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PROPOSAL

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

EN EN

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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. On the basis of 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.

The 2023 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 in the Porto Social Summit. The reinforced monitoring of the implementation of the Pillar principles in the areas of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion is continued in this edition of the report. This is done notably via thematic boxes covering key challenges in these areas, in light of the socio-economic outlook and most recent policy initiatives. The report integrates the 2030 EU headline targets on employment, skills, and poverty reduction welcomed by the EU leaders in Porto and by the June 2021 European Council. It also covers for the first time the national targets put forward by the Member States, as presented and discussed in the June 2022 EPSCO Council following a process of bilateral discussions with the Commission services and multilateral reviews with the Employment Committee and the Social Protection Committee. The report further incorporates the objectives of the Union of Equality strategies[2] and covers the challenges faced by groups affected by inequalities.

The 2030 national targets put forward by the Member States express a high degree of ambition at the aggregate EU level, which is expected to foster upward social convergence in the Union over the next decade. Taken together, the national employment targets exceed the ambition of the corresponding EU headline target of at least 78% by 0.5 pps. At the same time, Member States together committed to lifting 600,000 persons more out of poverty than requested by the EU headline target of at least 15 million fewer people at risk of poverty or social exclusion.[3] National targets on skills were set at various levels of ambition, in line with the need to contribute to the 2030 EU headline target of having at least 60% of adults in training every year, adding up to an aggregate commitment of 57.6%. The 2030 national targets will play a key part in fostering policy action towards upward social convergence.

Together with cohesion policy funds, the implementation of the reforms and investments in Member States' recovery and resilience plans (RRPs) supports a fair, inclusive and sustainable recovery. On top of the support provided by the European Social Fund Plus, the European Regional Development Fund and the Just Transition Fund over 2021-27, the

[1] The last update of the Employment Guidelines was adopted by the Council of the European Union in October 2021 (OJ L 379, 26.10.2021, p. 1–5).

[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, and the Strategy for the Rights of Persons with Disabilities 2021-2030.

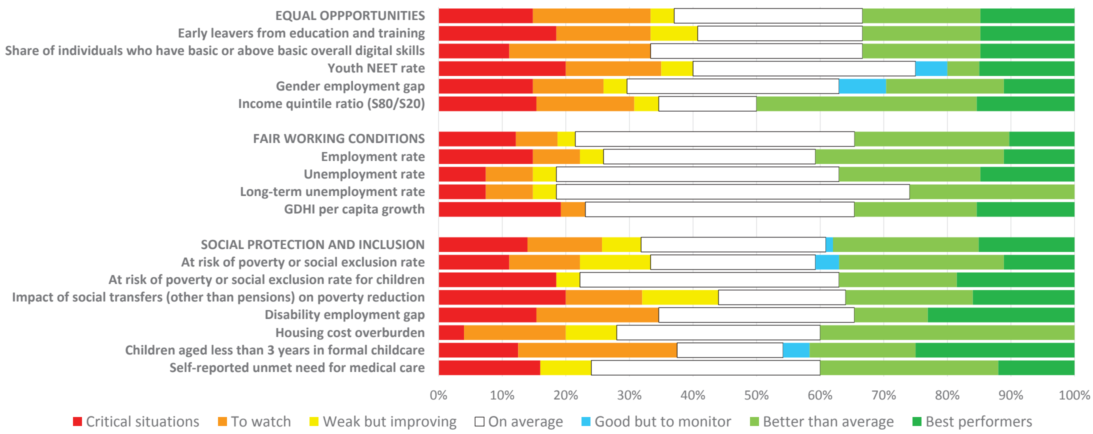
[3] Not counting Germany, Denmark, and Malta, which have set their national targets using indicators different from the number of persons at risk of poverty or social exclusion, used to define the EU headline target.

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, with particular attention to addressing the challenges identified in the country-specific recommendations.[4] Four of the six pillars that define the scope of the Facility are relevant in this regard, namely: (i) smart, sustainable and inclusive growth; (ii) social and territorial cohesion; (iii) health, and economic, social, and institutional resilience, and (iv) policies for the next generation, children and the youth. To date, the Commission has disbursed more than EUR 137 billion under the Facility in both grants and loans as well as pre-financing.[5] As of 15 November, 106 milestones and targets attributed to the social categories have been fulfilled out of 357 in total (i.e. around 30%).[6] Around 30% of milestones and targets fulfilled by Member States so far are attributed to the above mentioned four pillars of the RRF. As part of the policy response analysis, the Joint Employment Report also includes a selection of measures supported by EU funding, notably the RRF, the European Social Fund Plus, the European Regional Development Fund and the Just Transition Fund. All these will support growth and employment prospects as well as social and economic cohesion and resilience in the Union.

