was even below 5% in seven Member States (Croatia, Greece, Luxembourg, The Netherlands, Poland, Portugal, and Romania). Finally, while about half (54.2%) of the unemployed at risk of poverty received social benefits on average in the

[233] Due to data availability constraints, employees with temporary contracts are identified as those working in such status in the interview reference period, while their social situation (income, etc) is measured during the income reference year (n-1).

[234] However, assessing income for the self-employed is difficult and the indicator of material and social deprivation rate points to a similar level for the self-employed as among employees (respectively 8.5% and 8.2% in the EU-27 in 2022). Substantial differences exist (i.e., with deprivation higher for the self-employed) only in three Member States (CY, EL, and RO).

[235] The eight Member States are LV, LU, EL, ES, PT, PL, EE, and RO, most of them with a higher-than-average share of self-employed in their labour force.

[236] According to the indicator on 'effective access' endorsed by the Social Protection Committee in 2020 in the context of the monitoring framework on access to social protection. The target population is that at risk of poverty before social transfers. Social benefits covered in the indicator are those received at individual level, excluding old-age and survivors' pensions.

[237] See also Commission report on the implementation of the Council Recommendation on access to social protection for workers and the self-employed, COM/2023/43 final.

EU in 2022, this share was much lower, below 20%, in five Member States (Croatia, Greece, the Netherlands, Poland, and Slovakia).

Access to adequate social protection remains diverse across Member States, despite some improvements over the last few years.[238] With regard to formal coverage, in spring 2022 there remained gaps in seventeen Member States for at least one group of non-standard workers in at least one branch of social protection, which was most often unemployment, sickness and maternity benefits.[239] Moreover, in thirteen Member States access to at least one social protection branch was voluntary for at least one group of non-standard workers, most often in relation to old-age and unemployment benefits. As for the self-employed, they faced formal coverage gaps in one branch of social protection or more in nineteen Member States, most often in relation to unemployment benefits and benefits for accidents at work and occupational diseases. Moreover, in eighteen Member States their coverage was voluntary, most often as regard to sickness benefits, old-age and maternity benefits.

Pillar Box 7: The future of social protection

Social protection systems play a key role in EU Member States in terms of ensuring social cohesion and income security against risks, and macroeconomic stabilisation, and as such they need to be made fit for the challenges of the future. Social protection expenditure makes up around 30% of EU GDP, with wide variations across countries. Overall, social protection systems have proved their effectiveness in supporting socio-economic resilience during the COVID pandemic and the more recent energy crisis. Yet, the capacity of social protection systems to remain adequate and fiscally sustainable is under growing pressure due to population ageing, structural changes in the world of work, and the green and digital transitions that are reshaping our economies and societies. These developments will have implications for the design and scope of social protection systems and their financing. In practical terms this implies the need for higher participation rates in quality jobs across population groups, longer working lives, adequate responses to in-work poverty and the rising share of non-standard forms of employment[240], better organisation and efficiency of service delivery, and a social policy response to climate change and the green transition. Several EU initiatives have been contributing to making social protection systems future-proof but further steps are needed.[241]

Against the background of the ongoing megatrends, welfare policies should be approached in a life-course perspective, from birth to old age. Three functions are found to be key in this respect:[242] 1) labour market regulation (notably to address labour market inequalities, foster job quality and social dialogue); 2) social protection (focused on income protection against risks and stabilisation); and 3) active and preventive social policies, including the provision of employment support, education, up- and reskilling, health, social

[238] See Commission report on the implementation of the Council Recommendation on access to social protection for workers and the self-employed, COM/2023/43 final and Monitoring framework endorsed in 2020 and partial update (2022) published in July 2023.

[239] Formal coverage of a group means that in a specific social protection branch (e.g. old age, unemployment protection, maternity or paternity) the existing legislation or collective agreement states that the individuals in the group are entitled to participate in a social protection scheme covering a specific branch.

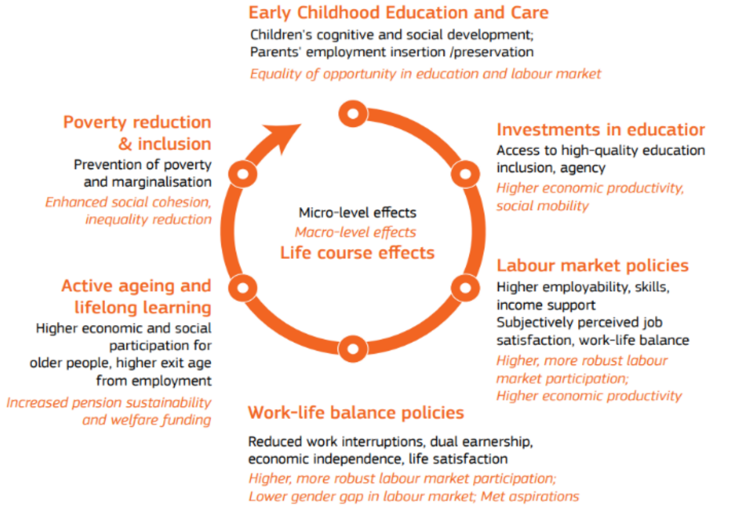
[240] See also *Commission report on the implementation of the Council recommendation on access to social protection for workers and the self-employed*, COM/2023/43 final

[241] Such as the Council Recommendations on access to social protection for workers and the self-employed (2019), on long-term care (2022), on a fair transition towards climate neutrality (2022) and on adequate minimum income for active inclusion (2023) as well as the Directive on adequate minimum wages.

[242] As part of the (2021) action plan for the European Pillar of Social Rights, the Commission established a High-Level Group (HLG) on the Future of Social Protection and of the Welfare State in the EU whose report was released early 2023. See the full report and infographic including the 21 key recommendations.

and care services to enable full participation in the economy and society.[243] Active and preventive social policies at different stages in life can lead to a 'double dividend', reducing future spending on income protection thanks to employment, well-being and health gains, while supporting inclusive growth and enlarging the tax base. The diagram illustrates the returns to active and preventive social policies along the life course.

Active and preventive social policies : societal and individual returns



Source: Reproduction of Figure 2 in A. Hemerijck, S. Ronchi, I. Plavgo, *Social investment as a conceptual framework for analysing well-being returns and reforms in 21st century welfare states*, *Socio-Economic Review*, 2022.

Financing models of social protection are also to be adapted to the new reality. This is required to meet the increasing financial needs due to population ageing and to support the green and digital transitions, also factoring in the impact on the taxation capacity of Member States, while ensuring fairness and a broad support for the transformations ahead. The role of social security contributions and general taxation may need to be rebalanced and the sources of financing shifted away from labour taxation, notably towards green taxes and taxes on wealth and capital, while at the same time improving the efficiency and fairness of financing.

Several Member States have launched long-term reflections and reforms of their social protection systems to make them fit to the new realities. For instance, **Finland** launched a long-term reform of its social security system through a parliamentary Committee, which is suggesting transformations needed by 2027. **Portugal** adopted a Green book on the Future of work aimed to improve the social safety net (including for atypical workers) and minimum labour standards, while ensuring the sustainability of the social protection system by diversifying its funding sources. Through its national plan on access to social protection, **Belgium** committed to reinforcing the fairness and efficiency of its social protection system, closing gaps in formal coverage and adequacy, as well as addressing horizontal aspects such as the digital divide and non-take up of rights.

The adequacy of minimum income schemes remained stable in most EU Member States. By comparing the income of minimum income (MI) beneficiaries with the national poverty threshold and with the income of a low-wage earner,[244] the poverty reducing impact of these schemes can be assessed, together with the incentives they provide for labour market

[243] EUI, Policy Brief, *Learning from adversity: towards a European Union of social investment welfare states*, Robert Schuman Center, 2023.

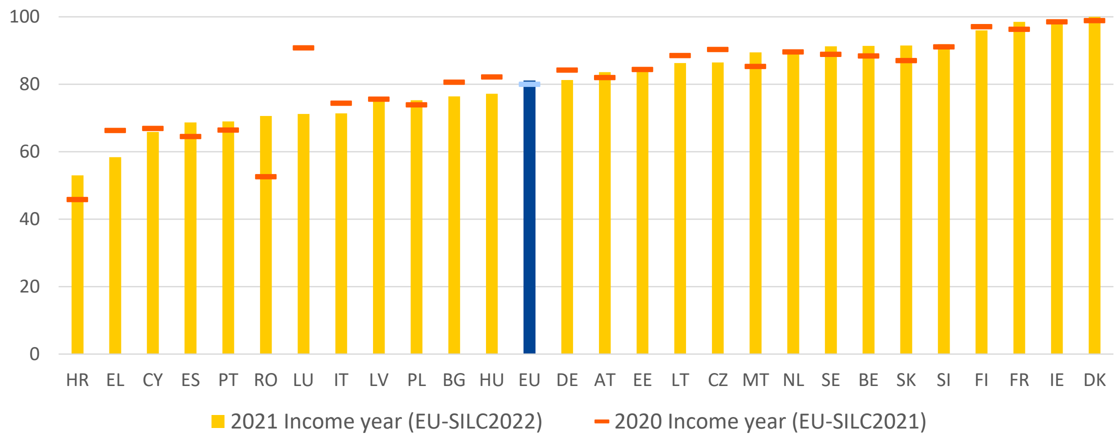
[244] According to the methodology agreed in the benchmarking framework on minimum income, see the Joint Employment Reports since 2019.

participation. While in some countries, like Lithuania, Latvia and Spain, the MI adequacy improved in 2021, in comparison to 2020 (income years), in particular when compared to the income of a low-wage earner, in two thirds of the EU countries, slight decreases were observed (especially in Malta, Luxembourg, Poland, Slovenia, the Netherlands, Ireland, Greece, Italy, Croatia, Cyprus and Estonia, where the decline was between 3 and 5 pps). Minimum income adequacy remained above 80% of the at-risk-of-poverty threshold in the Netherlands, Ireland, Denmark, Italy and Cyprus, while it was below one-third of the threshold in Romania, Bulgaria, Hungary and Slovakia.

Minimum income coverage, expressed by the benefit recipient rate, remained broadly unchanged on average in the EU, in spite of substantial changes in a few Member States. In 2022, in comparison to 2021 (income years 2021 and 2020, respectively), Greece, Hungary and Bulgaria experienced substantial declines in their coverage rates (above 4 pps; see Figure 2.4.10). The largest improvement, on the contrary, was in Romania (by 18 pps), although the rate remained below the EU average (of 81.1%). Still substantial improvements (above 4 pps) were reported in Slovakia, Malta, Spain and Croatia (which however remained the Member State with the lowest coverage rate). Benefit recipient rates were close to 100% in Denmark, Ireland, France, and Finland. Evidence from administrative data indicates that the yearly exit rate to employment of minimum income recipients that benefit from active labour market policies varies widely across Member States, from around 6% to around 50%[245]. Such differences may reflect different levels of overall efficiency. Furthermore, while there may be sufficient coordination between social services and public employment services, the social benefit delivery and labour market integration processes remain often separated. The Council Recommendation on adequate minimum income ensuring active inclusion importantly outlines areas for further modernisation of minimum income schemes along the active inclusion approach.[246]

Figure 2.4.10 The share of people at risk of poverty in (quasi)-jobless households on social benefits was overall broadly stable

Benefit recipient rate for at-risk-of poverty persons aged 18-64 and living in (quasi)-jobless households (%, 2021 and 2022 survey year, 2020 and 2021 income year respectively)



Note: Data for FR are provisional. There is a break in series in 2022 for FR and LU, and in 2021 for LU.
Source: Eurostat [ilc_li70], EU SILC.

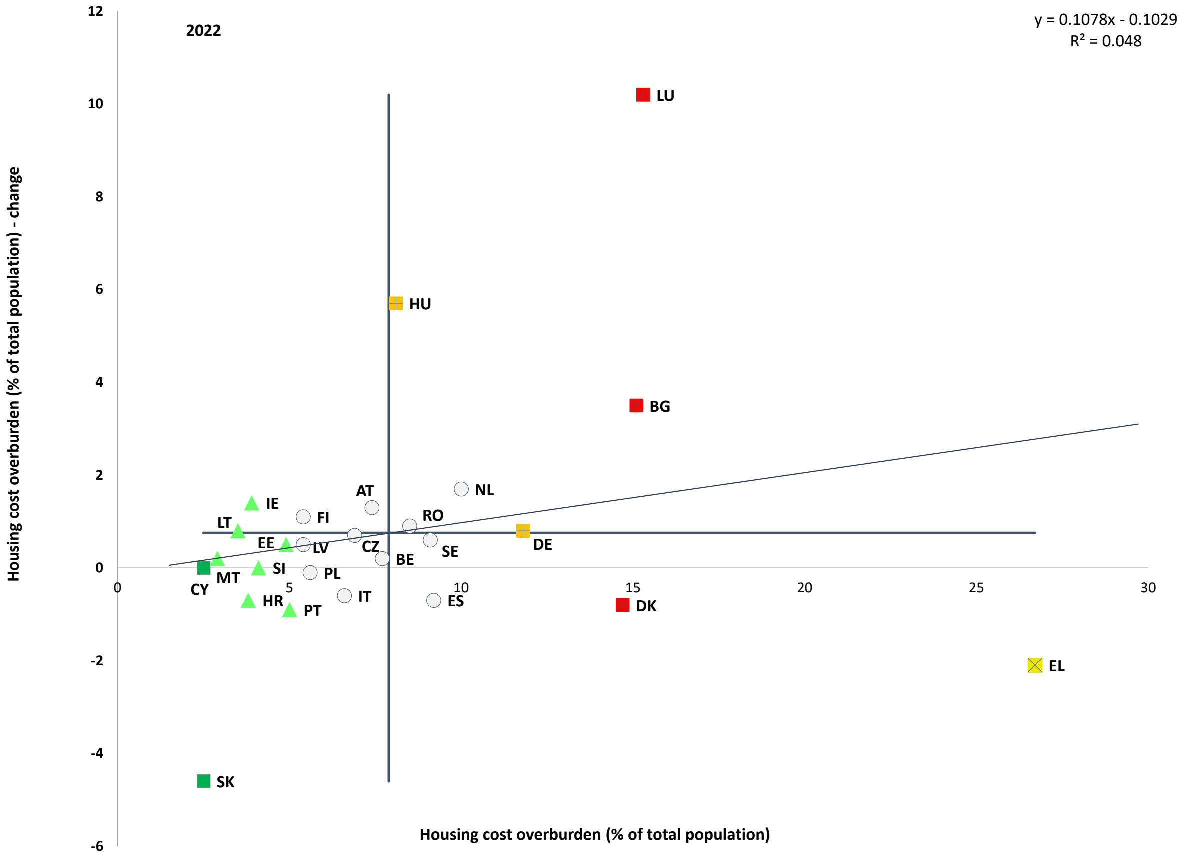
[245] See the 2022 Minimum Income Report.
[246] Council Recommendation on adequate minimum income ensuring active inclusion (2023/C 41/01).

Housing affordability is an increasing challenge in the EU. In 2022, 9.1% of the overall EU population lived in a household where total housing costs represented more than 40% of the total disposable income. This housing cost overburden rate shows an increase at EU level from 8.9% in 2021 and 7.8% in 2020. Greece is 'weak but improving' under this dimension, registering the highest rate (26.7%) but with a decline in comparison to 2021 (and since 2015 when it was 45.5%). Luxembourg had the second highest housing cost overburden rate, with a 5.5 pps increase from 2021, and is in a 'critical situation', together with Bulgaria and Denmark. The lowest housing cost overburden rates were registered in Slovakia and Cyprus, which were the 'best performers', and Malta (see Figure 2.4.11). For people at risk of poverty, the rate of housing cost overburden was significantly higher than for the rest of the population at EU level (33.1%, i.e. 29.2 pps higher), with a certain heterogeneity across Member States.[247] The highest cost overburden rates for the at-risk-of-poverty population were in Greece, Denmark and Bulgaria (84.5% up by 7.8 pps, 70.7% down by 1.4 pps and 50.1%, up by 12.9 pps), while the lowest (below 15%) where in Cyprus, Malta, Lithuania and Slovakia (after experiencing a sharp decline by 18.5 pps). In general, across Member States, tenants in the private rental market tended to be much more affected by housing affordability challenges than owners with or without a mortgage and tenants on reduced price or free rent.[248]

[247] Eurostat [ilc_lvho07a], EU SILC.
[248] Eurostat [ilc_lvho07c], EU SILC.

Figure 2.4.11: The housing cost overburden rate increased slightly showing strong signs of divergence across Member States

Share of persons living in households with housing cost overburden, 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for FR and LU.
Source: Eurostat [tespm140], EU-SILC.

Single parent households and families with children are more likely to experience severe housing difficulties.[249] Severe housing deprivation affected 7.6% of single parent households in 2020, which were also more likely to be overburdened by housing costs (a rate of 16.2% for the EU, almost double the average). The share of children living in households having to cope with housing cost overburden decreased in the EU from 7.8% in 2021 to 7.1% in 2022. However, it increased substantially in Luxembourg, Bulgaria, and the Netherlands (by 12.1, 4.6, and 4.1 pps, respectively), while it decreased in Slovakia and Greece (by 7 and 5.7 pps, respectively). Greece nevertheless remained the country with the highest rate (30%), followed by Luxembourg (16%), Bulgaria (14.3%), Spain (11.5%) and Germany (9.4%).

Over the last decade, little progress has been made in reducing the number of homeless people across EU Member States. Because of the lack of a common statistical definition and methodology for counting people experiencing homelessness, data are not comparable across Member States, and it is difficult to precisely quantify the phenomenon at EU level. However, in 2023, FEANTSA and the Abbé Pierre Foundation estimated the number of homeless people

[249] This paragraph is based on Eurostat [ilc_mdho06a], [ilc_mdho06b], [ilc_lvho07e] and [ilc_lvho07a], EU SILC. There is a break in time series for the latter in 2022 for Luxembourg.

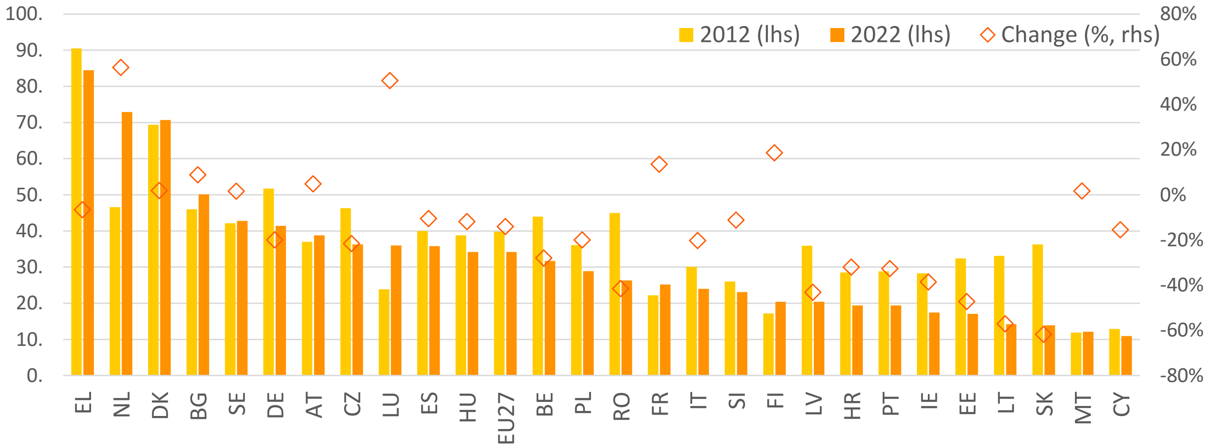
sleeping rough or in temporary/emergency accommodation on any given night to be at least 895 000 in the EU, based on extrapolated data from point-in-time counts carried out between 2017 and 2022.[250] According to national data, where available, the situation has deteriorated in most Member States, with the notable exceptions of Finland, Denmark and the Netherlands. The current economic context, characterised by an increasing cost of living, has exacerbated the causes of homelessness and the living situation of the most deprived households.

Pillar Box 8: Improving access to affordable housing and housing assistance to those in need in the EU

Access to adequate housing and housing assistance is a fundamental right[251] and crucial for individuals' well-being and social cohesion. The COVID-19 crisis highlighted the importance of accessible, affordable, and quality housing for supporting the participation in the labour market and better educational outcomes. Article 31 of the European Social Charter and Principle 19 of the European Pillar of Social Rights call upon Member States to provide access to social housing and housing assistance, prevent forced evictions, and ensure social inclusion for vulnerable and homeless people.

Housing cost represents a high share of disposable income, especially for those at risk of poverty, which decreased slowly and unevenly across Member States. Housing costs are commitments that are not possible to forgo without seriously endangering quality of life or risking financial hardship. In 2022, the share of persons at risk of poverty (AROP) that were overburdened with housing costs was 34.2% in the EU, which is more than three times higher than in the total population (9.1%). This results from a slow progress (a mere 5.6 pps decrease) at the EU level since 2012, with considerable differences among Member States. Good progress was achieved in Slovakia and Lithuania, where the overburden rate more than halved, followed by a decrease over 40% in Estonia, Latvia and Romania. At the same time, a rise in the overburden rate in excess of 50% was registered for the Netherlands and Luxembourg, followed by Finland and France with an increase over 10%. No convergence nor divergence pattern is visible across Member States over the longer run.

Housing cost overburden rate of persons at risk of poverty in 2012 and 2022
Share of persons AROP living in households with housing cost overburden, 2012 and 2022 (%, levels and percentage change)



Source: Eurostat [ilc_lvho07a]. Break in series for FR and LU in 2022.

[250] See Fondation Abbé Pierre – FEANTSA: *Eight overview of housing exclusion in Europe*, 2023.
[251] See Art. 25.1 of the Universal Declaration of Human Rights and Art. 34 of the EU Charter of Fundamental Rights.

Compliance with material condition standards, physical accessibility for persons with disabilities and the creation of inclusive neighbourhoods are prerequisites for housing quality. Severe housing inadequacy, including in terms of size, is often categorised as a form of homelessness.[252] Besides, under-represented or marginalised communities, such as Roma, often experience housing segregation (i.e., unequal access to mainstream, inclusive and high-quality housing, and related services). Social housing schemes to address these challenges differ across the EU in terms of objectives, requirements, and entitlement conditions, but also financial resources (in-kind support or cash allowances).[253] Investment in social housing can improve accessibility and affordability of housing for low-income and vulnerable groups, including the homeless.

EU policies can have positive effects on the affordability, availability and adequacy of housing, especially for those in need. While the primary responsibility for housing and housing assistance lies with the Member States, EU funding (via the ERDF, ESF+, RRF and InvestEU programmes) and policies can support the efforts of national and sub-national public authorities in addressing these challenges, for instance in the fields of cohesion and urban development, employment and social protection, industrial and energy policies. Besides, EU initiatives such as the New European Bauhaus and the Affordable Housing Initiative can contribute to increase housing sustainability and inclusiveness.[254]

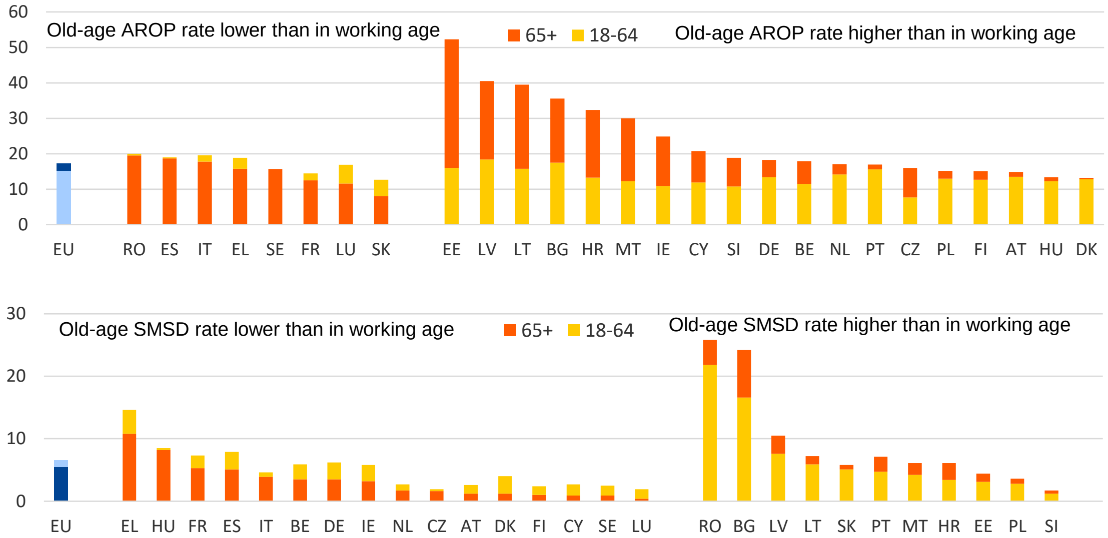
Access to affordable and social housing is high on the political, legislative, and financial agenda in many Member States. These include especially **Czechia**, **Greece, Spain, France, Italy, Latvia, Malta, Poland, Portugal,** and **Slovakia**. For instance, as part of its Recovery and Resilience Plan, **Latvia** initiated the development of the Affordable Housing Strategy to establish adequate support for all income groups. Specific rent regulation measures were taken by **France,** while **Portugal** has put in place a scheme of allowances to support families to pay rents and mortgages (part of *Mais Habitação* extensive legal package) together with further measures to mitigate the impact of rising interest rates on housing loans. **Greece** developed a loan and housing assistance programme in the local context, and also provided an increased housing benefit allowance to students, while **Malta** elaborated a support programme for first-time buyers with provision of 10 000 grants. **Poland** adopted a bill on housing cooperatives. Finally, to address the impact of the energy price increase, specific allowances were developed in **Italy** and **Latvia**.

After a slight decline between 2020 and 2021, the AROPE rate among people aged 65 or above increased in 2022. Since 2015, this rate had increased from 18% to 20.2%, with a persisting gap between women and men (22.9% and 16.7% respectively). This overall trend was driven by an increase in monetary poverty in this population group, from 16.8% in 2021 to 17.3% in 2022. In most countries, the risk of poverty (AROP) in old age is higher than for the working-age population (18-64), although the difference between the two groups varies significantly across Member States (see top panel of Figure 2.4.12). The severe material or social deprivation rate records a continuous decrease, albeit with a slight increase between 2021 and 2022 (from 7.4% in 2015 to 5.3% in 2021 and 5.5% in 2022). This rate is lower than among the working-age population at EU level (6.6% in 2022) in the majority of Member States (see bottom panel of Figure 2.4.12).

[252] Abbé Pierre Foundation - FEANTSA, *Third overview of housing exclusion in Europe*, 2018.
[253] OECD, *Building for a better tomorrow: Policies to make housing more affordable*, 2021, Paris.
[254] See New European Bauhaus: beautiful, sustainable, together. (europa.eu) and Affordable housing initiative.

Figure 2.4.12: Older people (65+) face higher poverty risks than the working-age population, but are generally less exposed to severe material and social deprivation

At-risk-of-poverty (AROP) rates (top panel) and severe material and social deprivation (SMSD) rates (bottom panel), by age groups (%, 2022)



Note: On the left, the 18-64 bar is additional to the 65+; on the right, the 65+ bar is additional to the 18-64. Break in series for FR and LU.

Source: Eurostat [ilc_li02] and [ilc_mdsd11], EU-SILC.

Pensions amount on average to about three-fifths of the late-career income in the EU. The average pension of those aged 65-74 stayed at 0.58 of the work income of those aged 50-59 in 2022.[255] This aggregate replacement ratio has been slowly increasing from 0.54 in 2012. In some countries (such as Luxembourg, Spain, Italy and Greece), it is above 0.70. In these Member States old-age poverty rates also tend to be lower compared to working age. On the other hand, in twelve Member States the replacement ratio is below 0.50 and even below 0.40 in four of them (Lithuania, Ireland, Bulgaria and Croatia), while in Romania it increased from 0.38 in 2021 to 0.52 in 2022. In 2022, the ratio was lower among women in most Member States.[256]

In 2022, self-reported unmet needs for medical care remained broadly stable on average but with large variation across Member States. While the EU average increased only moderately, from 2% in 2021 to 2.2% in 2022, there remains a large variation across countries, from 0.1% in Cyprus to 9.1% in Estonia (see Figure 2.4.13), with an evident divergent pattern. The highest levels of unmet needs for medical care were reported in Estonia, Greece, Finland and Latvia, all in 'critical situations', as well as in Romania, which is 'to watch'. After levels having generally decreased over the last ten years, figures are on the rise again for these countries. In particular, Greece (mainly due to medical care being 'too expensive') and Finland (mainly for reasons related to the 'waiting list') reported increases above 2 pps in 2022. The lowest levels of unmet needs (with values below 1%) were reported

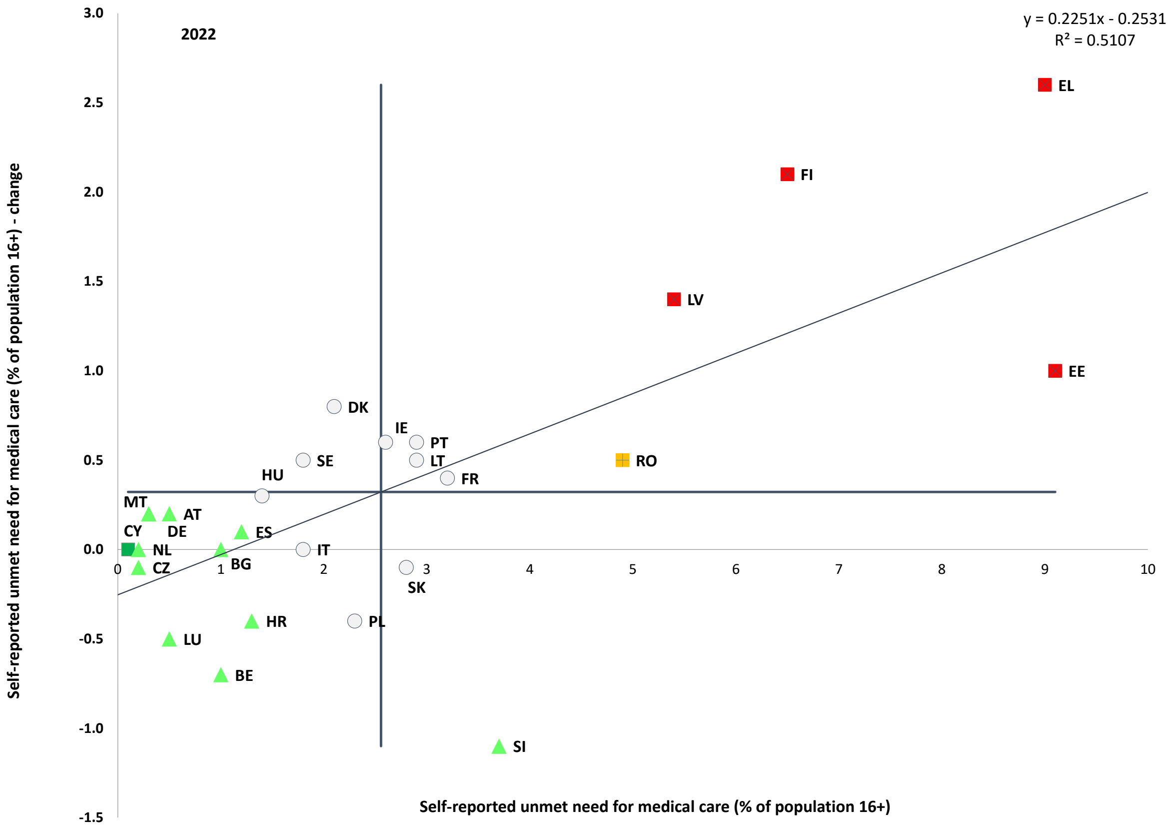
[255] As shown by the aggregate replacement ratio (ARR), Eurostat [ilc_pnp3], EU-SILC, defined as the ratio of the median individual gross pensions of the 65-74 age category relative to median individual gross earnings of the 50-59 age category, excluding other social benefits.

[256] Further information on key features of pension systems is provided in the pension adequacy benchmarking framework, jointly developed by the Social Protection Committee and the European Commission. The framework is to be applied against the background of the more complete analysis in the Pension Adequacy Report.

for Cyprus, a ‘best performer’ in this area, as well as the Netherlands, Czechia, Germany, Malta, Luxemburg and Austria, all ‘better than average’ (along with Belgium, Bulgaria, Spain, and Croatia). People in low-income households are more likely to report unmet medical needs, though the extent of the gap with the overall population differs across Member States. The biggest differences between the lowest and highest income quintiles were reported for Greece (11 pps), Latvia, Romania (both 8.4 pps), Finland (7.6 pps) and Portugal (6.1 pps). Regional differences are also observed in reported unmet needs, such as for Hungary, Romania, and Poland (see Figure 10 in Annex 5).

Figure 2.4.13: Large variation in self-reported unmet needs for medical care recorded across Member States

Self-reported unmet needs for medical care, 2022 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in the series for FR and LU.
Source: Eurostat, [tespm_110], EU-SILC.

Demographic developments, in particular projected higher future life expectancy, are increasing the potential need for long-term care (LTC) going forward. The number of persons potentially in need of LTC is projected to rise in the EU from 30.8 million in 2019 to 33.7 million in 2030 and 38.1 million in 2050.[257] According to 2019 data, 26.6% of people aged 65 or above living in private households were in need of LTC in the EU, with marked

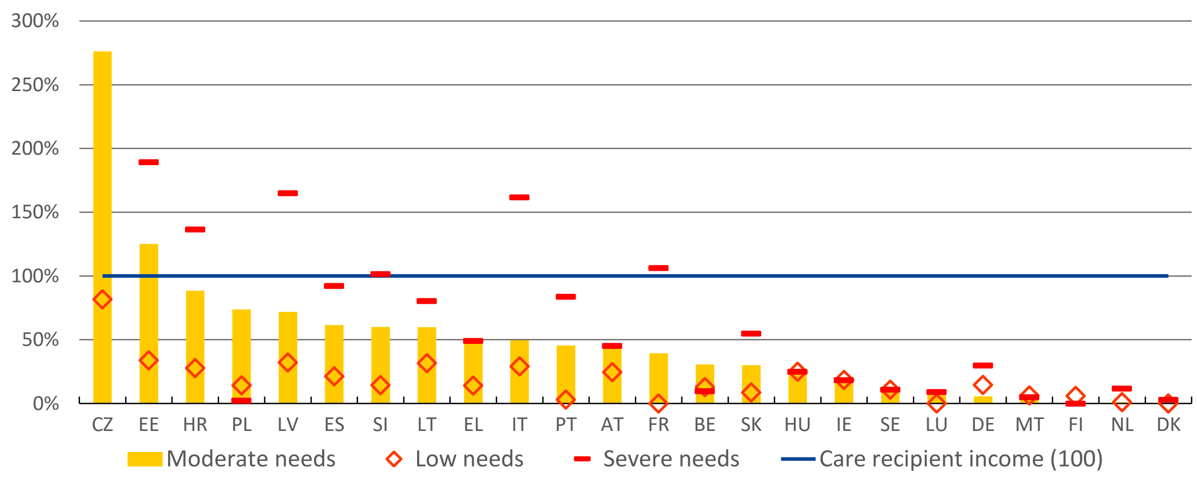
[257] European Commission and Economic Policy Committee, *The 2021 Ageing Report – Economic and budgetary projections for the EU Member States* (2019-2070), Publications Office of the European Union, 2021.

differences by gender (32.1% of women vs 19.2% of men).[258] Latest microsimulations by the JRC find that, besides demographic factors, education and health promotion and disease prevention efforts are key factors impacting the projected need for LTC.[259]

Persons in need of LTC often have limited access to formal homecare services as they are not affordable, not available or of insufficient quality. In 2019, 46.5% of people aged 65 or more with severe difficulties in personal care or household activities in the EU reported that they had an unmet need for help in such activities. This was significantly more pronounced for people in the lowest income quintile (51.2%) compared to those in the highest (39.9%). The lack of access to formal care can translate into unmet care needs or burden on informal carers. Access challenges are exacerbated by significant labour and skills shortages in the care sector. It is estimated that the LTC share of total employment would need to increase by 32%, or by 0.6 pps, on average in OECD countries over the next decade, in order to meet the projected increase in demand.[260] The sector also needs to improve working conditions to retain staff and attract workers with the right skills. Better working conditions together with better education and training preparing for professions in the sector would also raise the quality of the care provided. To measure the level of social protection for LTC in old age and compare it across countries, the OECD, with the support of the European Commission, has developed a set of typical cases of LTC needs.[261] The analysis suggests that, even after receiving LTC benefits, the out-of-pocket costs for care can be very high in some Member States, especially for older people with severe LTC needs receiving home care (see Figure 2.4.14).

Figure 2.4.14: Out-of-pocket costs for care can be very high, especially for older people with severe long-term care needs receiving home care

Out-of-pocket costs of home care as a share of old age income (after public support), for care recipients with a median income and with no net wealth, by severity level, 2022



Note: EE refers to Tallinn in Estonia, IT refers to Alto Adige (South Tyrol) in Italy, AT refers to Vienna in Austria, BE refers to Flanders in Belgium.

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[258] Eurostat [hlth_ehis_tadle], EHIS. This survey-based measure only captures people in private households but not those in residential care.

[259] Joint Research Centre, *Demographic microsimulation of long-term care needs in the European Union*, 2023 (forthcoming).

[260] OECD, *Beyond Applause? Improving Working Conditions in Long-Term Care*, 2023.

[261] Cravo Oliveira Hashiguchi, T. and Llena-Nozal, A., *The Effectiveness of Social Protection for Long-term Care in Old Age: Is social protection reducing the risk of poverty associated with care needs?*, OECD Health Working Papers No 117, OECD Publishing, Paris, 2021.