The analysis in the 2023 JER is supported by the Social Scoreboard. As part of the Pillar Action Plan of March 2021, the Commission proposed a revision of the Social Scoreboard, to allow for a better monitoring of the Pillar principles with a revised set of headline indicators, which was endorsed by EPSCO in June 2021. This includes new indicators on key policy dimensions like adult learning,[7] the labour market integration of persons with disabilities, the risk of poverty or social exclusion of children, and the housing cost overburden. The revised set of headline indicators allows a more accurate identification of key employment, skills, and social challenges in the EU and in the Member States and a closer monitoring of upward social convergence as set out in the figure below. Following the mandate by the Czech Presidency, an ad-hoc Working Group was created to discuss on a possible enhanced social convergence assessment framework in the context of the European Semester and is reporting on its work to the EPSCO Council's advisory committees.

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

[4] Article 4 of Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17.
[5] As of 15 November 2022.
[6] Social 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.
[7] Data for the Social Scoreboard headline indicator on adult learning will be available in 2023 for the first time.



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

After a robust recovery in 2021 and the first half of 2022, EU labour markets are facing uncertainties related to the impact of Russia's war of aggression against Ukraine and strong inflationary pressures. EU labour markets performed strongly in 2021, in the aftermath of the COVID-19 pandemic and the lifting of the necessary containment measures. They kept improving in the first half of 2022, when the employment rate reached a record high (74.8% and 74.3% in the EU and the euro area respectively in Q2-2022, above the pre-crisis levels by 1.6 pps and 1.4 pps). In September 2022, the EU unemployment rate reached a record low of 6% in the EU (and at 6.6% in the euro area), down from 6.7% and 7.3% respectively one year before. At the same time, the NEET rate decreased to 11.7% from 13.3% a year before in the EU, while youth unemployment reached 14.4%, down from 17.5%. The long-term unemployment rate slightly increased in 2021. Nonetheless, since mid-2021 inflation has increased to historical highs, strongly impacting on the purchasing power of households and the profitability of businesses. Economic growth for 2022 and 2023 has been revised downwards in the latest European Commission forecasts, with the outlook significantly impacted by Russia's war of aggression against Ukraine. Employment growth is projected at 1.7% in 2022, before coming to a standstill in 2023 and moderately edging up to 0.4% in 2024. Exceptional policy interventions have been taken at EU and Member States' level to respond to the ongoing energy crisis (more details further down and in Section 2.4). Looking ahead, the ongoing energy crisis situation calls for effective economic, employment and social policy coordination that fosters inclusive, job-rich, and sustainable growth and protects people in vulnerable situations.

Labour market outcomes remain strong though uncertainty has increased due to Russia's war of aggression on Ukraine

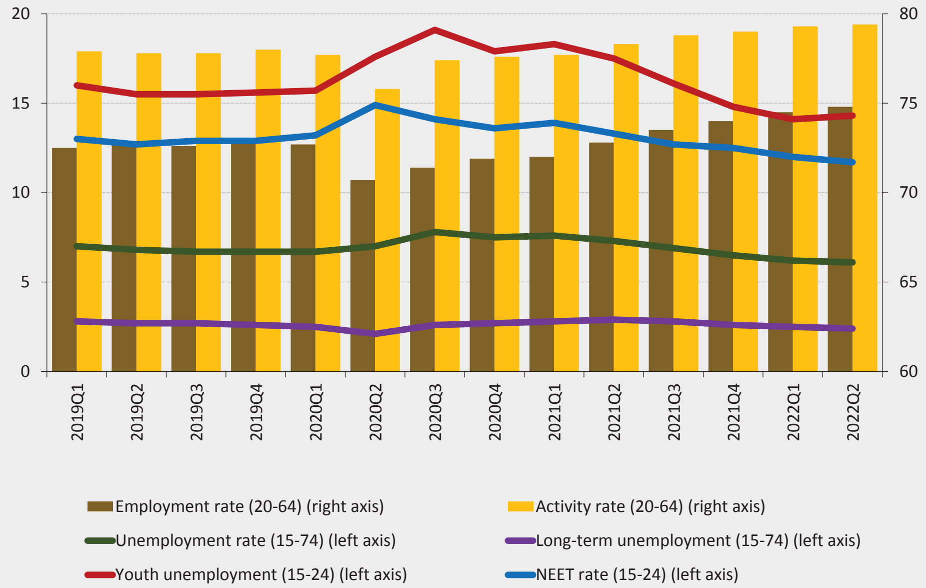
74.8 %
employment rate in Q2-2022 (2 pps higher than one year earlier)