Source: OECD analyses based on the OECD long-term care social protection questionnaire, the OECD Income Distribution Database and the OECD Wealth Distribution Database

2.4.2 Measures taken by Member States

Almost all Member States implemented support measures to help people cope with the higher cost of living. Most Member States (**Belgium, Cyprus, Spain, Finland, Lithuania, Netherlands, Portugal, Romania, Slovenia**) increased benefits such as minimum income, family and child benefits, unemployment benefits, and pensions. **Slovenia** is one of the few countries that also adjusted housing benefits. **Greece** and **Slovakia** opted for one-time extra payments and additional instalments for minimum income and family/child benefits throughout 2022. Finally, **Sweden** has provided an extra amount in terms of housing benefits to families with children since the pandemic and increased this amount further in June 2023 as a response to the high costs of living.[262]

To support access to essential services, and especially energy, in the context of increased prices, Member States adopted substantial emergency measures, which were temporary but often not targeted.[263] For example, **Belgium** implemented two contribution packages over the winter 2022-23 providing support to all households in the form of automatic deductions on electricity and gas bills. **Ireland** allocated EUR 1.2 billion for energy supports through the payment of a credit to help consumers reduce their electricity bills. **France** introduced an exceptional energy voucher as one-off additional support to the most vulnerable households and **Czechia** enacted a temporary cap on energy prices. **Bulgaria** and **Romania** provided temporary support through a voucher scheme to the most vulnerable households using ESF - REACT-EU funding, as part of the SAFE initiative. **Spain** has extended until 31 December 2023 a measure that guarantees basic supplies of water, gas, electricity, and telecommunications. **Italy** introduced a EUR 112 million fund to finance a targeted voucher to cover transport expenses for low-income individuals. **Malta** made public transport free for all residents holding a personal transport card as of October 2022. **Slovenia** capped the household electricity and gas prices. It temporarily reduced the VAT rate (from 22% to 9.5%) and halved the excise duties on electricity and gas. **Slovakia** introduced price caps on gas, heating and electricity for households and firms. Some one-time payments to people most affected by high energy prices have also been adopted.

Several Member States focused on addressing and preventing poverty challenges through improvements in the adequacy and coverage of minimum income benefits and social assistance. Latvia adopted a minimum income reform that entailed for 2023 and 2024 an increase of all minimum income related transfers and links the future minimum income, pensions and various social support measure thresholds to median income, thereby envisaging an annual indexation. **Poland** and **Hungary** introduced measures targeted at particular age groups or areas. In line with its minimum income benefit reform, **Bulgaria** introduced legal amendments for the heating allowance to streamline the target groups, increase the income threshold and the coverage of the allowance. **Czechia** increased the 'living and subsistence minimum' by about 5% and the amount of the 'subsistence minimum', both of which are used for the calculation of other allowances.

[262] A more extensive mapping of the measures implemented by Member States to deal with the rise in energy prices and the high cost of living can be found in the Social Protection Committee's 2023 Annual Report.
[263] Also for these measures, see the Social Protection Committee's 2023 Annual Report.

Steps were taken in several Member States towards the modernisation of minimum income and social assistance. Germany introduced a major reform of its minimum income provision with the Citizen's Benefit Act (*Bürgergeld-Gesetz*). Basic income support for jobseekers was accordingly reformed. Beyond the adjustment of the standard needs rates (benefit level), the Act aims to provide support to claimants who are capable of work in seizing new opportunities. The Act incentivises skills development, through a continuing education and training benefit (*Weiterbildungsgeld*), a citizen's benefit bonus (*Bürgergeldbonus*), and a permanent education and training bonus (*Weiterbildungsprämie*). The prioritisation of job placement in Book II of the Social Code was abolished, which paves the way for more people to engage in initial and continuing training. In **Finland**, Parliamentary Social Security Committee with a 7-year mandate (2020-2027) is tasked to reform the Finnish social security system, reducing its complexity. An interim report outlines alternative ways of organising social security and proposals for reforms, including policy guidelines for indicators and tools for assessing progress. In **Portugal**, efforts aimed at modernising and simplifying the welfare system and at increasing take up of benefits through the 'Social Security Digital Transition'. While still at a preliminary stage, steps have been taken in the recently revised RRP towards a single social benefit, replacing a set of non-contributory benefits. **Spain** continues its efforts to implement its minimum income reform, in particular developing a hub for creating integration pathways for minimum income recipients. Following the completion of the pilot projects supported by the RRF, an evaluation will assess the coverage, effectiveness and success factors. **Romania** revised its minimum income legislation to improve social assistance. The reform aims to reduce poverty, stimulate employment through activation measures and to increase education attainment, while reducing the administrative burden for the administration and the beneficiaries. **Slovakia** provided a stabilisation allowance to healthcare workers and other employees in the children social protection facilities.

Resilient social services are essential, as shown by the COVID-19 pandemic. Cyprus adopted a reform aiming at restructuring and modernizing social services to promptly respond to the needs of vulnerable people. In **Latvia** the new government's declaration sets the objective of introducing a minimum basket of social services to be provided on a mandatory basis at the local level. Similarly, **Spain** will pass under its RRP a reform that will guarantee a minimum common service portfolio and common standards for the provision of social services throughout the country. **Bulgaria** plans to develop by end of 2023, under its RRP, a national mapping of social services that will identify the gaps in provision and help determine investment needs.

In 2022-23, several reforms were introduced in relation to unemployment benefit systems.[264] In view of the uncertain economic situation, **Sweden** decided in June 2023 to maintain easier access to unemployment benefits, notably as regard qualifying period, employment history and potential access for entrepreneurs (in case of repeated interruptions in business activities). **Estonia**, as part of its RRP, adopted in December 2022 a reform of the unemployment insurance benefits making the benefit period dependent on the economic cycle as of end June 2023. The aim is to improve social protection of the unemployed in more difficult labour market conditions, while supporting a quicker return to a job when the situation improves. In **France**, the unemployment insurance reform adopted in December 2022 reduced the duration of unemployment benefits and removed the access to

264 See also the report from the Commission on the implementation of the Council Recommendation on access to social protection, COM/2023/43 final, adopted in January 2023.

unemployment benefits in the event of job abandonment. **Finland** announced a reform to provide more incentives for work that will increase the length of prior work and make the amount of benefits dependent on prior earnings while the replacement rate will decrease over time.

Measures taken by some Member States aimed at strengthening access to social protection for specific groups, like the self-employed. In **Lithuania**, the government proposed in June 2023, as part of its RRP, a reform of unemployment insurance to reduce the length of the minimum required contributions (from 12 to 9 months, in the last 30 months), as well as to include the self-employed. In **Spain,** the reform of July 2022 established a new contribution system for the self-employed, and improved protection in case of cessation of activity. Spain also regulated a new benefit for self-employed workers operating in a sector affected by temporary layoffs of the cyclical 'RED Mechanism' for employment flexibility and stabilization. Also, the reform of artists' status introduced special unemployment benefits for them from July 2023. In September 2023, **Czechia** introduced some changes for workers under the '*agreements to perform work*' with a view to have a level playing field, at least partly, with the classic employment contracts (introduction of the paid leave and extra pay for weekends, nights or holidays). In **Belgium**, new regulations approved in December 2022 adapted the social protection law to the specific employment situation and labour relations of artists and technicians, creating a new status of 'art workers'. Also, the new 'artwork benefit' (since October 2022) broadened the categories of art workers covered and improved their access to a special type of unemployment benefits.

Access to sickness benefits was eased through various measures. In **Ireland**, the Sick Leave Act 2022 introduced from January 2023 a statutory right to sick pay, providing employees (notably those with low pay and without entitlement to a company sick pay scheme) the right to a minimum period of paid leave if they become sick or sustain an injury that makes them unfit for work. The duration of the paid sick leave will be increased on a gradual basis over the next three years in order to avoid placing excessive financial burden on employers. **Spain** introduced since June 2023 three non-occupational situations as new grounds for sick leave, with no minimum contribution period necessary. **Cyprus**, as part of its policy to digitalise and modernise citizens' communication with the Social Insurance System (SIS), launched in February 2023 the electronic platform for submitting applications for sickness benefits.

Several Member States reinforced family benefits and childcare, also in response to the higher cost of living. In **Austria**, a total of EUR 200 million per year in special-purpose subsidies from the federal government to the federal states in the school years 2022-23 to 2026-27 has been allocated to advance the expansion of elementary educational childcare services. In **Bulgaria**, the school enrolment benefits of BGN 300 (EUR 154), originally granted to pupils starting grades 1 and 8, were extended also to those starting grades 2, 3, and 4. In **Cyprus**, care services for children up to 4 years are subsidised through direct payments to kindergartens. The subsidy can reach up to 80% of the monthly childcare cost, with a maximum amount depending on the level of income. In **Czechia**, a one-off allowance of CZK 5000 (EUR 200) was granted to parents with annual income of less than CZK 1 million (EUR 40 000). In **Estonia**, the family allowances were raised for families with three or more children. In **Germany**, as of January 2023, the child benefit was set at EUR 250 per child per month, with an increase for the first and second child and a slightly lower one for the third child. Families with low incomes are supported with additional child allowances. In **Greece**, financial support was offered to 50 medium-sized and 70 large companies to create childcare facilities for children between 6 months and 2.5 years. As part of a pilot, vouchers are distributed among parents with children up to 2.5 years to cover part of childcare services by certified carers. In **Ireland**, additional

EUR 121 million were allocated to the National Childcare Scheme. In the **Netherlands**, the partial and income-dependent reimbursement of childcare costs is no longer dependent on the number of hours that parents actually work. In **Poland**, close to EUR 704 million of the ESF+ and 380 milion of RRF were allocated to create more than 100 000 new childcare places between 2022 and 2029, including those adapted to the needs of children with disabilities or requiring special care. In **Portugal**, a new means-tested Child Guarantee benefit was introduced. The amounts of family allowance were also updated. In **Slovakia**, the parental allowance was increased. Employed parents can use this allowance for expenses related to childcare up to the age of 3. In **Slovenia**, the recipients of financial social assistance and income support received a one-off additional energy allowance, with an amount depending on the family size, starting at EUR 200. In addition, in October, November and December 2022, families received a top-up to the existing child benefits, ranging from EUR 21 to EUR 123. In **Spain**, childcare benefits of EUR 100 per month per child under the age of 3 were extended to cover, on top of working mothers, also women who receive contributory or non-contributory unemployment benefits.

Member States took measures in line with the 2021 Council Recommendation establishing a European Child Guarantee (ECG). While some Member States are still working on their action plans for the implementation of the ECG, a number of policy measures have been taken, for instance aimed at improving social inclusion of vulnerable children, such as de-institutionalisation of alternative care in **Greece,** and free school meals in **Croatia** and **Luxembourg**. In **Spain**, the implementation of the ECG has prompted a wider set of reforms, with 11 legislative acts to be adopted between 2021 and 2023, including, under the RRP, the modernisation of social services and the strengthening of education system with a view to guaranteeing inclusive education for children with special needs. A multi-level governance system for the implementation of the guarantee has also been established with coordinators at regional level.

Several Member States adopted measures to strengthen their disability benefits or financial support to families and carers of a dependent family member with disability. Some countries introduced legislative changes that provide better protection and financial support to persons with caring responsibilities, e.g., by providing new rights to parents of a child with disability (**France**), new benefits to family members caring for a relative with disability (**Slovakia**), reducing barriers to access the carers' allowances for persons living together, or through tax credits to parents of children with disabilities (**Malta**). **Malta** and **Croatia** are also developing schemes for personal assistance with the objective of supporting the independent life of persons with disabilities and improving their participation in education, employment and society. Several Member States are further investing in improving social services and home care to support persons with disabilities to continue living at home, including in the context of reforms of their long-term care systems (e.g. **Bulgaria**, **Slovenia**).

Access to affordable and social housing is high on the political, legislative, and financial agenda of many Member States. For instance, as part of its RRP, **Latvia** initiated the development of the Affordable Housing Strategy to establish adequate support, including to vulnerable households, through social housing and low-rent municipal housing. Specific rents regulatory measures were taken by **France,** while **Portugal** put in place a scheme of allowances to support families to pay rents and mortgages (part of the *Mais Habitação*legal package), together with further measures to mitigate the impact of rising interest rates on housing loans. **Greece** decided to focus on students providing an increased housing benefit allowance. To address the impact of the energy price increase, specific allowances were developed by **Italy** and **Latvia**. To ease access to housing and housing affordability, **Greece**

introduced loan and housing assistance programme in the local context, while **Malta** elaborated a support programme for first-time buyers. **Poland** adopted a bill on housing cooperatives.

Measures were taken in relation to pensions, aimed at making the systems more resilient and equitable. These notably included the actualisation of pensions (**Bulgaria**), revising the pension indexation mechanisms (**Estonia** and **Italy**) and accrual rates with a focus on promoting access to basic old-age benefits, increasing the level of minimum pensions (**Belgium**, **Croatia**, **Latvia**), as well as reducing the tax burden for those on low pensions (**Germany**, **Malta**, **Estonia, Italy**). As part of its RRP, **Spain** decided a gradual increase of maximum pension contribution bases and of maximum pensions and introduced a new accrual path for minimum and non-contributory pensions to increase in line with the evolution of the minimum wage. Also, various measures were taken in March 2023 to reduce the gender pension gap, including a better coverage of career, and an increase of the gender pension gap complement. Finally, the 2023 Spanish reform of the pension system provides equal treatment between part-time and full-time workers in the calculation of contribution periods for the eligibility to retirement pensions; also, it was decided to gradually equalise the social security contributions by the self-employed to system of salaried workers. Exceptional pension increases and support to low pensions were introduced in **France**, **Portugal** and **Denmark**, and public pensions were increased in the **Netherlands** and **Lithuania**. The generosity and conditions for accessing survivors' pensions were eased in **Croatia** and **Malta**, while measures were taken to improve the situation of those with reduced work capacity in **Spain**, **France**, **Germany**, and **Malta**. In **Belgium,** the reform of July 2023 included parenthood, care-related leaves, and temporary unemployment in the contributory periods for accessing the minimum pension. Pension increases and contribution credits for child rearing were also decided in **Czechia** and **Malta**. Finally, **Italy** decided to temporarily extend in 2023 the Social Pension Advance (*APE Sociale*) for those at least 63 years old, not entitled to a pension, having carried out heavy tasks, or having a disability of at least 74%, the unemployed having exhausted their unemployment benefits, and caregivers. The extra increase in pensions in **Slovakia** has entered into force from July 2023, while the criteria for granting a disability pension have been eased and the amount has increased.

Reforms related to the retirement age and longer working lives were driven by both fiscal sustainability and adequacy considerations. The focus was on promoting longer working lives in **Belgium**, **Czechia**, and **Finland,** and combining work with retirement through positive incentives and greater flexibility, as in **Denmark** and **Croatia**. Few measures were directed at raising retirement age, as in **France** and **Czechia**, and to also tighten early retirement in the latter. The pension reform passed in **Ireland** in September 2022 provided the possibility to work until 70 in return for higher pensions, and a transition phased over several years to a 'Total Contributions Approach', whereby pension rates will be linked to social insurance contributions throughout a person's working life. Long-term carers will also have their time spent caring recognised in the pension system. **Italy** further extended early retirement provisions for people with long careers or specific work statuses, while tightening eligibility criteria. Finally, the trend towards enhancing the role of funded pension schemes and fostering individual entitlements became more prominent. In some cases, this involved enhancing collective rights to occupational pensions, as in **Denmark**, while in others individual rights were strengthened, namely in the statutory funded pension schemes. In the **Netherlands**, in particular, the broad reform of June 2023 aimed at making the second pillar more transparent, fair, shock-resilient, and better suited for a dynamic labour market. In **Romania**, measures were adopted to ensure the sustainability of the second pillar. Under the

RRF, **Slovakia** adopted a pension reform in 2022, which links the retirement age to the life expectancy.

Member States took measures to strengthen primary care and foster care integration, as well as access. In June 2022, **Italy** adopted a law to support new models and standards for primary care. In **Lithuania,** the Parliament approved in July 2022 the reform of the healthcare institutions network, aiming at creating healthcare centres to strengthen primary care. The country also tightened the maximum annual out-of-pocket costs for outpatient pharmaceuticals from mid-2023. In **Hungary**, a reform adopted in December 2022 aims to support multidisciplinary group practices. In March 2023, **Croatia** amended its Health Care Act to foster integrated care practices, with a focus on primary care. In **Belgium** a new inter-federal plan on integrated care is prepared for 2024, whilst a 'a new deal for General Practitioners (GPs) and GP practices' foresees the development of a new financing model to foster better integrated care practices. **Romania** extended the services covered by publicly contracted GPs for 2023. In a similar vein, **Portugal** is planning the creation of new Local Health Units in the course of 2023 to improve care integration. It also abolished most charges to patients in the public national health system from June 2022. In January 2023, **Slovakia** adopted a General Outpatient Care Strategy to strengthen primary care. **Slovenia** agreed in June 2023 to a significant increase in resources for the digitalisation of healthcare, expected to boost integrated care practices. **Ireland** abolished public in-patient charges in April 2023. **Finland** amended its healthcare act in November 2022 to reduce maximum waiting times for non-urgent outpatient care in public primary care.

Several Member States took measures to address workforce shortages in healthcare and ensure retention of health staff, and to improve governance in the sector. A broader strategic health workforce framework was adopted in late 2022 by **Malta,** whereas **Romania** adopted a legislative framework under its national strategy in 2023. **Luxembourg** launched in December 2022 a campaign to attract new students to medical professions and took measures to modernise nursing education. **France** adopted a new law in April 2023, in view of advancing the profession of practice nurses through task-sharing. Under its Health Care Act amendment (of April 2023), **Croatia** aimed to strengthen the management of general hospitals by transferring ownership from the municipal level to the state. In December 2022, **Hungary** adopted measures to reorganise the health system and centralise governance for functions such as primary care and integration with long-term care. **Finland** adopted a reform implemented as of January 2023 to reorganise primary and specialist healthcare through the creation of 22 Well-Being Services Counties. **Sweden**, with the support from the RRF, continued its Elderly Care initiative for training nursing and management staff in elderly care and legally protected the title of assisting nurse to make the profession more attractive. **Slovenia** adopted legislative changes enabling faster employment of non-EU nationals in healthcare, social care and education.

Steps were taken to foster public health, in particular through disease prevention and health promotion, and action was stepped up in specific therapeutic areas, notably cancer and mental health. **France** adopted its 2023-27 National Prevention Strategy, which aims to improve access to preventive care. In August 2022, **Spain** adopted a new public health strategy as a tool to encourage all public policies to factor in health and health equity. **Slovakia** approved a National Action Plan for Tobacco Control for 2023-30. **Romania** adopted a National Plan for Beating Cancer in November 2022 in order to implement, as of 2023, an integrated and multidisciplinary approach to treatment, while **Italy** adopted its national Oncology Plan 2023-27, notably to complete the National Cancer Registry and the Regional Cancer Registry Network, and **Bulgaria** adopted in January 2023 a national plan for combating cancer. **France** adopted, as of September 2022, measures to improve access to psychiatric care, and **Spain,** as of mid-2022, rolled out its Mental health strategy 2022-26 to improve services and support for families and to promote a model of comprehensive and community care. In **Portugal,** a new Mental Health Law is expected to enter into force in 2023, reinforcing recent reforms to foster deinstitutionalisation.

Several Member States are pursuing reforms and investments in long-term care (LTC), in line with the Council Recommendation on access to affordable high-quality long-term care. These include measures to improve availability of services in **Bulgaria, Estonia, Spain, Italy, Lithuania, Portugal, Romania, Slovenia**, their affordability in **Estonia, Italy** and **Slovenia**, their quality in **Estonia, Spain, Lithuania, and Slovenia** as well as support for the workforce in **Bulgaria** and **Lithuania**. **Bulgaria** is using ESF and ESF+ to expand home care, including staff training to this end. **Estonia** is pursuing a reform to reduce out-of-pocket payments in general care, expand social welfare services to enable independent living at home and established quality standards for home care and general care. **Spain** is using RRF funding to improve accessibility of care to persons with disabilities, pilot deinstitutionalisation, develop telecare, and is preparing to upgrade the care infrastructure in line with a LTC model geared towards community-based care. **Italy** established a plan to define the minimum level of social services for older people who are not self-sufficient and set up a fund to invest in independent living and hiring of social service personnel for the implementation of the unique access points. **Lithuania** is preparing a new LTC model to streamline the administrative and financial set-up, establish minimum requirements for LTC providers, expand community-based care and is planning to use RRF and EU Cohesion Funds for capacity building and improvement of LTC human resources and infrastructure. **Romania** adopted the National Strategy on LTC and Active Ageing 2023-30, which includes measures to address LTC medical needs and improve community-based care for older people. **Slovenia** is working on a new reform aiming to expand non-residential care options, establish quality standards and improve the financial viability of the LTC system by establishing LTC as a new pillar of social security.

CHAPTER 3. FIRST-STAGE COUNTRY ANALYSIS

This chapter presents country fiches as part of the first-stage country analysis, based on the principles of the Social Convergence Framework (SCF)[265], also supporting key horizontal findings presented in section 1.5 of Chapter 1. While all fiches rely on the Social Scoreboard readings and the JER categorisations as described in the Box in section 1.5 and in Annex 6, their structure depends on the country-specific situation: the order of the three policy areas covered in the fiches (employment; education and skills; social protection and inclusion) is guided by the developments in the country concerned, as emerging from the Social Scoreboard tables in Annex 9. Similarly, the graph for each country illustrates the most pertinent issue or a key development for the country in question.

The first-stage country analysis is based on the full set of Social Scoreboard headline indicators. Each of the indicators is scrutinised based on the JER methodology, which determines the relative standing of Member States. This relative standing is expressed in terms of standard deviations from the mean of both the absolute level of the indicator value and its change compared to the year before (see Annex 4 for more technical details). Results are summarised into one of seven possible categories for each indicator for the country in question ('best performer', 'better than average', 'good but to monitor', 'on average', 'weak but improving', 'to watch', 'critical situation'). This corresponds with the scale of colours, from green to red. A short overview of the indicators and their rating for each Member State can be found in the tables in Annex 9.

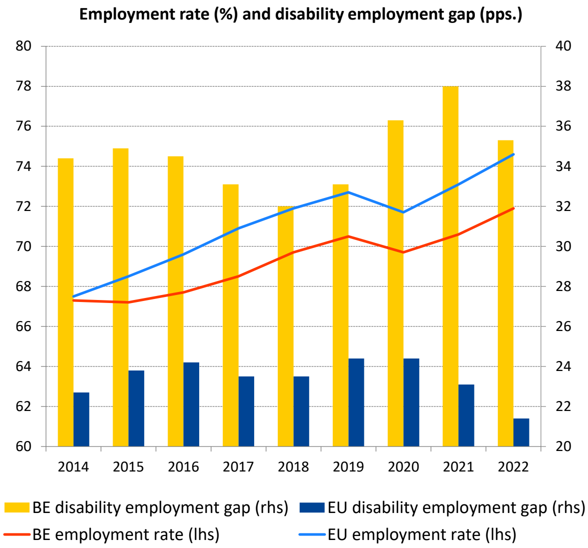
Each headline indicator of the Social Scoreboard is assessed with the methodology explained above, in order to identify whether further analysis is needed in a second stage. The qualification 'critical situation' refers to Member States that score much worse than the EU average on a specific indicator and in which the situation is deteriorating or not improving sufficiently compared to the year before. A situation is marked as 'to watch' in two cases: a) when the Member State scores worse than the EU average on a specific indicator and the situation in the country is deteriorating or not improvingly sufficiently fast and b) when the score in terms of levels is in line with the EU average but the situation is deteriorating much faster than the EU average.

Further analysis in a second stage is considered warranted for Member States for which six or more Social Scoreboard headline indicators are flagging red ('critical situation') or orange ('to watch'). An additional reason for considering that the situation requires further analysis in a second stage occurs when an indicator flagging red or orange presents two consecutive deteriorations in its JER categorisation. An example is a change from 'on average' to 'weak but improving' in the 2023 JER edition, followed by a further deterioration to 'critical situation' in the 2024 edition). This would be counted as an additional 'flag' towards the minimum threshold of six flags overall. For example, if in a given year n a country has 5 headline indicators of the Social Scoreboard flagged as red or orange, and one of them presents two consecutive years of deteriorations in years n and n-1, the country is considered as having overall 6 flags in that year n (5 red/orange signals from the indicators in the given year + 1 of them with two consecutive deteriorations). As a result, it would require further analysis as well. Any break in series and issues in relation to data quality and interpretation are taken into account in the evaluation of the total number of flags towards the threshold.

[265] A devoted joint EMCO-SPC Working Group was set up to discuss the initiative and conducted work from October 2022 until May 2023. This fed into EMCO and SPC that prepared the ministerial discussion in the June 2023 EPSCO meeting. The work and its outcomes are documented in the Report of the EMCO-SPC Working Group on the introduction of a Social Convergence Framework in the European Semester and its Key Messages.

Belgium

The labour market in Belgium recovered quickly from the COVID-19 crisis but continues to perform below average. The unemployment and the long-term unemployment rates are 'on average'. While the employment rate has been growing broadly in line with the EU average since 2017 to a new record level of 71.9%, it still lags behind other Member States and has been 'to watch' for three consecutive years. This is largely due to Belgium's lower than average activity rate. While the gender employment gap is 'on average', at 7.6 pps, persons with disabilities face persistent challenges in accessing the labour market, which has been recorded as a 'critical situation' over the last three years. The disability employment gap rose steadily between 2018 and 2021 (from 32 pps to 38 pps) and, despite its decline to 35.3 pps in 2022, Belgium continues to rank among the worst-performing Member States in this regard (against an EU average of 21.4 pps). Finally, the growth of gross disposable household income per capita has not kept up with the EU average and remains 'to watch'.



Note: Break in the BE time series in 2017.
Source: Eurostat [lfsi_emp_a], EU LFS [tepsr_sp200], EU-SILC

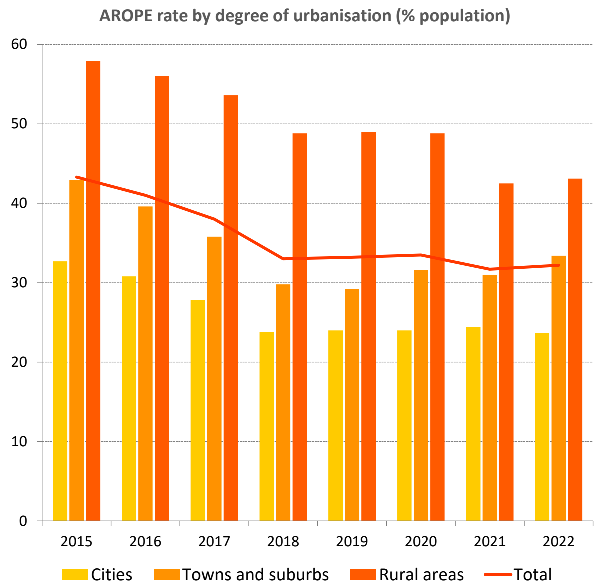
Belgium performs slightly better than average in the area of education and skills. With more than half (52.7%) of all children aged less than 3 years in formal childcare, Belgium performs 'better than average'. Furthermore, the share of early leavers from education and training is relatively low (6.4%) and 'better than average', having recorded an improvement from the previous year, while the share of young people neither in employment nor in education and training (NEET) is 'on average', at 9.2%. The proportion of the population with at least basic digital skills, which support the green and digital transitions, is also 'on average' at 54.2% (vs 53.9% in the EU).

Social policies are generally effective in preventing and mitigating poverty and social exclusion risks as well as income inequalities. The shares of the total population and of children at risk of poverty or social exclusion have been declining since 2017 and are broadly in line with the EU averages. Furthermore, Belgium is a 'best performer' in two additional dimensions in the social domain: the impact of social transfers on poverty reduction that is well above the EU average (48.8% vs 35.3% in 2022); and the low levels of inequality, as measured by the income quintile share ratio. Self-reported unmet needs for medical care, with only 1% of the Belgian population reporting being in such situation in 2022, is 'better than average'.

In light of the findings from the above first-stage analysis, and notably 3 indicators flagging as 'critical' or 'to watch', **Belgium does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Bulgaria

Bulgaria faces significant challenges related to poverty and social inclusion. Despite recent decreases, the overall share of people at risk of poverty or social exclusion (AROPE) stands at 32.2% and is one of the highest in the EU (EU average is 21.6%), pointing at a 'critical situation'. Similarly, the AROPE rate for children increased by 0.9 pps between 2021 and 2022 and stood at 33.9% in 2022 (well above the EU average of 24.7%) and is also 'critical'. Poverty risks are particularly high for persons with disabilities, those living in rural and remote areas, and the Roma population. In this context, social transfers (excluding pensions) had a limited impact in Bulgaria, reducing poverty by only 24.4% (vs 35.3% in the EU), which is 'to watch'. Furthermore, inequality, as measured by the income quintile share ratio, is among the highest in the EU (7.3 versus 4.7 in the EU) and 'critical', despite slight decreases over the past three years. The situation is exacerbated by the many people living in households that are overburdened by housing costs (15.1% of the overall population), which is also 'critical'.



Source: Eurostat [ilc_peps13n], EU-SILC.

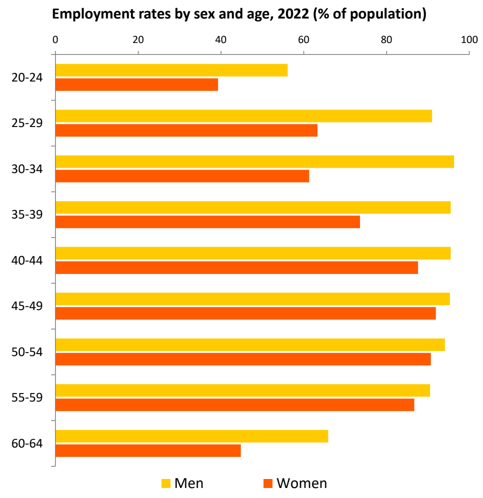
Despite recent improvements, Bulgaria still faces challenges related to skills formation. The share of adults with at least basic digital skills remains low (31.2% vs 53.9% in the EU in 2021) and constitutes a 'critical situation'. Strengthening adults' skills acquisition, including in the digital domain, appears important to support the green and digital transitions. At the same time, the share of early leavers from education and training decreased and currently stands at 10.5%, above but close to the EU average of 9.6%. However, it remains particularly high in rural areas (19.1%). Finally, the share of children aged less than 3 years in formal childcare was only 17.4% in 2022 (vs 35.7% in the EU). Along with challenges on the quality of childcare provision, this low rate is 'to watch', as it is potentially detrimental to the long-term learning prospects of children.

Bulgaria's labour market improved recently, but challenges remain in particular for persons with disabilities and the youth. The country has shown a strong labour market recovery with a historically high employment rate (75.7% in 2022) and a steady decrease in the unemployment rate (to 4.3% in the same year). Long-term unemployment is also on a downward trend, while the gender employment gap has been narrowing (to 7.7 pps in 2022 from 8.4 pps the year before). However, the disability employment gap was still markedly above the EU average in 2022 (29.5 pps vs 21.4 pps) and is therefore 'to watch'. Also, although decreasing over the last few years, the share of young people neither in employment nor in education and training (NEETs) was 15.1% in 2022, still above the EU average (11.7%), resulting in an outcome that is 'weak but improving'.

In light of the findings from the above first-stage analysis, and notably 8 indicators flagging as 'critical' or 'to watch', **Bulgaria is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box in section 1.5).

Czechia

The Czech economy recovered from the COVID-19 and the energy crises at a moderate pace, whereas overall positive labour market outcomes are coupled with increasing labour shortages and more difficult conditions for certain groups, notably women. In 2022, Czechia is among the best performers when it comes to the employment and unemployment rates (81.3% and 2.2%, respectively). The low long-term unemployment rate (0.6% in 2022) is also 'better than average'. However, the employment rate of women is still significantly below that of men (a gap of 14.9 pps in 2022), displaying a 'critical situation'. While the participation rate of children aged less than 3 in formal childcare (6.8% in 2022) improved by 1.9 pps compared to 2021, it remains well below the EU average (of 35.9%). This shows a persistently 'critical situation' which, combined with challenges in terms of quality of childcare provision, can be potentially detrimental to children's long-term learning prospects and may also be a factor for women's lower participation in the labour market. The share of young people neither in employment nor in education and training (NEET) stood at 11.4% in 2022, which is 'to watch'.[266] The disability employment gap, at 22.7 pps in 2022, remains 'on average'. Strengthening the labour market participation of women and the youth could help mitigate labour shortages.



Source: Eurostat [lfsa_ergaed], EU LFS.

Czechia's performance in relation to skills is on average, but there is scope for better supporting innovation capacity and facilitate the green and digital transitions. The rate of early leavers from education and training improved to 'better than average' in 2022. In 2021, the share of adults with at least basic digital skills was 'on average' at 59.7%, compared to 53.9% in the EU. Promoting adult learning and skills development, particularly on digital skills, can help support current trends towards industrial automation and robotisation.

Czechia has a well-functioning social protection system, which proves effective in alleviating poverty risks and inequalities. The overall risk of poverty or social exclusion was 11.8% in 2022, the lowest in the EU, making Czechia a 'best performer', despite an increase by 1 pp in 2022. The situation remains broadly stable for children. Czechia shows a noticeable performance as concerns the income quintile share ratio (3.5 in 2022). The real gross disposable households' income per capita (GDHI) decreased from 125.8 in 2021 to 121.2 in 2022 and is 'to watch'. The overall housing cost overburden increased slightly to 6.9% in 2022, remaining 'on average'. However, housing affordability in Czech cities requires close monitoring with a higher (10.6%) housing cost overburden rate in 2022 (up by 0.3 pps compared to 2021) compared to rural areas (4.0%). Czechia is 'better than average' concerning self-reported unmet needs for medical care. Fast population ageing nonetheless puts pressure on the healthcare and long-term care systems, calling for close monitoring.

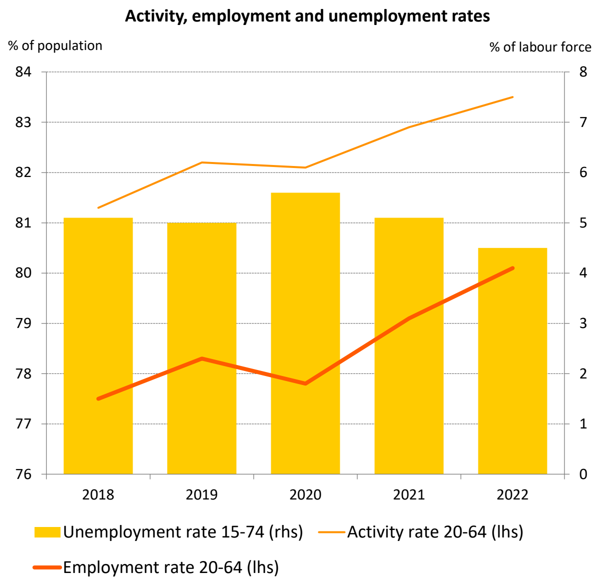
In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'critical' or 'to watch', **Czechia does not appear to face potential risks to upward social**

[266] Break in time series in 2021 and 2022.

convergence and thus will not require further analysis in a second stage (see box in section 1.5).

Denmark

The Danish labour market recovered quickly from the COVID-19 crisis and remains resilient despite a slowdown in economic activity in 2023 and increasing shortages. An overall good performance is recorded in the 'fair working conditions' domain. The high employment and low unemployment rates in 2022, at 80.1% and 4.5% respectively, are 'better than average'. Denmark is a 'best performer' concerning the long-term unemployment rate (showing a decrease from 1% in 2021 to 0.5% in 2022). However, the country faces labour shortages in multiple sectors, particularly those related to the green and digital economy. The rate of unsuccessful recruitments for companies was at 29% between February 2021 and 2022.[267] As concerns specific population groups, the situation of young people neither in employment nor in education and training (NEET) is 'better than average', similar to the gender employment gap, which fell significantly in 2022 to 5.4 pps. Despite an increase by 2 pps to 9.9 pps in 2022, Denmark remains a 'best performer' concerning the disability employment gap.



Source: Eurostat [lfsi_emp_a], [une_rt_a], EU LFS.

Denmark has a generally strong performance in education and skills but the share of early leavers from education and training continues to increase. While declining in a number of Member States, this share rose in Denmark to 10% in 2022, slightly exceeding the EU average of 9.6% and is now 'to watch'. This warrants attention in light of the tight labour market and the shortages of skilled workers. On the positive side, Denmark is among the 'best performers' regarding the share of children aged less than 3 years in formal childcare and the share of adults who have at least basic digital skills, which support fair green and digital transitions.

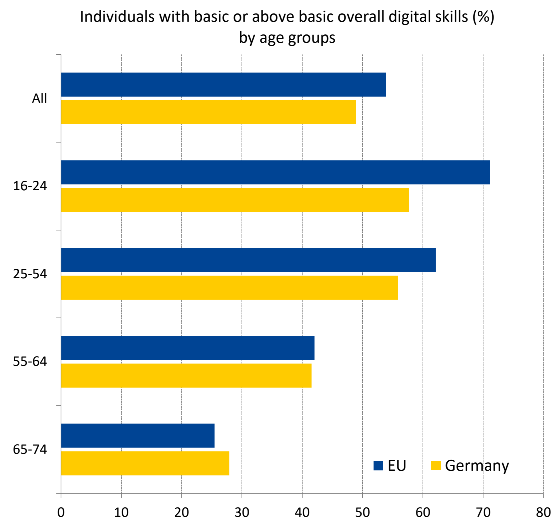
Denmark has a very well-functioning social protection system, but housing costs continue to be a challenge. In the 'social protection and inclusion' domain, Denmark is 'better than average' or best performer, including in relation to the risk of poverty or social exclusion overall as well as for children and the impact of social transfers (other than pensions) on poverty reduction. However, at 14.7%, the large share of households overburdened by housing costs for the last three years is considered as 'critical' in 2022, which reflects the limited supply of affordable housing in larger cities.

In light of the findings from the above first-stage analysis, and notably 2 indicators flagging as 'critical' or 'to watch', **Denmark does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

[267] The Danish Agency for Labour Market and Recruitment (June 2022), *Recruitment Survey Report*

Germany

Germany faces challenges in the area of education and skills that need to be addressed especially in light of the green and digital transformations. Despite a slight decrease, the share of early leavers from education and training (18-24 years old) was high at 12.2% in 2022 (vs 12.5% in 2021 and 9.6% in the EU), exhibiting a 'critical situation' over the past two years. Also, the share of the population with at least basic digital skills stood at 48.9% in 2021 (compared to an EU average of 53.9%) and is considered as 'to watch'. The gap with the EU average was significantly larger for the younger cohort (16-24 years old), namely 13.5pps.



Source: Eurostat, [tepsr_sp410].