79.4 %
activity rate (20-64) in Q2-2022 (1.1 pps higher than one year earlier)

6.1%
unemployment rate in Q2-2022 (1.2 pps lower than in Q2-2021)

14.3%
youth unemployment rate (15-24), 3.2 pps lower than one year earlier

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



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

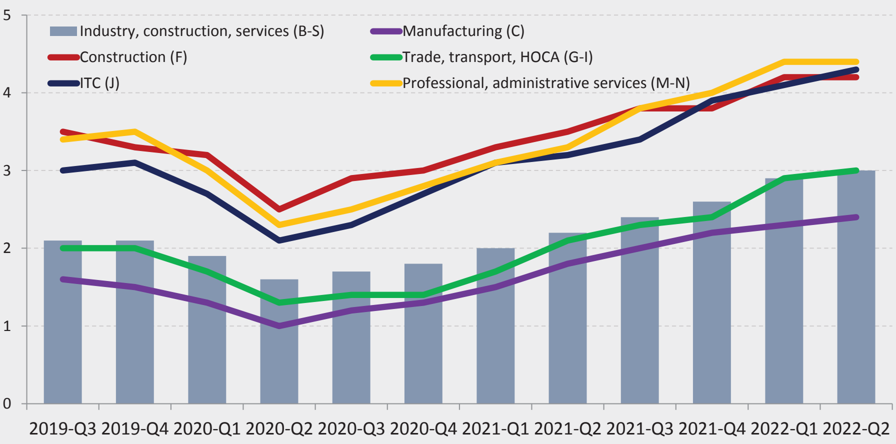
Labour and skills shortages have exceeded pre-pandemic levels in several EU countries, highlighting the importance of strengthening active labour market policies and upskilling and reskilling in particular. With the swift economic recovery, labour shortages re-emerged quickly in 2021, especially in certain sectors and occupations. By the end of 2021, they reached or exceeded pre-pandemic levels in several countries in industry, services, and construction. The main occupation groups with reported shortages in the EU in 2021 related to healthcare and long-term care, software, construction, and engineering crafts. Shortages of skilled workers have also been observed in some sectors linked to the green transition and are expected to increase with the acceleration in the energy transition triggered by Russia's manipulation of energy markets. Skills shortages, including in terms of digital skills, are also a consequence of the insufficient quality and effectiveness of some education and training systems. More general factors, such as working conditions, earnings and health and safety at work, have an impact on labour and skills supply too. In addition, population ageing is reducing the available workforce in Europe. Effective active labour market policies fostering the labour market inclusion of women and under-represented groups as well as upskilling and reskilling are among the key policy actions in this respect. In light of the ongoing industrial restructuring process, support to job transitions in line with the Commission's Recommendation on Effective Active Support to Employment (EASE) is especially important. Strengthening skills forecasting is also essential to the appropriate design and provision of active labour market policies, as well as education and training.

Labour shortages have been on the rise since the outbreak of the COVID-19 pandemic

Above 4% vacancy rates in professional, scientific, and technical activities, information and communication and construction since early 2022

Vacancy rates have **doubled in key sectors** since **early 2022**

Job vacancy rates in the EU by economic activity (%, quarterly 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 [teilm310]

Against the current high-inflation context, wage setting mechanisms should continue to reflect socio-economic conditions, to preserve employment and competitiveness, and mitigate losses in purchasing power, in particular for low earners. The acceleration of inflation observed after the first half of 2021 and further in 2022, due to Russia's war of aggression against Ukraine, has led to a decline in real wages, especially among low-wage earners. This calls for ensuring adequate wage adjustments that mitigate the loss in purchasing power and reduce the risks of increasing poverty (including energy poverty), while remaining consistent with the overall objective of tackling high inflation. In the current macroeconomic environment, wage increases at the bottom of the distribution are not expected to feed unwarranted inflationary pressures or to affect competitiveness. Collective bargaining has a prominent role to play in delivering balanced wage-setting outcomes in the current context, respecting the role of social partners and aligned with prevalent wage setting practices across Member States, taking also into account the particular cost pressures experienced by some companies and sectors as well as by workers. To promote employment and preserve purchasing power, there remains further scope for lowering the tax wedge for low- and middle-income earners in several Member States.

Adequate minimum wages can help protect the purchasing power of low-wage earners and prevent increases of in-work poverty, while sustaining demand and strengthening incentives to work. Many workers are not protected by adequate minimum wages in the EU. Overall, almost one in ten employed persons are at risk of poverty. Moreover, minimum wages have decreased in real terms in almost all Member States. Mitigating the effects of recent substantial price increases is particularly important with regard to low-wage earners, which are strongest hit by high energy and food prices. The Directive on adequate minimum wages establishes a framework with clear rules to improve the adequacy of statutory minimum wages in those Member States that have them in place. The Directive will help support vulnerable households by encouraging the setting of statutory minimum wages at adequate levels, taking into account the purchasing power of the minimum wage, the socioeconomic conditions and long-term productivity developments among others. Moreover, regular updates of minimum wages in line with the Directive would help prevent losses in purchasing power among minimum wage earners in the current context. The Directive also contains provisions to promote collective bargaining and to enhance enforcement and monitoring mechanisms in all Member States. In particular, it requires the establishment of an action plan and setting up a framework of enabling conditions for collective bargaining where its coverage rate is lower than 80%. While there is a two-year period to transpose the Directive into national legislation, a frontloaded implementation can encourage Member States' efforts to help ensure adequate working and living conditions for workers. In addition, temporary budgetary support measures targeted at low earners can help to alleviate the loss of purchasing power due to the energy crisis.

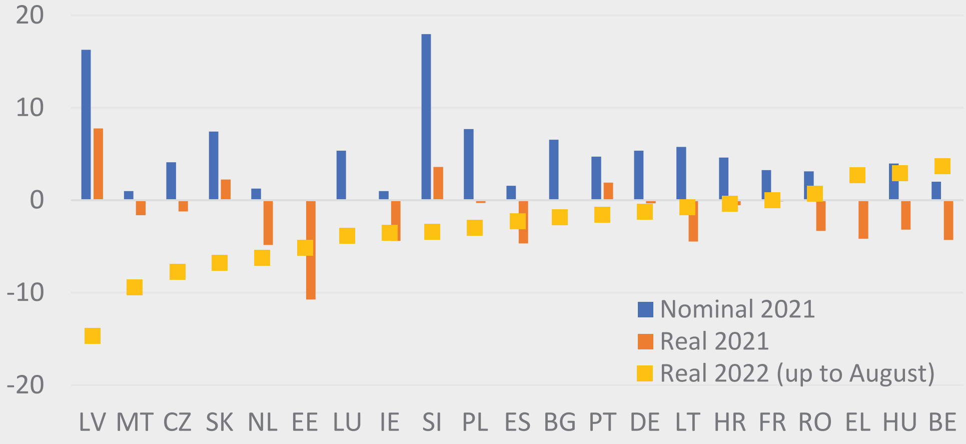
Nominal compensation per employee increased by 4.9% in Q2-2022 (vs. Q2-2021).

Yet, real wages declined by 3.3% in Q2-2022 (vs. Q2-2021).

In 16 out of 21 Member States real minimum wages declined in 2022 up to August.

Inflation has eroded recent increases in minimum wages

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 2022. *Source*: Network of Eurofound Correspondents and Eurostat [prc_hicp_midx], Eurofound calculations

Fixed-term employment increased only slightly in 2021 in most Member States on the back of more favourable economic conditions. While significant differences are observed between Member States in the share of temporary employees and their transition rates into permanent employment (with some countries facing challenges in this respect), temporary contracts continue to be more widespread among young people and women in most Member States. The share of part-time employment in the EU was broadly stable in 2021, but involuntary part-time work still affects a significant share of employees in many countries. When entrenched, the widespread use of temporary or part-time employment, in particular if involuntary, may result in lower human capital development, productivity, and social mobility, which are detrimental for potential growth. In this context, strengthening labour inspectorates and the impact of deterrent measures can contribute to a better labour market functioning, while also promoting safe working conditions and access to social protection. These actions, alongside tailored active labour market policies, can encourage upward job transitions, and support a smooth reallocation of labour between sectors or occupations, including those linked to the green and digital transitions.