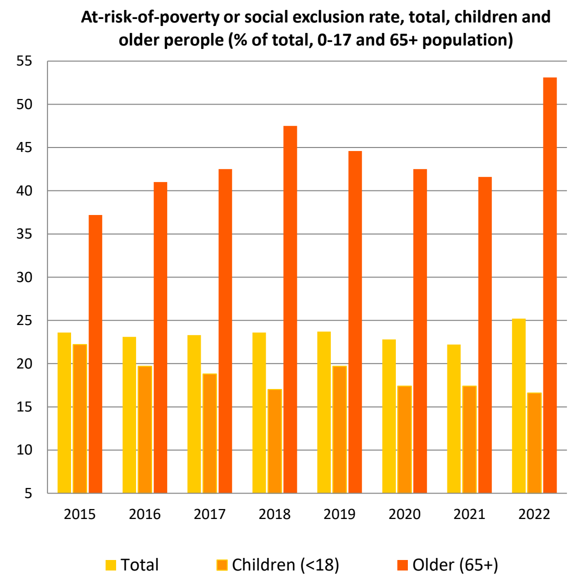
The German labour market rebounded after the COVID-19 crisis and performs well overall, although women's part-time employment remains very high and participation rates in early childhood education and care are relatively low. Developments in the 'fair working conditions' domain are overall positive for Germany. The employment rate is high, at 80.7% in 2022, and has continued to increase, albeit at a slower pace. The overall unemployment rate and its long-term component reached new lows (respectively 3.1% and 1.0%), the former putting Germany as a 'best performer' for the third consecutive year. In line with these positive general trends, the share of young people neither in employment nor in education and training (NEETs) also decreased from 9.5% in 2021 to 8.6% in 2022, which constitutes a 'better than average' performance. The same applies to the disability employment gap that decreased from 30.5 pps in 2021 to 24 pps in 2022. On the other hand, while the gender employment gap stayed 'on average' at around 7 pps in 2022, the gender gap in part-time employment remained one of the highest in the EU, at 36.7 pps (vs 20.2 pps in the EU). This is related among others to the relatively low share of children under 3 years in formal childcare (23.9% in 2022 vs 35.7% in the EU) which, combined with challenges regarding the quality of childcare provision, is considered as 'to watch'. Finally, the real gross disposable household income per capita (GDHI) broadly remained stable (113.6 in 2022) and has been marked as 'on average' over the last two years.

On the social side, the housing cost overburden poses challenges to many households. Over the past two years, this rate has been on the rise and is now considered as 'to watch' at 11.8% in 2022, compared to 9.1% in the EU. This partly reflects the unmet needs for new constructions. On the positive side, the income quintile share ratio, measuring performance on inequalities, decreased further in 2022, and is now 'better than average'. The impact of social transfers on poverty reduction and the share of the population reporting unmet needs for medical care are both 'better than average', while the shares of the overall population and of children at risk of poverty or social exclusion, respectively 20.9% and 24% (21.6% and 24.7% in the EU), are 'on average'.

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'critical' or 'to watch', **Germany does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Estonia

Estonia faces challenges in the area of social protection and inclusion. Several Social Scoreboard indicators in this domain exhibit 'critical' or 'to watch' situations. The share of people at risk of poverty or social exclusion (AROPE) increased by 3 pps to 25.2% in 2022, above the EU average of 21.6%, and is 'to watch'. Moreover, the risks of poverty or social exclusion for older people and persons with disabilities are among the highest in the EU (at 53.1% at 47.8% vs 20.2% and 28.8% in the EU, respectively), whereas the situation among children is 'better than average'. In this context, it is noteworthy that the impact of social transfers (other than pensions) on poverty reduction decreased from 31.7% in 2020 to 28.1% in 2022, which is well below the EU average of 35.3% and is therefore 'to watch'. Inequality, measured by the income quintile share ratio, rose from 5 in 2021 to 5.4 in 2022 (also 'to watch') vs an EU average of 4.7 in 2022, interrupting a strong and steady decline since 2014. Estonia has one of the highest levels of self-reported unmet needs for medical care in the EU (9.1% vs 2.2% in 2022) which is 'critical'. Access to healthcare remains a challenge in a context of rising shortages of healthcare staff, high out-of-pocket payments, and fast population ageing.



Source: Eurostat [ilc_peps01n], EU-SILC.

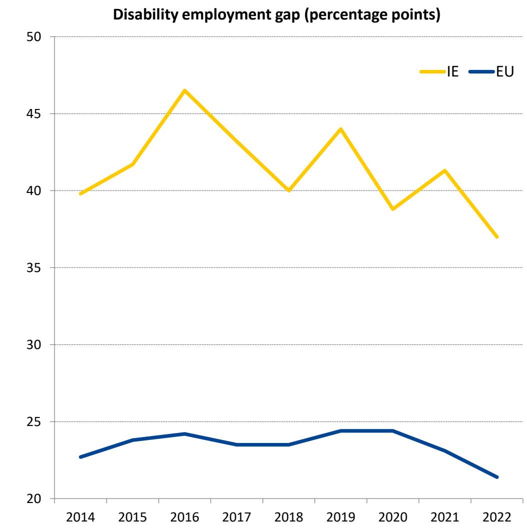
In the education and skills domain, Estonia has further scope for reducing early school leaving. The share of early leavers from education and training increased by 1 pp, reaching 10.8% in 2022, and is 'to watch'. Improving on this dimension is important to endow the workforce of the future with key transversal skills and competencies. The participation of children aged less than 3 years in formal childcare is 'better than average' after significantly increasing by 8 pps from 25.7% in 2021 to 33.7% in 2022 (35.7% in the EU). The share of the population with at least basic digital skills, which support both the green and digital transitions, is 'on average', at 56.4%.

The Estonian labour market continued to perform strongly in 2022 and 2023. Most of the Social Scoreboard indicators under the 'fair working conditions' domain show positive developments. The employment rate reached 81.9% in 2022, and the unemployment rate decreased from 6.9% in 2020 to 5.6% in 2022, despite an economic slowdown in the second part of 2022. Estonia has one of the lowest gender employment gaps in the EU, being among the 'best performers' over the last three years. The share of young people neither in employment nor in education and training (NEET) also remained below the EU average and decreased in 2022. At the same time, the disability employment gap rose significantly (by 7.5 pps) compared to 2021, exceeding the EU average for the first time in 2022 (26.2% vs 21.4% in the EU), and is 'to watch'.

In light of the findings from the above first-stage analysis, and notably 6 indicators flagging as 'critical' or 'to watch', **Estonia is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box in section 1.5).

Ireland

The Irish labour market is performing well, yet vulnerable groups lag behind. At 78.2%, the Irish employment rate was at a record high in 2022, and the unemployment rate reached a historically low level at 4.5%, which is 'above average'. The same applies to the long-term unemployment rate. Still, strengthening the activation and employability of under-represented groups, such as persons with disabilities, women, single parents and the low-skilled, can help in responding to labour and skills shortages. Despite an improvement by 2022, the disability employment gap remains wide at 37 pps against an EU average of 21.4 pps, putting Ireland among the worst performers and showing a 'critical situation'. New working methods and trained case workers aim at reducing this gap. Persons with disabilities tend to have high early school leaving rates and lower educational attainments. Although the employment rate of women increased over recent years, the employment gap widened to 11.3 pps in 2022, due to the faster employment rate growth for men, and is now 'to watch'. On the other hand, the situation is 'above average' regarding the share of young people neither in employment nor in education and training (NEET), at 8.7%, below the EU average.



Note: Employment rate difference between the total population and persons with disabilities.
Source: Eurostat [hlth_dlm200], EU-SILC

Ireland's performance is strong on education and skills. The country is among the 'best performers' regarding the share of early leavers from education and training, at 3.7%, even after some increase in 2022. The share of adults with at least basic digital skills is one of the highest in the EU, at 70.5% (vs an EU average of 53.9%), which supports the green and digital transitions.

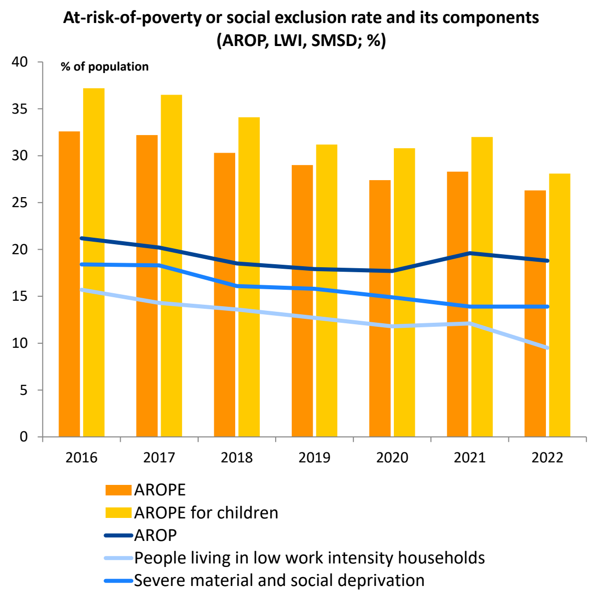
The Irish social protection system proved to be effective in alleviating poverty risks overall, though some groups still face greater risks, and challenges are reported on early childhood education and care (ECEC). The overall impact of social transfers on poverty reduction (at 56.4% vs 35.3% in the EU) puts Ireland among the 'best performers'. Risks of poverty or social exclusion overall and for children are 'on average'; greater risks are nonetheless faced by vulnerable groups, and especially single parents, travellers, and persons with disabilities, as well as older people (above 65). The participation of children aged less than 3 years in formal childcare remains 'to watch', despite a 4 pps improvement to 20.6% in 2022. The cost of accessing ECEC is among the highest in the EU for most household types in 2022 and was a major reason behind this. Ongoing efforts to improve accessibility and affordability of childcare may have a positive impact on participation, and also on women's employment. Finally, the share of households overburdened by housing costs is 'better than average'; yet the provision of housing in Ireland is markedly insufficient since many years. Particularly critical is the lack of social housing and low affordability, which resulted in record high homelessness.

In light of the findings from the above first-stage analysis, and notably 3 indicators flagging as 'critical' or 'to watch'. **Ireland does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Greece

The Greek labour market improved and demonstrated its resilience during the COVID-19 and the energy crises, though the country still faces significant challenges. In Greece, 66.3% of the overall working-age population was employed in 2022, which is 8 pps more than in 2020, though it remains much below the EU average of 74.6%, reflecting employability challenges among certain population groups. The Social Scoreboard shows 'critical situations' for both youth and women. In particular, the share of young people neither in employment nor in education and training (NEET) remains high (15.3% in 2022 vs 11.7% in the EU), while, at 55.9%, the employment rate of women is one of the lowest in the EU, leading to the widest gender employment gap in the EU (21.0 pps). On the other hand, Greece performs 'on average' on the disability employment gap with the unemployment rate and long-term unemployment ratio of persons with disabilities decreasing to 12.5% and 7.7%, respectively, in 2022. Finally, gross disposable household income per capita, at 79.9% in 2022, remained below its 2008 level and requires close monitoring in light of its 'critical situation' and the impact of high inflation.

The risk of poverty and inequality declined although the effectiveness of the social protection system and the unmet medical needs remain serious challenges. In 2022, social transfers (other than pensions) reduced poverty in Greece by 20.3%, 15 pps below the EU average, which represents a 'critical situation'. The share of people at risk of poverty or social exclusion (AROPE), as well as the AROPE rate for children, further decreased from 28.3% and 32% in 2021 to 26.3% and 28.1%, respectively, in 2022. In both cases the situation improved from 'critical' to 'weak but improving', although values are still well above the respective EU averages (21.6% and 24.7%). Inequality, as measured by the income quintile share ratio, also declined from 5.8 in 2021 to 5.3 in 2022, broadly the same level as in 2020. The share of people living in households overburdened by housing costs dropped from 33.3% in 2020 to 26.7% in 2022 and is thus 'weak but improving'. In light of the COVID crisis, self-reported unmet needs for medical care increased to 9% (6.8 pps above the EU average), which is a 'critical situation'.



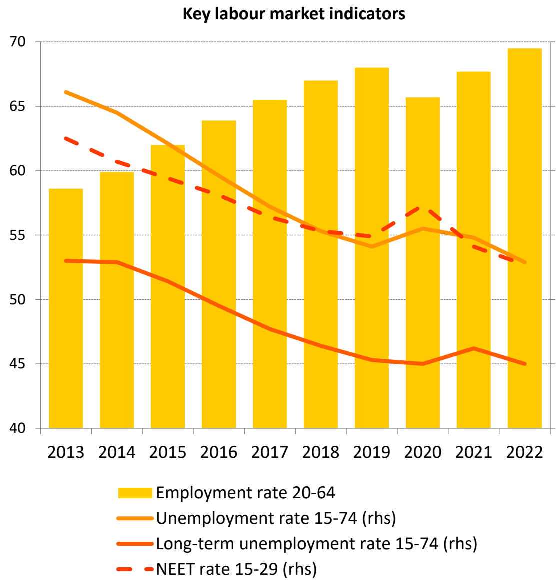
Source: Eurostat [ilc_pecs01], [tepsr_lm430], [ilc_li02], [tespm030], EU-SILC.

The acquisition of digital skills for adults remains a priority for Greece in view of the digital and green transitions. In 2021, 52.5% of adults had at least basic digital skills, 1.4 pps below the EU average. The share of early leavers from education and training remained well below the EU average (4.1% vs 9.6% in the EU) though it increased by 0.9 pps in 2022 and is therefore 'good but to monitor'. The share of children aged less than 3 years in formal childcare declined by 3.2 pps to 29.1% in 2022 and is 'on average' (35.7% in the EU).

In light of the findings from the above first-stage analysis, and notably 5 indicators flagging as 'critical' or 'to watch', **Greece does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Spain

The Spanish labour market faces substantial challenges, despite its robust recovery. The employment rate increased to 69.5% in 2022, surpassing the pre-crisis (2019) level of 68%. However, it continues to be well below the EU average of 74.6%, which is a 'critical situation'.[268] As a result of their downward trend, the unemployment rate and its long-term component moved from a 'critical situation' to 'weak but improving' in 2022, even though remaining significantly above the EU average (12.9% vs 6.2% and 5% vs 2.4% respectively).[1] The share of young people neither in employment nor in education and training (NEETs) has improved to 12.7% in 2022 but is still 'to watch'. Youth unemployment remains high, reaching 52.4% in Melilla, 44.4% in Ceuta and 43.9% in the outermost region Canary Islands. On a more positive note, the gender employment gap is 'on average' and the disability employment gap puts Spain among the 'best performers'. At the same time, the growth in gross disposable household income per capita remains 'critical' and still below the 2008 baseline level.



Source: Eurostat, [lfsi_emp_a], [une_rt_a], [une_ltu_a], [edat_lfse_20], EU LFS.

Spain faces challenges in relation to early leaving from education and training, while performing relatively well on digital skills. The share of early leavers from education and training slightly increased in 2022, to 13.9% (against 9.6% in the EU), worsening from 'weak but improving' to a 'critical situation'. Regional disparities persist, with particularly high levels in the east and south and worsening outcomes in the eastern and north-western regions. On the other hand, Spain performs 'better than average' on digital skills, with 64.2% of the adult population having at least basic digital skills in 2021 (vs 53.9% in the EU), which supports the green and digital transitions along with more general up and reskilling of the workforce.

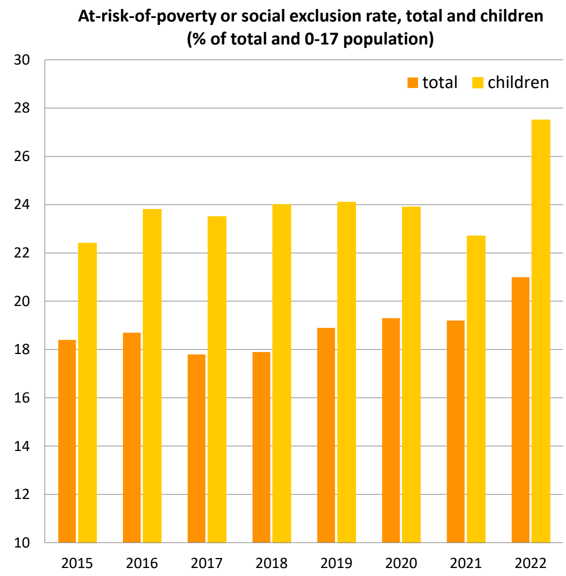
Spain experiences challenges in relation to social protection and inclusion. Both the overall at-risk-of poverty or social exclusion rate and the income quintile ratio are 'weak but improving', though levels are still relatively high, at 26% and 5.6 in 2022, respectively. Moreover, the share of children at risk of poverty or social exclusion stood at 32.2% in 2022 (7.5 pps above the EU average in 2022) and has remained in a 'critical situation' over the last three years. In this context, the impact of social transfers on poverty reduction (at 27.4% vs 35.3% in the EU in 2022), is relatively low and 'to watch'. On the positive side, Spain continues to perform 'better than average' on the self-reported unmet needs for medical care. The share of children below three years in formal childcare is 'good but to monitor' due to a significant decrease in 2022 (from 55.3% to 48.6%), partly related to ongoing affordability issues.

[268] Note: the definition of Spain's employment and unemployment rate differs in 2021 and 2022, as Spain includes employees on temporary lay-off in its definition (see Eurostat Metadata).

In light of the findings from the above first-stage analysis, and notably 6 indicators flagging as 'critical' or 'to watch', **Spain is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box in section 1.5).

France

France has a strong social protection system but is facing more apparent poverty risks. Overall, France performs 'better than average' in relation to the impact of social transfers (other than pensions) on poverty reduction, and the share of the population at risk of poverty or social exclusion (AROPE) remained in 2022 slightly below the EU average (21.0% vs 21.6%). Nevertheless, the AROPE rate increased by 1.8 pps year-on-year, diverging from the trend for the EU persons.[269] In a context of rising inflation, the AROPE rate of children increased considerably (by 4.7 pps) to 27.4% in 2022[270], well above the EU average of 24.7%. Both developments are 'to watch'. The growth of gross domestic household income remained 1.1 pps below the EU average in 2021. Inequality, as measured by the income quintile share ratio, remains 'on average', though mostly on an increasing trend since 2018. The outermost regions perform considerably worse than metropolitan France across all domains of the Social Scoreboard.



Source: Eurostat [ilc_peps01n], EU-SILC

The French labour market performance continued to improve, despite a slowdown of the economy in the second half of 2022, increasing supply bottlenecks and high energy prices. Between 2021 and 2022, the unemployment rate fell by 0.6 pps to 7.3% (7.2% in Q2-2023), the lowest level since 2008, but is nevertheless 'to watch', as the performance relative to the EU average deteriorated for the second time.[271] Youth unemployment and the share of those neither in employment nor in education and training (NEETs) have improved, too, while remaining high in the outermost regions. The labour market integration of some vulnerable groups continues to be challenging, in particular for those born outside the EU and people with low educational attainment. The gender employment gap is 'better than average' (5.8 pps in 2022 vs 9.1 pps in the EU). The disability employment gap decreased from 2021 to 2022 by 3.3 pps but remains significant at 20.8 pps.

France performs overall well regarding Social Scoreboard indicators on equal opportunities. The share of adults with at least basic digital skills as well as early leavers from education and training are 'on average' (at 62% in 2021 and 7.6% in 2022, respectively). France is a 'best performer' regarding the share of children aged less than 3 years in formal childcare.

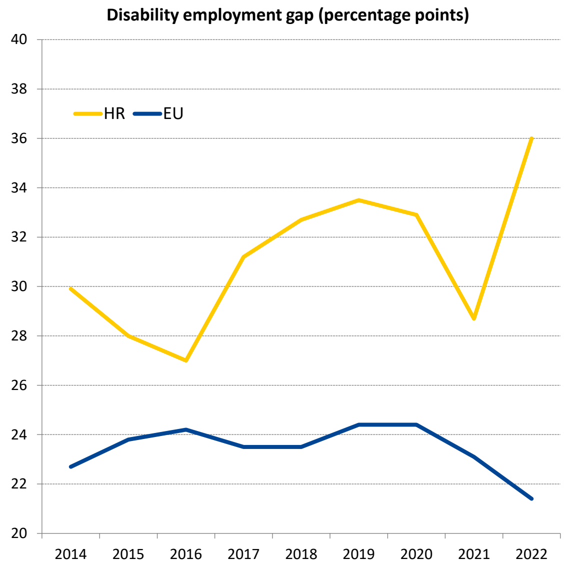
[269] Break in series: the FR-SILC survey includes in 2022 for the first time 4 overseas departments (French Guiana, Réunion, Martinique and Guadeloupe).
[270] This increase seems high despite the inclusion of the above-mentioned overseas departments.
[271] The definition of France's employment and unemployment rates differs in 2021 and 2022, as France includes employees on temporary lay-off (see Eurostat Metadata).