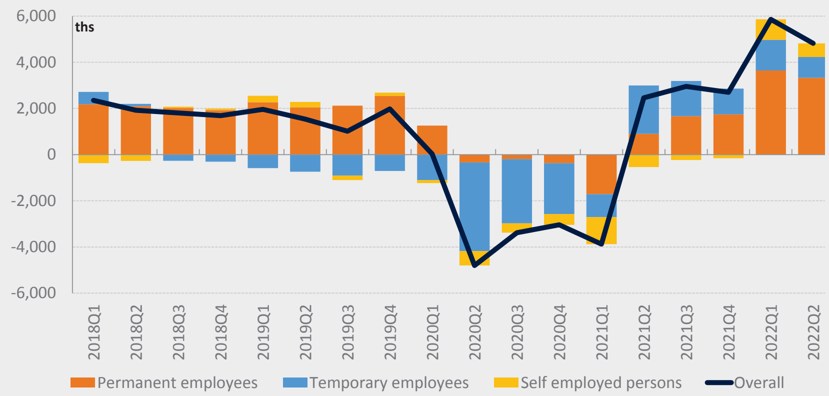
The recovery has not increased the share of temporary contracts but transition rates to permanent jobs vary across Member States

13.3% workers (20-64) on **temporary contracts** in Q2-2022 (0.4 pps less than in Q4-2019)

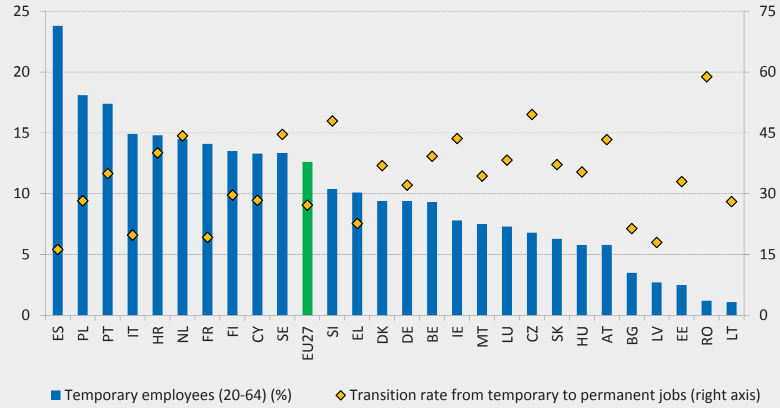
50.4% young (15-24) and **14.3% female employees on temporary contracts** in Q2-2022

7.8% employees (20-64) on **involuntary temporary contracts** in the EU in 2021

Employment changes by professional status (thousands, age 20-64, year-on-year change based on non-seasonally adjusted data), EU-27



Temporary employees as a percentage of the total number of employees (20-64, %, 2020) and transition rate to permanent jobs (%, average for 2018, 2019 and 2020), EU-27.



Source: Eurostat [lfsq_egaps], [lfsa_etpgan], [ilc_lvhl32] and [lfsq_etgaed]. Note: Break in time series from Q1-2021.

Emerging work practices, such as telework and platform work, can bring societal and economic benefits, but require adaptation of regulations, policies, and work culture. The pandemic has increased the use of telework: in sharp contrast to one tenth of employees in 2019, by 2021 almost a quarter teleworked from home. New experiences with telework show that mixing it with in-person work can help hybrid-teleworkers enjoy overall better work-life balance, besides increased productivity. To avoid effects that lower the quality of work, such as regularly working long hours, many Member States took action to regulate telework, yielding a landscape of diverse approaches. Besides telework, platform work has gained relevance, contributing to job creation but also posing challenges to fair working conditions. Also enabled by digital technologies, over 28 million persons in the EU have already done work through platforms. Algorithmic management, possible misclassification of the employment status and the lack of cross-border transparency are key issues that are addressed by the Commission's proposal for a related directive. As telework and platform work become increasingly important, it is key to ensure adequate digital skills in the society at large, so that no digital divides emerge, including in relation to older workers and the low-skilled.

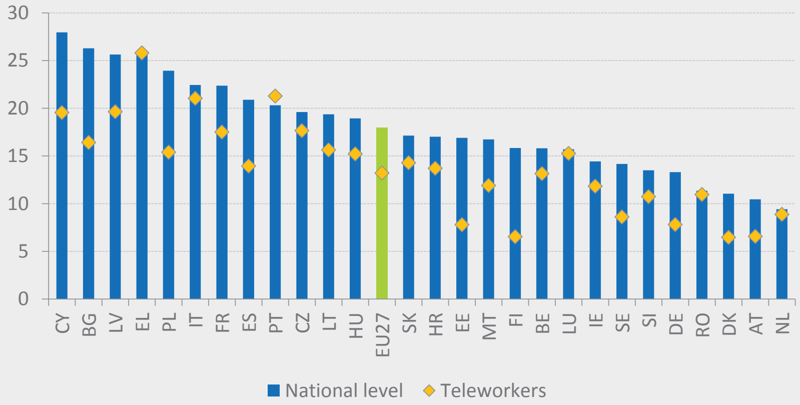
Telework can lead to a better work-life balance with hybrid work contributing to mitigate the risk of working longer hours

13%
of employees teleworking report poor work-life balance vs…

18%
… of employees working on the employer’s premises.

Hybrid working patterns provide for better work-life balance in most Member States

Poor work-life balance reported for all employees and teleworkers in Member States (%, 2021)

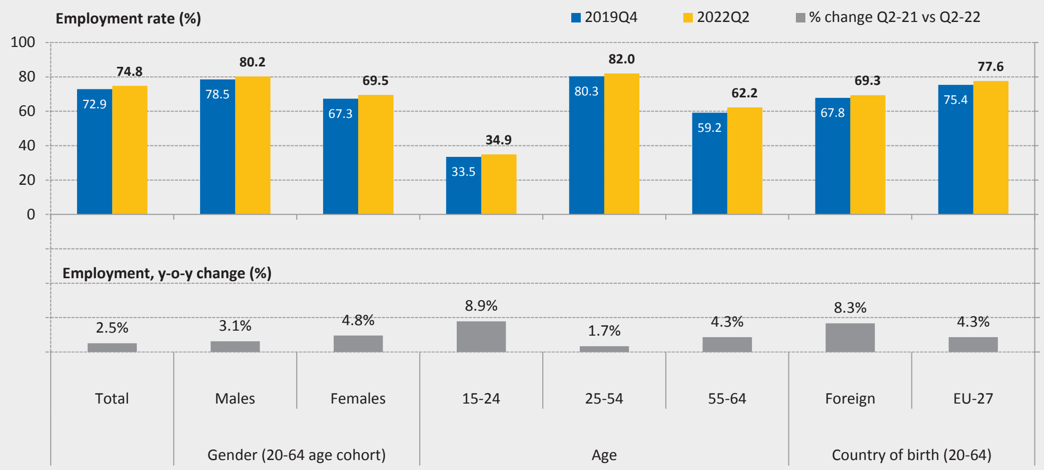


Note: Poor work life balance includes employees responding, ‘not very well’ and ‘not at all well’ to the question about ‘how working hours fit in with their family or social commitments outside work’. *Source:* Eurofound, European Working Conditions Telephone Survey (EWCTS) 2021.

Russia’s war of aggression against Ukraine has triggered a significant inflow of displaced persons into the EU, with related needs for labour market and social integration. To help address the humanitarian crisis and foster the integration of Ukrainian refugees in the EU, the European Commission activated for the first time the Temporary Protection Directive and extended it in October 2022 until March 2024. This calls for providing residence permits, along with access to education, the labour market and social protection. Needs relate in particular to overcoming barriers to labour market integration, notably via language courses, and to accommodation, childcare and schooling, as well as long-term care or mental health support. Displaced persons from Ukraine together with regular migration from other countries, may contribute, to alleviating labour shortages in the Union in the medium- to long-run, especially in occupations where the above-mentioned barriers to labour market integration are less binding, as well as to addressing in part the demographic challenge posed by low birth rates. To help this process, the Commission has launched the EU Talent Pool pilot initiative, a new tool to help people fleeing the war find a job in the EU. Overall, effective access to social protection, healthcare, childcare, and schooling as well as the recognition of qualifications, are essential for a successful integration.

The labour market recovery led to improving employment outcomes for most population groups though challenges persist

Employment rates by gender and age group in the EU-27 and by country of birth, seasonally adjusted data, not calendar adjusted (in %)



Source: Eurostat, [lfsi_emp_q] EU LFS.

4.8 million more people in employment in the EU in Q2-2022 compared to Q2-2021 (1.7 million more than in Q4-19)

Youth, the non-EU born and women experienced the **highest employment growth rates** since Q2-2021

Yet, 10.7 pps gender employment gap in Q2-2022, though decreasing from 11.2 pps in Q4-2019

8.3 pps employment gap between EU and non-EU born in Q2-2022 (7.6 pps in Q4-2019)

The labour market situation of the youth remains challenging, particularly for women and people with a migrant background, and calls for specific and tailored policy actions. Following a peak in the second half of 2020, the youth unemployment rate in the EU bounced back to pre-crisis level in 2021 and was at 14.3% in Q2-2022. It remains nonetheless almost three times larger than the unemployment rate for the overall population aged 25-74. Moreover, the share of 15-29-year-olds neither in employment nor in education or training (NEET) decreased to 11.6% by Q2-2022, from 13.2% in Q2-2021, which is lower than before the pandemic but still relatively high. This affected in particular young women and people with a migrant background. In annual terms, substantial differences remained between Member States in 2021 in relation to NEET rates for the 15-29-year-olds. Policy action should be taken to alleviate the structural challenges that young people face on the labour market, including to prevent risks of longer-term negative effects on young people's skills and labour market prospects. The reinforced Youth Guarantee should be used to offer quality employment, further education, apprenticeships, or traineeships within four months of becoming unemployed or leaving formal education[8]. To complement this, the Aim, Learn,

[8] 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.