Nevertheless, the education system is marked by a significant share of low achievers and high inequalities.

In light of the findings from the above first-stage analysis, and notably 3 indicators flagging as ‘critical’ or ‘to watch’, including one that deteriorated over time, **France does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Croatia

Croatia experienced a robust recovery in 2021 and 2022, but still faces substantial labour market challenges. Despite some improvements since 2021, the employment rate was still significantly lower than the EU average in 2022 (69.7% vs 76.4%) and has been ‘critical’ for two consecutive years. While the unemployment and long-term unemployment rates are close to the EU average (at 7% and 2.4% in 2022 respectively) the percentage of young people neither in employment nor in education and training (NEET) remains ‘to watch’, at 13.3% in 2022 vs 11.7% in the EU, even after a slight decrease from the previous year. The disability employment gap is ‘critical’, with one of the highest levels (36 pps vs an average of 24.4 pps in the EU) and a deteriorating trend.



Source: Eurostat, [tepsr_sp200], EU-SILC

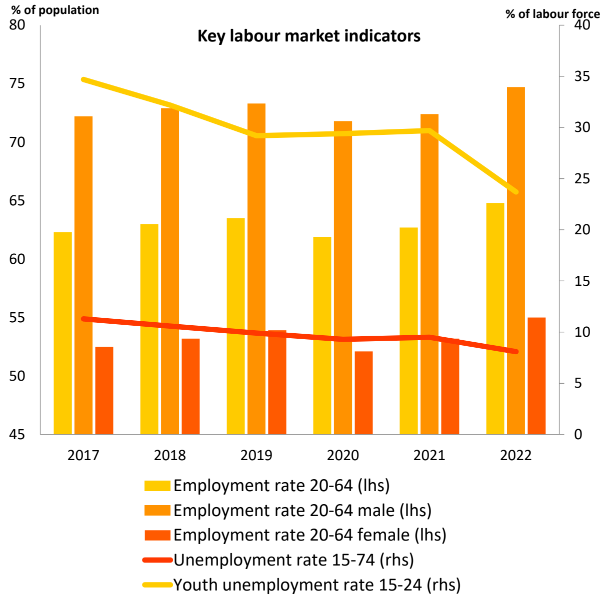
Croatia faces some challenges in the social protection and social inclusion domain. While the at risk of poverty or social exclusion rate (AROPE) remains below the EU average for both the total population (19.9% vs 21.6%) and for children (18.1% vs 24.7%), the impact of social transfers (other than pensions) in reducing poverty has been ‘critical’ since 2020, being significantly lower (at 20.4%) in 2022 than the EU average (35.3%). This is to be closely monitored also in relation to the possible impact of the current high cost of living on poverty risks.

Croatia performs relatively well on early school leaving and digital skills. The country remains among the ‘best performers’ regarding the share of early leavers from education and training, which stood at 2.3 % in 2022, compared to an EU average of 9.6%. The proportion of adults with at least basic digital skills was also ‘above average’ at 63.3% in comparison to an EU average of 53.9% in 2021, which is important to support the green and digital transitions. On the other hand, the share of children aged less than 3 years in formal childcare has recently deteriorated significantly (from 33.3% in 2021 to 27.5% in 2022), which puts it 8.2 pps below the EU average, as ‘to watch’.

In light of the findings from the above first-stage analysis, and notably 5 indicators flagging as ‘critical’ or ‘to watch’, **Croatia does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Italy

Despite a robust recovery in employment, Italy faces important labour market challenges. Some Social Scoreboard indicators in the 'fair working conditions' domain point to a 'critical situation'. Though the employment rate reached a record 64.8% in 2022, it is nearly 9.8 pps below the EU average, making Italy one of the worst performers in the EU. The gender employment gap stands at 19.7 pps in 2022; and has remained stable since 2020. Compared to the EU average it is almost twice as high (10.7%), showing a 'critical situation'. Also, the incidence of involuntary part-time work remains high, in particular for young people and men. Moreover, the gross disposable household income (GDHI) growth per capita, at 94.6% in 2021, was still significantly below the EU average of 109.9% compared to 2008 and declined to 93.8% in 2022 by high inflation, pointing to a 'critical situation' too. On the other hand, Italy's performance improved regarding unemployment and its long-term component with both indicators 'weak but improving' in 2022. Finally, as concerns the disability employment gap, Italy is consistently among the 'best performers'.



Source: Eurostat [lfsi_emp_a], [une_rt_a], EU LFS.

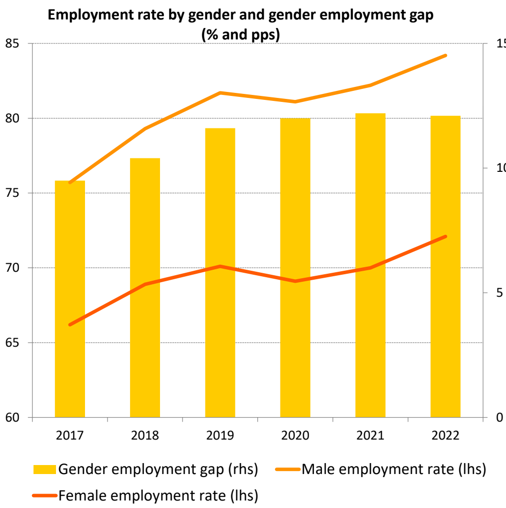
Even though the situation for young people shows signs of improvement, Italy's education and training system continues to face challenges. Notably, the share of adults who have at least basic digital skills in Italy stood at 45.6% in 2021 and was well below the EU average (53.9%), thus remaining 'to watch', including in light of its potential to support the green and digital transitions. The situation of early leavers from education and training as well as young people neither in employment nor in education and training (NEET) improved slightly compared to the previous year and is now 'weak but improving'. However, at 19%, Italy continues to have one of the highest NEET rates in the EU (EU average: 11.7%).

As concerns social protection and inclusion, there is scope for further improvement despite recent advances. Three indicators in the 'social protection and inclusion' domain are 'to watch' and all indicators, but self-reported unmet needs for medical care, perform worse than the EU average. In 2022, the overall share of people at risk of poverty or social exclusion (AROPE) slightly decreased to 24.4%, though it remains high and at-risk-of-poverty by itself remained unchanged compared to 2021. Similarly, the AROPE rate for children also decreased from 29.7% in 2021 to 28.5% in 2022. Moreover, in 2022, social transfers reduced poverty by only 25.8% in Italy (compared to 35.3% in the EU), and their effectiveness is 'to watch'. Finally, income inequalities, as measured by the income quintile share ratio, display the same dynamics as poverty: while decreasing slightly in 2022, the ratio (5.6%) is 'to watch'.

In light of the findings from the above first-stage analysis, and notably 8 indicators flagging as 'critical' or 'to watch', **Italy is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box in section 1.5).

Cyprus

The Cypriot labour market is overall performing in line with the EU average, but some population groups still face challenges. The employment rate reached 77.9% in 2022 and increased further to 79.0%, an almost record high, in the second quarter of 2023 (vs 75.4% in the EU). At the same time, unemployment was relatively low, at 6.8% in 2022, though still slightly above the EU average of 6.2%, while its long-term component, at 2.3% was in line with it (2.4% in the EU), after a small increase in 2021. The disability employment gap in Cyprus is close to the EU average, at 25.7 pps and has decreased compared to the previous year. At the same time, the labour market integration of young people and of women remains weak. The share of young people neither in employment nor in education and training (NEETs) is still very high, at 14.7% (vs 11.7% in the EU), with a deterioration relative to the EU average compared to the previous year (despite its decrease in absolute terms), thus moving from 'to watch' to a 'critical situation'. While employment rates rose for both men and women, the gender employment gap remains 'to watch' for the second consecutive year, due to its relatively high and increasing level (12.1 pps vs 10.7 pps in the EU). The share of children aged less than three in formal childcare was 24.4% in Cyprus, well below the EU average (35.7%), after a substantial drop from the previous year. As formal childcare is important for the labour market participation of persons with care responsibilities, this is a situation 'to watch'. Finally, the real gross disposable household income per capita still remains below its 2008 level after a slight deterioration from 2021, a situation 'to watch'.



Source: Eurostat [lfsi_emp_q], EU LFS.

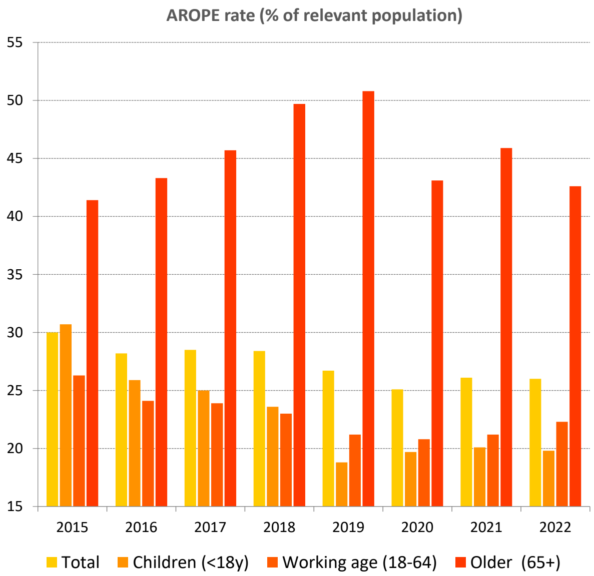
Skills developments show improvements, but some challenges remain. The share of early leavers from education and training decreased from 10.2% in 2021 to 8.1% in 2022 and is now 'better than average'. The share of adults with at least basic digital skills is rather low at 50.2% in 2021 (vs 53.9% in the EU), and continues to be 'to watch', in an area which supports the green and digital transitions.

The social protection system appears effective in supporting good social outcomes in Cyprus. The risk of poverty or social exclusion stands at 16.7% in 2022 (vs 21.6% in the EU), including for children (at 18.1% vs 24.7% in the EU), and the country is performing 'better than average' under both dimensions. This is reflecting, among others, the impact of social transfers (other than pensions) on reducing poverty, which is 'on average' (31.2% vs 35.3% in the EU) and the low housing cost overburden, for which Cyprus is a 'best performer'. The self-reported unmet needs for medical care are, at 0.1%, one of the lowest in the EU, showing again the country as a 'best performer'.

In light of the findings from the above first-stage analysis, and notably 5 indicators flagging as 'critical' or 'to watch', **Cyprus does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Latvia

While performing on average in some areas, overall Latvia faces significant challenges in the social domain. While having an average performance in relation to poverty risks for children, the overall share of people at risk of poverty or social exclusion (AROPE), at 26% in 2022, is one of the highest in the EU, well above the EU average of 21.6%. After a deterioration of the country's relative performance in this respect for two consecutive years, this is now a 'critical situation'. Furthermore, 42.6% of older people are at risk of poverty or social exclusion, significantly more than in the total population. Also, income inequality has been persistently 'critical' over the past three years, with one of the highest income quintile share ratios (at 6.3 in 2022 vs 4.7 in the EU). The minimum income reform (linking the guaranteed minimum income threshold to the median wage) and the minimum wage increase (to at least EUR 620 in 2023, and at least EUR 700 as of 2024), are intended to address challenges related to poverty and inequality. However, the effect so far of these actions has been impacted by the high, albeit now falling, inflation rates in Latvia in the first months of 2023 and late 2022. A deterioration is reported for unmet needs for medical care, affecting 5.4% of the population in 2022 (vs 2.2% in the EU), which is a 'critical situation'. This follows a 'weak but improving' situation recorded in 2021, which coincided with additional temporary investments in healthcare to mitigate the effects of the COVID19 pandemic. The pending healthcare reform is expected to provide- wider coverage and statutory medical services of higher quality to the population more structurally.



Source: Eurostat [ilc_peps01n], EU-SILC.

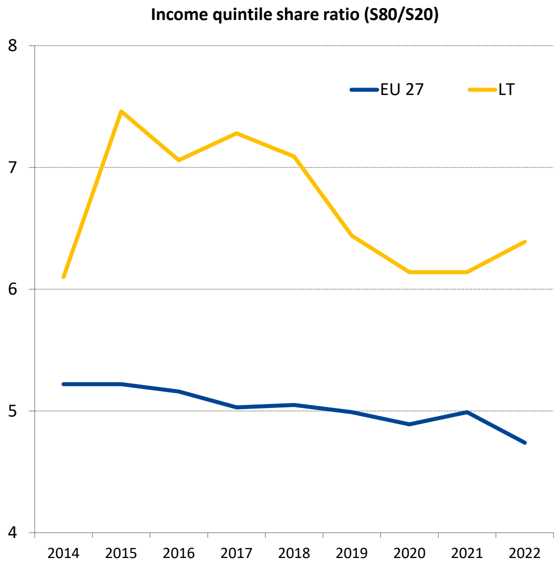
The Latvian labour market has recovered swiftly from the COVID-19 crisis. In 2022, the employment rate rose to 77.0% (from 75.3% in 2021), remaining only slightly below pre-pandemic levels, 'on average'. Latvia is among the 'best performers' on the gender employment gap and is 'on average' in relation to young NEETs. It was a 'best performer' also regarding the disability employment gap in the past but is currently 'on average' due to a recent increase, though remaining slightly below the EU average (20.8 pps vs 21.4 pps in 2022).

Overall Latvia performs 'on average' regarding education and skills. The share of early leavers from education and training was 6.7% in 2022 (vs 9.6% in the EU), having further decreased from 7.3% in 2021. The positive trend since 2016 is expected to continue with the recent introduction of reforms in vocational education and training, ensuring increased flexibility. The share of adults with at least basic digital skills was 50.8% (vs 53.9% in the EU), also a performance 'on average' in an area that supports the green and digital transitions.

In light of the findings from the above first-stage analysis, and notably 3 indicators flagging as 'critical' or 'to watch', including one that deteriorated over time, **Latvia does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Lithuania

Lithuania faces challenges related to social inclusion and social protection. The adequacy of the social safety net remains low and there are various inefficiencies and fragmentation in the planning, organisation, and delivery of social services. The declining trend observed in the share of people at risk of poverty or social exclusion (AROPE) to 23.5% in 2021 recently reverted with an increase to 24.6% in 2022, a situation 'to watch'. Moreover, inequality, as measured by the income quintile share ratio, is among the highest in the EU and remained 'critical' over the last two years. In 2022, the income of the wealthiest 20% of the population was more than 6 times higher than that of the poorest 20% and slightly increasing since 2021 with the background of a decrease in the EU. On the positive side, Lithuania is among the 'best performers' for disposable household income growth for the third consecutive year, which is a sign of continued catching up, and the housing cost overburden rate is 'better than average.'



Source: Eurostat [tessi180], EU LFS.

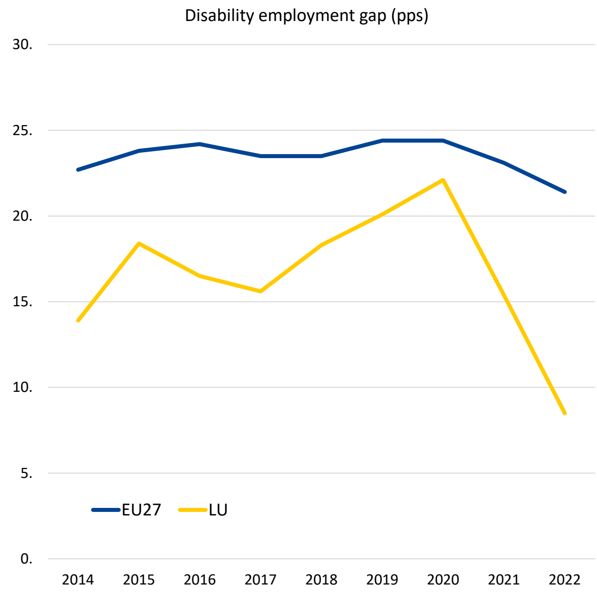
Challenges remain in relation to skills development. The share of adults with at least basic digital skills (48.8% in 2022) was well below the EU average (53.9%) and is thus 'to watch' including in light of the arising skill needs to support the green and digital transitions. While a sizeable improvement in the share of children below 3 years in formal childcare was observed between 2020 and 2022 (from 16.2% to 22.8%), it is still among the lowest in the EU and below its pre-pandemic (2019) level of 26.6%, in a situation 'to watch' for the last three years. Conversely, Lithuania's performance on early leavers from education and training improved from 'good but to monitor' in 2020 to 'best performer' in 2022.

After the COVID-19 crisis, the labour market in general recovered strongly, while the situation of persons with disabilities worsened. The overall employment rate stood at 79.0% in 2022 (up from 77.4% in 2021), which is 'better than average' (76.2% in the EU), similarly to previous years. At the same time, the disability employment gap increased from 23.9 pps in 2021 to 35 pps (vs 21.4 pps in the EU), the second deterioration in two consecutive years (from 'above average' to 'critical'). Both the long-term unemployment rate and the share of young people neither in employment nor in education and training (NEET) improved (the latter from 13% in 2020 to 10.7% in 2022), moving from 'to watch' in 2020 to 'on average' in 2021 and 2022. Finally, Lithuania is traditionally a 'best performer' on the gender employment gap, with an indicator value at 0.8 pps and relatively high employment rate for both men and women (respectively 79.4% and 78.6% in 2022).

In light of the findings from the above first-stage analysis, and notably 5 indicators flagging as 'critical' or 'to watch', including one that deteriorated over time, **Lithuania is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box in section 1.5).

Luxembourg

The labour market recovered quickly from the COVID-19 crisis and remains resilient despite a recent slowdown in economic activity. This is reflected in the overall good performance in the 'fair working conditions' domain. The employment rate reached a new high (74.8%) in 2022, slightly above the EU average, while the unemployment rate decreased to 4.6%. Long-term unemployment increased in 2020 and 2021 but recovered to its low pre-pandemic level in 2022 (1.3%) being now 'better than average'. This is the case also for the gender employment gap, which narrowed significantly from 7.4 pps in 2021 to 6.5 pps in 2022. Moreover, for the second year, Luxembourg is one of the best performers on the disability employment gap[272] (8.5 pps vs 21.4 pps in the EU). While remaining much below the EU average, the share of young people neither in employment nor in education and training (NEET) increased in 2020 and 2021 but decreased significantly to 6.8% in 2022, becoming 'better than average'. However, though the real gross disposable income of households per capita index (2008=100) is at 111.9 close to the EU average (109.5), it continues to be 'to watch' due to its small decrease at a moment where other Member States experienced a rise.



Source: Eurostat [tepsr_sp200], EU-SILC.

Luxembourg has a strong performance on education and skills. The country is mostly 'better than average' in this policy domain. In particular, while the share of early leavers from education and training rose during the pandemic, it decreased significantly in 2022, becoming 'better than average'. In 2021, 63.8% of adults had at least basic digital skills, almost 10 pps above the EU average, which supports the green and digital transitions. Luxembourg also remains among the Member States with the highest share of children aged less than 3 years in formal childcare although, due to a substantial deterioration in 2022 (from 62% in 2021 to 54.7%), it is now 'good but to monitor'.

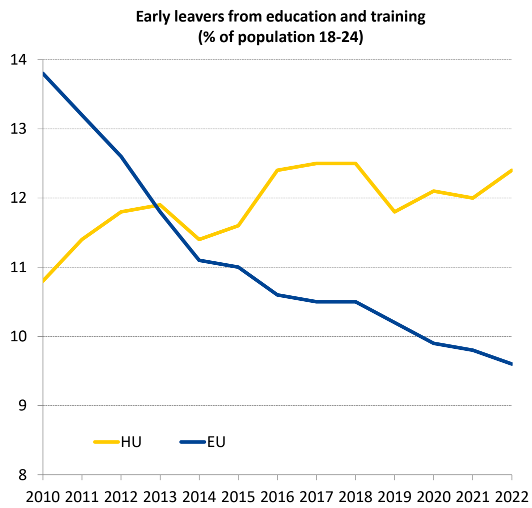
The social situation is overall good in Luxembourg but there are challenges related to housing costs.[1] The country recorded significant improvements in 2022 in the share of people at risk of poverty or social exclusion (AROPE) overall and especially for children, performing 'better than average' on both. The impact of social transfers on poverty reduction and the self-reported unmet needs for medical care are 'on average' and 'better than average' respectively. On the contrary, the housing cost overburden rate has deteriorated significantly from 'better than average' to a 'critical situation', reflecting the impact of very high house price increases.

In light of the findings from the above first-stage analysis, and notably 1 indicator flagging as 'critical' or 'to watch', **Luxembourg does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

[272] There is a break in series in all EU-SILC-based indicators for Luxembourg in 2021, 2022, and 2023.

Hungary

Hungary faces significant challenges regarding education and skills development. In particular, the share of children aged less than 3 years in formal childcare is low (12.9% in 2022 vs 35.9% in the EU) and decreasing since 2021, exhibiting a 'critical situation' over the last two years. The rate of early leavers from education and training also remained in a 'critical situation', increasing from 12.0% in 2021 to 12.4% in 2022, against a decreasing trend in the EU. For the Roma, this rate was six times higher than for the rest of the population in 2021 (60.8% vs 9.3%). Moreover, Hungary's share of adults with at least basic digital skills (49.1%) is lower than the EU average (53.9% in 2021) and 'to watch', with particularly low rates among the low-skilled, the unemployed and people above 55. Tackling these education and skills challenges can help address labour and skills shortages and support the fair green and digital transitions.



Source: Eurostat, [sdg_04_10], EU LFS.

Hungary faces challenges in the social policy domain, which are exacerbated by high inflation. Social transfers reduce monetary poverty by 36.7% in Hungary, broadly in line with the EU average, but the situation is nonetheless 'to watch' given the substantial drop in the indicator compared to the previous year.[273] While the risk of poverty and social exclusion in Hungary is 'on average' for the total population and 'better than average' for children (at 18.4% and 18.1%, respectively), the severe material and social deprivation rate is one of the highest in the EU (9.1% in 2022). The housing cost overburden rate rose sharply from 2.4% in 2021 ('better than average') to 8.1% in 2022 ('to watch'), exacerbating the high costs of living for many lower income households.

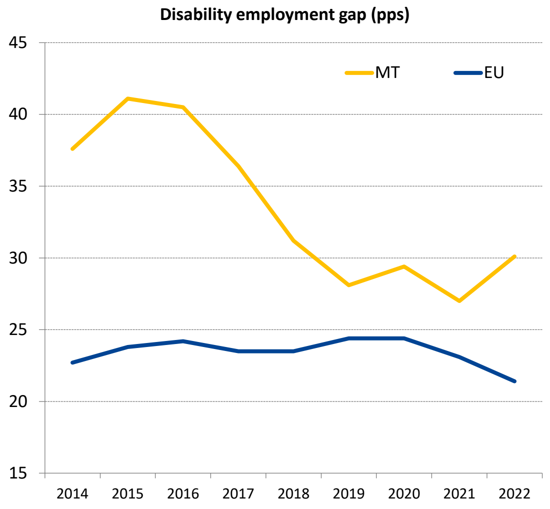
The Hungarian labour market weathered the COVID-19 crisis well, though outcomes for some vulnerable groups still lag behind. The labour market recovered quickly with a 'better than average' performance in the 'fair working conditions' domain (or 'best' for gross disposable household income growth), with the employment rate reaching a record high of 80.2% in 2022. However, some vulnerable groups still face significant barriers when it comes to accessing the labour market and thriving in it. While the gender employment gap is at 9.8 pps in 2022 and still 'on average', the disability employment gap increased by 3.6 pps to a very high level of 32.4 pps (vs 21.4% in the EU), which is a 'critical situation' after being previously 'to watch'. Moreover, the employment rates for the low-skilled and the Roma are substantially below average (38.7% and 45.9%, respectively, for the 15-64 age group, vs 74.4% on average).

In light of the findings from the above first-stage analysis, and notably 6 indicators flagging as 'critical' or 'to watch', **Hungary is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box in section 1.5).

[273] While a break in series is present for this indicator in 2022 for almost all Member States including Hungary due to a methodological change, (unpublished) indicator values calculated by Eurostat based on the old methodology show a similar drop in 2022 and yield the same 'to watch' assessment, thus the related conclusions are unchanged.

Malta

The Maltese labour market performs strongly overall, yet some population groups still face challenges. The employment rate in Malta was among the highest in the EU, at 81.1% in 2022 (82.7% in Q2-2023), showing, alongside developments in gross domestic household income per capita, a 'better than average' situation. The unemployment rate reached a historical low of 2.9% in 2022, while the share of young people neither in employment nor in education and training (NEET) rapidly decreased from 9.5% in 2021 to 7.2% in 2022 (vs 11.7% in the EU), making Malta a 'best performer' in both areas. With a slight increase to 1% in 2022, the long-term unemployment rate is 'good but to monitor', though it remains well below the EU average (of 2.4%). The gender employment gap is still 'weak but improving' at 13.1 pps in 2022, exceeding the EU average of 10.7 pps, though having decreased by 3.3 pps from 2021. Finally, persons with disabilities face challenges in terms of labour market integration, as shown by a relatively wide and widening disability employment gap, a situation that is 'to watch'. After stabilising in 2019 at a relatively high level, the disability employment gap continued to widen in 2022 (by 3.1 pps) reaching 30.1 pps, above the EU average (21.4 pps).



Source: Eurostat, [tepsr_sp200], EU-SILC.

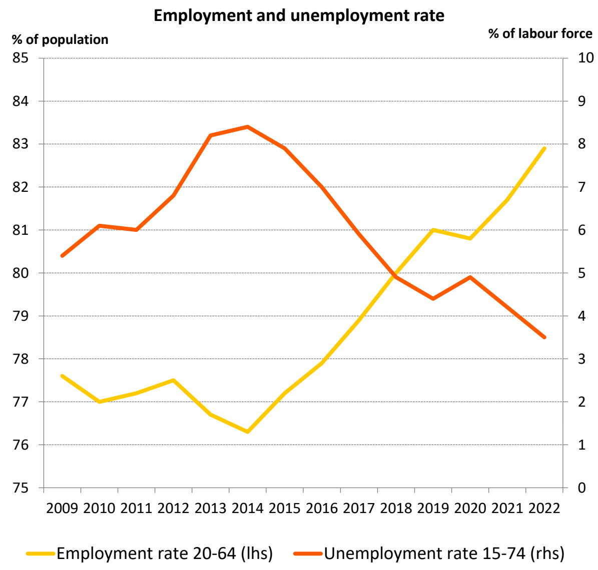
Malta's education and training system is overall performing well, yet some challenges persist for young people. Children aged less than 3 years in formal childcare were 43.1% in 2022 (vs 35.7% in the EU), which is 'better than average'. On the other hand, despite decreasing by 0.6 pps to 10.1% in 2022, the share of early leavers from education and training deteriorated in relative terms and is 'to watch', in sharp contrast to the good performance regarding the youth NEET rate. As of 2021, 61.2% of adults had at least basic digital skills in Malta (although with large differences between skill levels), which is above the EU average of 53.9% and supports the digital and green transitions.

The Maltese social situation is overall good, though challenges are recorded on the impact of social transfers on poverty reduction. Poverty risks and income inequality are 'on average' in Malta. In 2022, the share of people at risk of poverty or social exclusion overall and that for children were at 20.1% and 23.1%, respectively (vs 21.6% and 24.7% in the EU). Malta was 'better than average' regarding the housing cost overburden with a rate of 2.9% (vs 9.1% in the EU) and self-reported unmet needs for medical care (0.3% vs 2.2% in the EU). However, the impact of social transfers (other than pensions) on reducing poverty is low in Malta, at 26.4%, which is well below the EU average of 35.3% and 'to watch'.

In light of the findings from the above first-stage analysis, and notably 3 indicators flagging as 'critical' or 'to watch', **Malta does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

The Netherlands

The Dutch economy recovered rapidly from the COVID-19 crisis and continues to perform relatively well on all Social Scoreboard indicators related to the labour market. The employment rate reached 82.9% in 2022 (83.6% in Q2-2023), one of the highest in the EU, while unemployment remained very low (3.5% in 2022). The share of young people neither in employment nor in education and training remains among the lowest in the EU, despite having increased marginally in 2022 (by 0.3 pps to 4.2 %) against a downward trend in the EU (resulting in a deterioration from 'best performer' to 'good but to monitor'). Against the background of this overall very good performance, the COVID-19 pandemic exacerbated the risks of a highly segmented labour market, which remains one of the biggest structural challenges in the Netherlands. While the gender employment gap remained well below the EU average (7.9 pps vs 10.7 pps) in 2022, part-time employment is widespread, in particular for women. This results in one of the highest gender gaps in part-time employment in the EU (42.3 pps against the EU average of 20.4 pps in 2022) and a substantial gender pension gap (37.9% vs 26.0% in the EU in 2022).



Source: Eurostat [lfsi_emp_a], [une_rt_a], EU LFS.

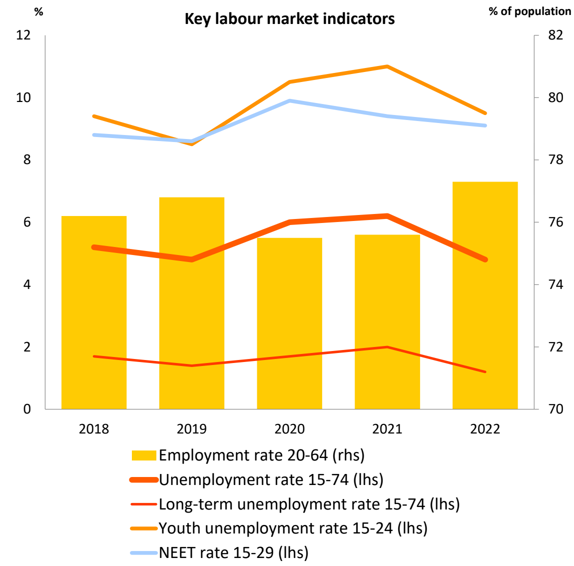
The Netherlands continues to exhibit strong performance in relation to skills formation. The rate of early leavers from education and training continues to exhibit a 'better than average' performance (5.6% in 2022) despite a slight increase since the year before (0.5 pps). In 2021, 78.9% of the adult population had at least basic digital skills, among the highest shares in the EU. However, effective outreach to those in an unfavourable labour market situation (such as low skilled, people with flexible or temporary contracts, people with a migrant background and persons with disabilities) remains important. In particular, as a consequence of the decentralised implementation vulnerable groups may not always be equally or adequately supported.

The share of people at risk of poverty or social exclusion in the Netherlands remains relatively stable and well below the EU average. Challenges remain for specific groups, such as people with a migrant background and persons with disabilities. The housing cost overburden rate rose from 8.3% in 2020 to 10.0% in 2022, slightly above the EU average of 9.1%. People at risk of poverty are particularly affected, with a housing cost overburden rate of 41.2%.

In light of the findings from the above first-stage analysis, and notably no indicator flagging as 'critical' or 'to watch', **the Netherlands does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Austria

Austria has had a strong labour market recovery despite signs of economic slowdown. In 2022, the employment rate was 'on average' at 77.3% after an improvement but stayed at that level also in Q2-2023, after stagnating GDP growth in Q4-2022. Both the unemployment rate and its long-term component fell sharply (to 4.5% and 1.2%, respectively), displaying a 'better than average' performance. In this context, the rate of young people neither in employment nor in education and training (NEET) declined further to 9.1% in 2022. Even though the gender employment gap narrowed to 7.8 pps in 2022, remaining 'on average', Austria recorded one of the highest female part-time employment rates in the EU, at 50.3% in 2022, and one of the largest and widening gender gaps in this respect (39.7 pps). The share of children less than 3 years in formal childcare decreased significantly (by 5.5 pps) to 23% in 2022 (vs 35.9% in the EU) and is now 'to watch'. This low rate and the limited supply of high-quality and affordable childcare can be potentially detrimental to children's long-term learning prospects and remains a major factor contributing to the high rate of female part-time work. Finally, the real gross disposable households' income per capita (GDHI) stood below its 2008 level (at 97.9% in 2021) and significantly below the EU average (109.9). Though slightly recovering from the 2020 drop in the COVID crisis, GDHI per capita is 'weak but improving'.



Source: Eurostat [lfsi_emp_a], [une_rt_a], [une_ltu_a], [edat_lfse_20], EU LFS.

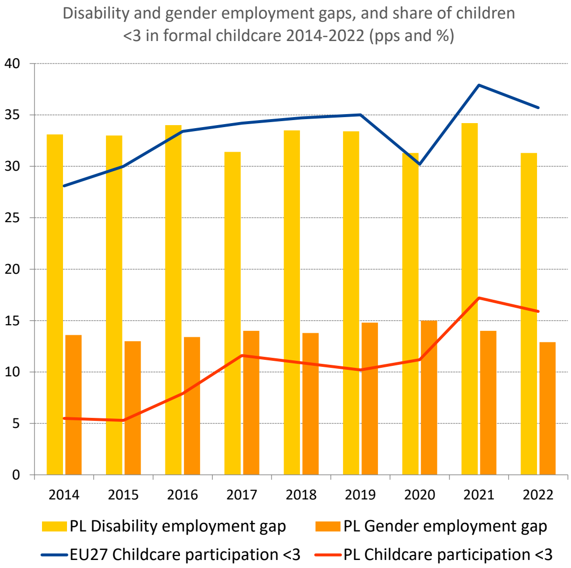
Austria continues to display a strong performance in the area of skills and training, but challenges persist for the low-skilled and people with a migrant background. The share of adults who have at least basic digital skills was high, at 63.3% in 2021, and 'better than average' (54% in the EU). Skills needed for the green and digital transitions could nonetheless be further promoted in order to address related shortages. While the share of early leavers from education and training was 8.4% in 2022 and thereby 'on average', around 45% of the long-term unemployed only completed lower-secondary school in Austria. Improving the basic skills of disadvantaged people can unlock their potential and improve their labour market participation. In 2021, 23.6% of people with a migrant background aged 25-64 only had lower-secondary school education and participation in education of 15-19-year-olds not born in Austria was at 61.2% in 2020, well below nationals (80.7%).

Austria performs relatively well in the area of social protection and inclusion. The share of people at risk of poverty or social exclusion (AROPE) is stable, at 17.5% in 2022, and the AROPE rate for children declined to 21.6%. However, severe material and social deprivation increased by 0.5 pps to 2.3% in 2022 and the rate of people at risk of monetary poverty (14.8%) remained above pre-pandemic levels. The strong impact of social transfers (other than pensions) on poverty reduction (41.2% in 2022 vs 35.3% in the EU) and the low level of self-reported unmet needs for medical care continues to depict a situation that is 'better than average'.

In light of the findings from the above first-stage analysis, and notably 1 indicator flagging as 'critical' or 'to watch', Austria **does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

Poland

The Polish labour market is performing generally well, but women and persons with disabilities face significant challenges. Both the employment and unemployment rates have reached pre-pandemic levels and recorded their best performances since the past three decades. With one of the lowest unemployment rates in the EU at 2.9% in 2022, Poland is a 'best performer', while its employment rate is 'on average' at 76.7% (vs 74.6% in the EU). At the same time, labour shortages are prominent and exacerbated by a decline in the working-age population and the lower labour market participation of some population groups. The gender employment gap is still 'to watch' with a level of 12.9 pps (vs 10.7 pps in the EU) in 2022 and improving only slowly. One of the main reasons for women's inactivity are care responsibilities regarding children and people in need of long-term care. This is reflected in the share of only 15.9% of children aged less than 3 years in formal childcare, which is 'to watch' as it remains far below the EU average (35.7%) and also deteriorated slightly in 2022, deviating from its upward trend since 2019. This low rate combined with quality challenges can potentially be detrimental to children's long-term learning prospects and to the participation of women in the labour market. Persons with disabilities still face significant barriers to access the labour market, which can be another reason for inactivity.[274] Despite a decrease in 2022 compared to 2021 (31.3 pps vs 34.2 pps), the disability employment gap has not been decreasing fast enough and remains significantly above the EU average of 21.4 pps, which is 'to watch'.



Source: Eurostat [tepsr_sp200], [tesem060], [tepsr_sp210], EU-SILC

Poland shows some good developments regarding young people in education, but the level of digital skills remains very low. The share of adults with at least basic digital skills is 42.9% in Poland, which is significantly lower that the EU average (53.9% in 2021) and a 'critical situation'. Strengthening digital skills acquisition can support the green and digital transitions. In contrast, the share of early leavers from education and training is only half of that in the EU (4.8% versus 9.6%) and Poland performs 'better than average' when it comes to the share of young people neither in employment nor in education and training (NEETs).

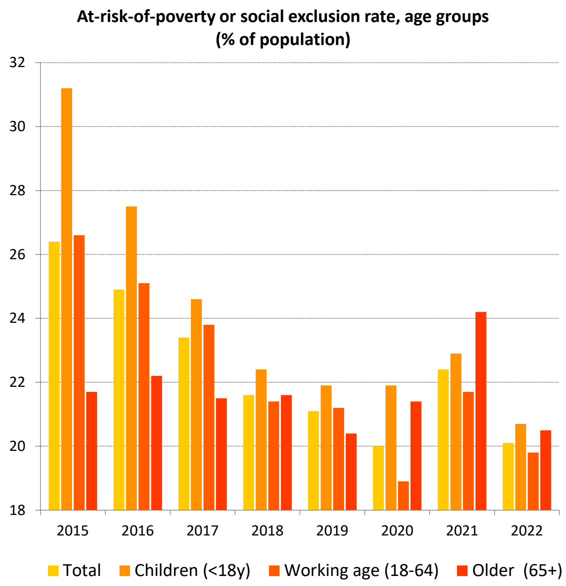
The social situation is relatively good in Poland. The at-risk-of-poverty or social exclusion rate (15.9%) and income inequality (income quintile share ratio, 3.9%) remain 'better than average' compared to the EU average (of 21.6% and 4.7%, respectively). This could be due, at least in part, to a 'better than average' impact of social transfers on poverty reduction (38.6% reduction of the at-risk-of poverty rate vs 35.3% on average in the EU).

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'critical' or 'to watch', **Poland does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

[274] OECD, *Regional Economic Inactivity Trends in Poland*, OECD Reviews on Local Job Creation, OECD Publishing, Paris, 2021.