Master, Achieve (ALMA) initiative helps disadvantaged NEETs to gain professional experience abroad.[9]

Long-standing challenges to women's labour market participation and equal pay for equal jobs remain, reflecting persisting gender inequalities in the labour market. The gender employment gap declined only slightly during the labour market rebound in 2021. Unpaid work, including care obligations, prevented eight times more women than men from seeking paid employment and made five times more women take up part-time employment involuntarily. This underlines the importance of adequate work-life balance policies and effective access to quality and affordable care services. Adapting early childhood education and care, as well as long-term care systems, in line with the European Care Strategy presented by the Commission on 7 September 2022, while also tackling shortages and capacity constraints in those domains, has the potential to improve the labour market prospects of those currently providing unpaid care work, and the quality of care for those receiving it. At the same time, tax and benefits systems in a number of EU countries continue to provide disincentives to take up paid work or increase working time for second earners (78% of whom are women) and should be addressed with appropriate reforms.

There is considerable potential for a stronger labour market participation of persons with disabilities and older workers. The disability employment gap for persons with disabilities stood at 23 pps in 2021 in the EU, almost at the same level of the time when measurement started in 2014, underlining the need for policy action. To help address this challenge, the Disability Employment Package, launched on 20 September 2022, provides guidance and practices in six different areas, from recruitment to job retention, and will be developed jointly with relevant stakeholders by 2024. Reflecting demographic changes and increases in retirement age in many Member States, the employment rate of people aged 55-64 further increased in 2021, following the trend of the last decade and reaching 60.5%. Still, it remains almost 20 pps lower than that for the 25-54-year-olds. The gender employment gap among older workers has remained stable at 12.7 pps, and is higher than the corresponding figure for the 20-64 age group (10.8 pps). Active labour market policies, including those promoting life-long learning and support in job search, are essential to tap into the potential of persons with disabilities and older workers.

Pupils from poor socio-economic background often lack basic skills, including digital ones, which hampers their labour market opportunities and further lifelong skills acquisition, calling for improvements of equity in education. Despite the positive trend in recent years, approximately 3.1 million young people leave education early and too many of them fail to acquire a minimum level of basic skills. This is especially true for those from disadvantaged backgrounds, which also further decreases their chances to enrol in tertiary education, and to fully develop and exploit their potential in life. During the COVID-19 pandemic, physical school closures, and the necessary confinement measures also put a strong pressure on the mental health and wellbeing of adolescents, which may further increase the risk of underachievement and disengagement from education. Member States are facing increasing teacher shortages, especially in STEM subjects and in socio-economically disadvantaged localities. Unattractive career perspectives for teachers lead to a low number of candidates entering initial teacher education and many novice teachers leaving the profession in the first years. Teacher shortages negatively affect the quality of education at all levels, including in early childhood education and care and universities, and also for skills needed for the digital and green transitions. In particular, the accelerated digital transition has

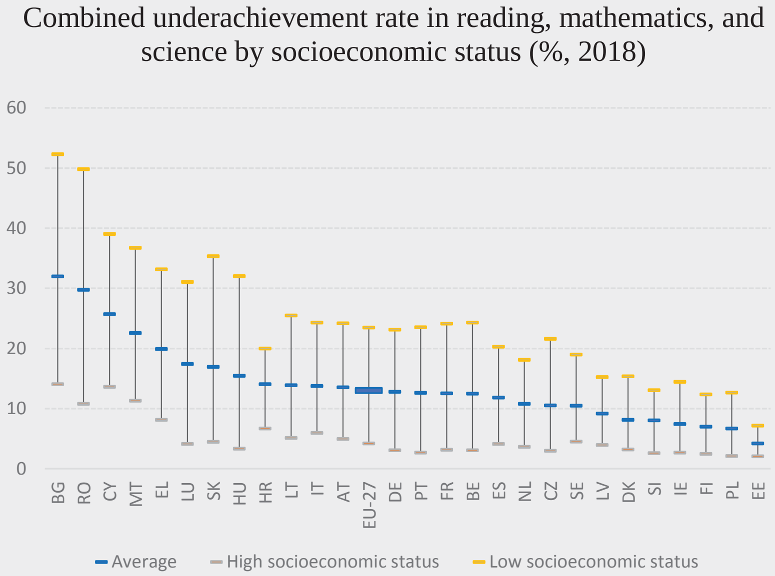
[9] Further information available at: ALMA (Aim, Learn, Master, Achieve) - Employment, Social Affairs & Inclusion - European Commission (europa.eu)