Portugal

The effectiveness of the Portuguese social protection system in alleviating poverty risks and reducing income inequalities has increased. Significant improvements were recorded on the share of people at risk of poverty or social exclusion (AROPE) and the income quintile share ratio, offsetting the deteriorations in 2021, with both indicators being now 'better than average'. The AROPE rate decreased by 2.3 pps since 2021 and returned to below the EU average in 2022 (20.1% vs 21.6%), while the income quintile ratio remains slightly above the EU average (5.1 vs 4.7). However, the share of people AROPE remains very high in the Azores and Madeira (30.3% and 30.2% respectively) and keeps increasing, pointing to growing disparities between mainland Portugal and its outermost regions. The impact of social transfers (excluding pensions) in reducing poverty increased by 3.7 pps in 2022 (more than in any other Member State), moving from 'critical' to 'weak but improving'.[275] Despite this recent development, Portugal's performance on this indicator continues to lag far behind the EU average (23.7% against 35.3%) and has yet to recover to pre-pandemic levels.



Source: Eurostat [ilc_peps01n], EU-SILC.

Portugal shows improvement on education and skills. Most Social Scoreboard indicators in this domain were 'better than average' in 2022. The rate of early leavers from education and training increased marginally from 2021 to 2022 (0.1 pp) and remains 'better than average' after significant decreases over the last five years. The share of adults with at least basic digital skills was 55.3% in 2021 (vs 53.9% in the EU), thus being 'on average'. Ensuring the sustainability of these results can help Portugal to address its challenges in the domain of skills in view of changing labour market needs as well as the green and digital transitions.

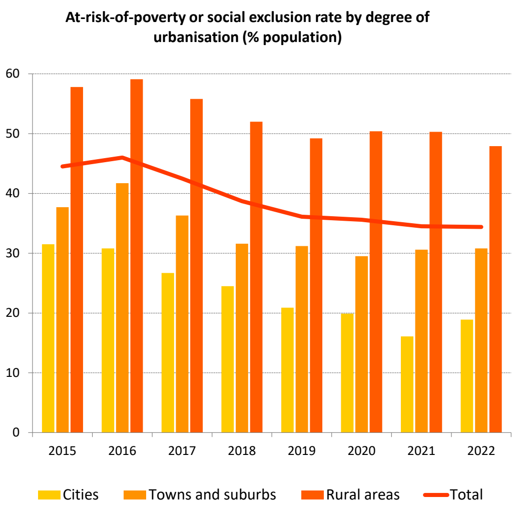
The Portuguese labour market proved resilient despite a slowdown of the economic recovery from the COVID-19 crisis. All Social Scoreboard indicators under the 'fair working conditions' domain are unchanged compared to the previous year and remain 'on average.' In 2022, the employment and unemployment rates were better than the respective EU averages (77.5% vs 74.6% and 6.0% vs 6.2%, respectively), with slightly below-average improvements since last year. Following an increase from 2.3% to 2.9% between 2020 and 2021, the long-term unemployment rate improved moderately in 2022 (2.7%).

In light of the findings from the above first-stage analysis, and notably no indicator flagging as 'critical' or 'to watch', **Portugal does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

[275] Break in time series in 2022.

Romania

Despite significant progress, poverty risks in Romania are persistently high, especially for vulnerable groups and in rural areas. Even though the AROPE rate declined since 2015 from 44.5% to 34.4% in 2022 it remains significantly above the EU average (at 21.6%) and so does the AROPE for children. These and the poverty reducing impact of social transfers exhibit 'critical situations'. Poverty risks concern 41.5% of all children, with no improvement compared to 2021. The social protection system showed limited effectiveness as social transfers (other than pensions) resulted in a poverty reduction of only 16.5% (compared to 35.3% in the EU). While the income quintile share ratio declined considerably more than in most other Member States between 2021 and 2022 (from 7.14 to 6.0), it remains one of the highest in the EU. Self-reported unmet needs for medical care stood at 4.9% in 2022 and are 'to watch'. Vulnerable groups, people living in rural areas, and marginalised communities such as the Roma face greater difficulties in accessing essential and social services.



Source: Eurostat, EU-SILC [ilc_peps13n]

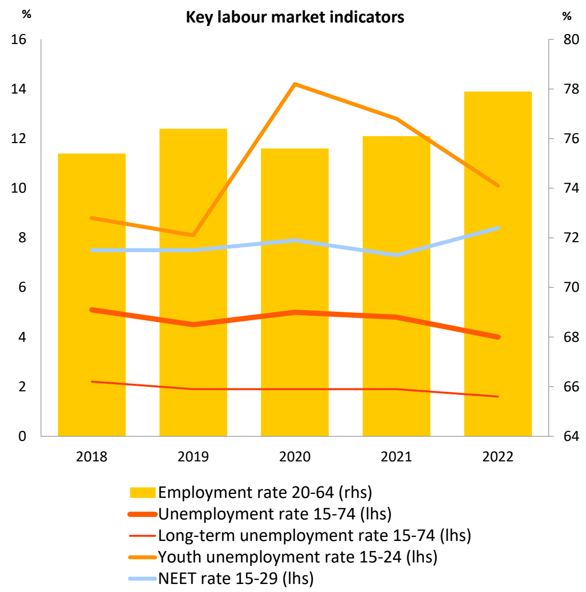
Persisting challenges in education and skills development put at risk sustainable socio-economic convergence. The Social Scoreboard indicators related to skills formation continue to display 'critical situations'. In particular, the share of early leavers from education and training (15.6%) is one of the highest in the EU and shows no clear improvement in the last few years, against the decreasing trend in the EU. Despite recent improvements, the share of children under 3 years old in formal childcare persistently exhibits a 'critical situation' and remains among the lowest in 2022 (12.3% vs 35.7% in the EU). This low rate combined with quality challenges can be potentially detrimental to long-term learning prospects, but also to the participation of women in the labour market. Individuals with at least basic digital skills stood at 27.8% of the adult population in 2021, well below the EU average of 53.9%, in a 'critical situation' too. To strengthen competitiveness and ensure inclusive growth potential, there is scope to further improve the quality, accessibility, and labour market relevance of education and training, and boost skills acquisition with a focus on disadvantaged groups, in light of labour and skills shortages, the twin transition and demographic challenges.

The labour market showed resilience against the COVID-19 crisis, but still faces substantial challenges. In 2022, the employment rate was still well below the EU average (68.5% vs 74.6%) and remained 'critical', partly reflecting strong differences in labour market outcomes across population groups. The long-term unemployment rate increased (by 0.2 pps to 2.2%), against an improving trend in the EU, and is now 'to watch'. Young NEETs declined to 19.8% (still among the highest in the EU) remaining in a 'critical situation' due to the slow pace of improvement. On a positive note, the gender employment gap, in 'critical situation', moved closer to the EU average in 2020 and 2021 and, with 18.6 pps in 2022, turned into 'weak but improving'. Similarly, the disability employment gap decreased in 2022 (by 0.6 pps), shifting from 'critical' to 'to watch'.

In light of the findings from the above first-stage analysis, and notably 11 indicators flagging as 'critical' or 'to watch', **Romania is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box in section 1.5).

Slovenia

Slovenia experienced a strong labour market recovery in the wake of the COVID-19 pandemic. In 2022, the employment, unemployment and long-term unemployment rates continued improving in line with the overall trend in the EU and reached historically high, and for unemployment respectively low, levels (77.9%, 4%, and 1.6%, respectively). All these labour market indicators were 'on average' or 'better than average'. However, structural factors such as rapid population ageing and skills mismatches risk exacerbating existing labour shortages.



Source: Eurostat [lfsi_emp_a], [une_rt_a], [une_ltu_a], [edat_lfse_20], EU LFS

Slovenia experiences some challenges related to its education and training system, notably in relation to digital skills. In 2021, 49.7% of adults had at least basic digital skills, which is below the EU average (53.9%) and 'to watch', especially in light of supporting the green and digital transitions. The share of early leavers from education and training increased by 0.9 pp, against an improving trend in most Member States. This led to a deterioration from 'best performer' to 'good but to monitor', though Slovenia still has one of the lowest shares in the EU. Analogously, while the share of young people neither in employment nor in education and training (NEET) also increased (by 1.1 pps), at 8.4% in 2022, it remains below the EU average of 11.7%, and is also 'good but to monitor'.

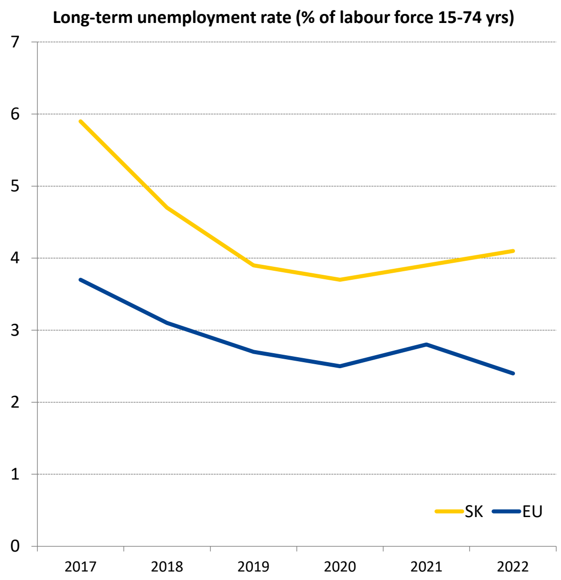
Slovenia has overall a well-functioning social protection system. Almost all Social Scoreboard indicators in the 'social protection and inclusion' domain are 'better than average' or highlight Slovenia as a 'best performer' in 2022. As in previous years, Slovenia had one of the lowest shares of the population and of children at risk of poverty or social exclusion, with 13.3% and 10.3% respectively. However, some vulnerable groups, especially the low-educated, unemployed, and elderly women, experience much higher poverty risks, making further policy efforts targeted at these groups warranted. Even though Slovenia had a relatively high ('better than average') impact of social transfers on poverty reduction in previous years, in 2022 this decreased much more than in most Member States, which is 'to watch'.[276] In particular, social transfers are the least effective in reducing the risk of poverty for the elderly (65 years and older), with women aged 75+ experiencing an AROPE rate almost twice as high (26.1%) in 2022 as for the general population. Finally, self-reported unmet needs for medical care remained at relatively high level compared to the EU average (2.2%), despite the significant improvement from 4.8% in 2021 to 3.7% in 2022.

In light of the findings from the above first-stage analysis, and notably 2 indicators flagging as 'critical' or 'to watch', **Slovenia does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

[276] Break in time series in 2022.

Slovakia

The labour market in Slovakia performs well in general, but long-term unemployment remains a challenge. After a robust recovery from the COVID-19 crisis, the employment rate reached a record of 76.7% and the unemployment rate was at 6.1% in 2022 (better than the EU averages of 74.6% and 6.2% respectively). The share of young people neither in employment nor in education and training (NEET) also improved, falling from 14.2% in 2021 to 12.3% in 2022. Yet, the long-term unemployment rate is considered as 'critical', as it worsened from 3.9% in 2021 to 4.1% in 2022 (vs 2.4% in the EU). In addition, large regional disparities are observed between the western and the eastern regions.



Source: Eurostat [une_ltu_a], EU LFS.

Participation in early childhood education and care is insufficient and constitutes a 'critical situation'. In 2022, Slovakia had the EU´s lowest participation rate of children below 3 years in formal childcare (2.3% vs 35.7% in the EU). Participation in early childhood education and care of children above 3 also remains one of the lowest in the EU (77.4% vs 91.8% in the EU in 2021), with a share of only 33% among Roma children (though improved from 27% in 2016). On the other hand, Slovakia fares 'on average' with regards to early leavers from education and training and the share of adults with at least basic digital skills.

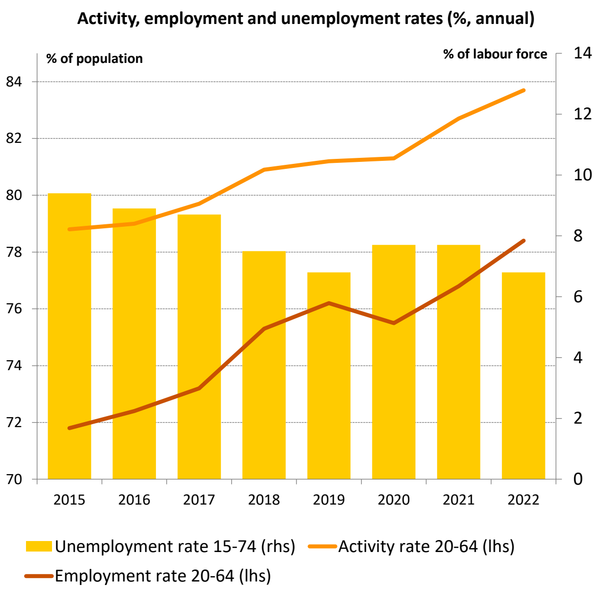
Slovakia has low overall risks of poverty and is among the 'best performers' regarding income inequality, but poverty risks for children are considered as 'to watch'. Slovakia faces large regional disparities, with the eastern part of the country experiencing deeper levels of poverty and social exclusion. The country has one of the largest Roma populations in the EU, with thousands of people living in isolated areas with no access to essential services. As a result of its sharp increase in 2022 (to 24.7% from 19.7% in 2021), the AROPE rate for children is 'to watch', displaying a deterioration over two consecutive years. The same applies to the impact of social transfers (other than pensions) on reducing poverty.[277]

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'critical' or 'to watch', including one that deteriorated over time, **Slovakia does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

[277] This indicator has a break in series in 2022.

Finland

The Finnish labour market recovered swiftly from the COVID-19 crisis and remains tight. Finland continues to perform in line with the EU average on the Social Scoreboard indicators in the 'fair working conditions' domain. In 2022, the employment and long-term unemployment rates improved and were better than the respective EU averages (78.4% vs 74.6% and 1.5% vs 2.4% respectively) amid tight labour market conditions. Finland had one of the narrowest gender employment gaps in the EU in 2022 (1.2 pps vs 10.7 pps for the EU average) and remains among the 'best performers'. The share of young people neither in employment nor education and training (NEETs) is still below the EU average but worsened slightly in 2022 (from 9.2% to 9.3%) against an improving trend in most other Member States, a situation 'to watch'.



Source: Eurostat [lfsi_emp_a], [une_rt_a], EU LFS.

Finland continues to perform well in the domain of education and skills. In 2021, 79% of the adult population had at least basic digital skills, which is among the highest in the EU. The early leavers from education and training rate was 8.4% in 2022 (vs 9.6% in the EU), with no significant deterioration compared to last year. Promoting learning opportunities and skills acquisition in line with this strong performance can help ensure the long-term growth potential of the economy in view of population ageing, the green and digital transitions and shortages of skilled labour in some sectors, such as social and healthcare services.

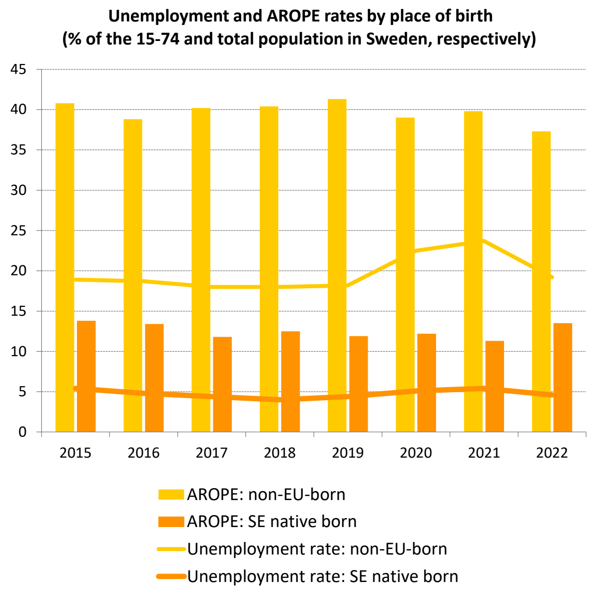
Finland has an effective and inclusive social protection system that provides adequate coverage but also includes some incentive traps and complexity that are being addressed in the context of a comprehensive reform. This is reflected in the overall good performance on most Social Scoreboard indicators under the 'social protection and inclusion' domain, although self-reported unmet needs for medical care continues to be 'critical'. For this indicator the trend is strongly increasing, by 2.1 pps to 6.5% in 2022, significantly above the EU average (2.6%). The long waiting times for primary and specialised care are notably due to the care backlog from the COVID-19 pandemic and shortages of care and medical personnel. The share of people at risk of poverty or social exclusion (AROPE) increased by 2.1 pps in 2022 (to 16.3%), still well below the EU average (24.7%). The impact of social transfers on reducing poverty remains high and above the EU average (49.8% vs 35.3%), despite having worsened by 7.9 pps since 2021.[278] In both cases, there is a deterioration from 'best performer' to 'good but to monitor'.[279]

In light of the findings from the above first-stage analysis, and notably 2 indicators flagging as 'critical' or 'to watch', **Finland does appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).

[278] Break in time series in 2022.
[279] For the AROPE and the AROPE for children indicators, there is a break in time series in 2022.

Sweden

The Swedish labour market has recovered swiftly from the COVID-19 crisis, yet some population groups still face barriers to labour market integration. Strong employment growth led to a record high employment rate of 82.2% in 2022. The country also has one of the lowest shares of young people neither in employment nor in education and training (NEETs) in the EU. However, at 7.5% in 2022 (vs 6.2% in the EU) the unemployment rate remains 'to watch' and hides large differences between population groups related to the country of birth. While the unemployment rate of native-born people stood at 4.6%, those born outside of the EU had an unemployment rate as high as 19.2%. Moreover, there is a marked gap between the unemployment rate of those born outside the EU when it comes to gender, standing at 22.3% in 2022 for women and at 16.7% for men. Also, the disability employment gap is 'to watch', due to a sharp increase by 5.8 pps to 25.7 pps in 2022. In the same year, the gender employment gap widened and is now 'good but to monitor'.



Source: Eurostat, [lfsq_urgacob], EU LFS, [ilc_peps06n], EU-SILC.

Risks of poverty or social exclusion and income inequalities have increased in Sweden, while other outcomes in the social domain are good or average. The share of people at risk of poverty or social inclusion (AROPE) increased slightly by 1.4 pps, to 18.6%, in 2022 (vs 21.6% in the EU), a situation that is now 'to watch', after being 'better than average' in 2021. Similarly, the income quintile share ratio increased sharply from 4.0 in 2021 to 4.4 in 2022, the highest level ever recorded in Sweden (vs 4.7 in the EU) and is also 'to watch'. As in case of labour market outcomes, the gap in AROPE rates of the native born (13.5% in 2022) and people born outside of the EU (37.3%) is large. The impact of social transfers on poverty reduction is 'better than average', while outcomes related to housing cost overburden and self-reported unmet needs for medical care are 'on average'.

Sweden performs very well regarding skills, but inequalities in the education system persist. The country is a 'best performer' in terms of the share of children aged less than 3 years in formal childcare. However, the share of early leavers from education or training (18-24 age group) has been rising since 2020, reaching 8.8% in 2022. Students born outside the EU abandon their studies more than twice as frequently (17.3%) as native students (6.7%). The share of the adult population with at least basic digital skills has consistently been 'better than average', at 66.5% in 2021 (vs 53.9% in the EU), providing support to the green and digital transitions.

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'critical' or 'to watch', **Sweden does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 1.5).