accentuated pre-existing digital skills gaps and exposed new emerging inequalities. Learning losses have emerged due to limited access to digital resources among those with low socio-economic status as well as migrant and Roma children. Achieving the EU-level targets set as part of the European Education Area will require an increased policy focus on addressing educational inequalities and improving students' well-being, including via more comprehensive and systemic approaches and cross-sectoral cooperation, in line with the Commission's proposal for a Council Recommendation on Pathways to School success, as well as providing affordable and quality education, in line with the reinforced European Child Guarantee.

Socio-economic background is a key determinant of educational achievement, with large differences across Member States

A **19.5 pps gap in underachievement** between learners **from disadvantaged and better socio-economic backgrounds**

Overall better average performance correlates with **smaller gaps** between low and high socio-economic status



Source: JRC calculations based on OECD PISA 2018 data.

The digital transition, which has been accelerated by the COVID-19 pandemic, has strongly increased the demand for digital skills, but not everyone is well prepared for it. Digital skills are required for an increasingly wide variety of jobs (90% of them already now). In this context, low levels of digital skills are detrimental to employability and productivity growth and create bottlenecks to the digital transition and to potential growth. According to recent data, only 54% of adults had at least basic digital skills in the EU in 2021, with a large variation across Member States. People with low educational attainment, the unemployed and persons outside the labour force tend to have lower levels of digital skills and fewer opportunities to develop such skills. The low level of digital skills in wide segments of the population may also produce new types of disadvantages, in the context of increasingly digitalised services, notably in relation to access to education and training, but also digitalised public services more widely, including Public Employment Services (PES). To close the digital divide, digital skills programmes are needed for the population at large, complemented by targeted ones, tailored to the skills profiles and labour market situation of specific groups. The EU aims to equip at least 80% of the population with at least basic digital skills by 2030 and increase the number of ICT specialists to 20 million (around 10% of those in employment, starting from a low level of 4.5% in 2021), for both men and women. A structured dialogue on digital education and skills was launched by the Commission for this purpose in 2021.

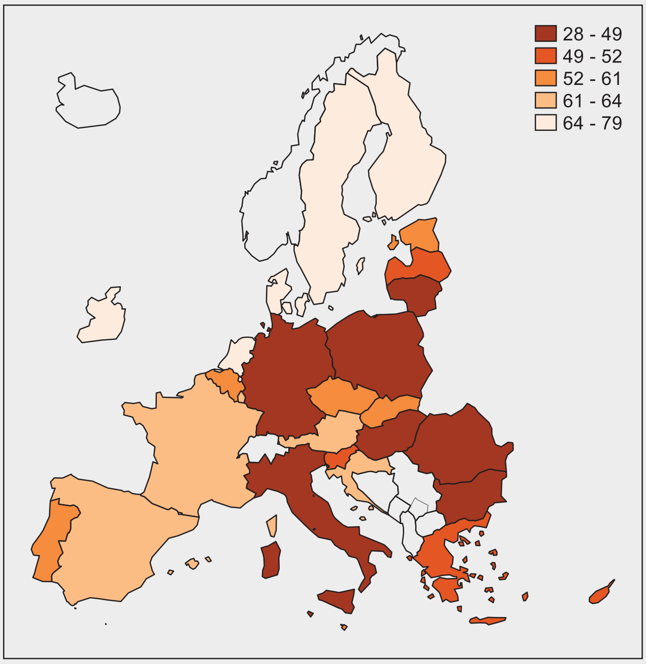
Digital skills have become a transversal competence, yet levels vary widely across Member States

90% of jobs require **digital skills**

In 2021 in the EU, only 54% of adults had at least basic digital skills

By 2030, the EU aims to equip 80% of adults with at least basic digital skills

Individuals who have basic or above basic overall digital skills (% of 16-74 year-olds, 2021)



Note: Some administrative units on islands and outermost regions are not represented. *Source:* Eurostat LFS EDAT_LFSE_02. © EuroGeographics for the administrative boundaries.

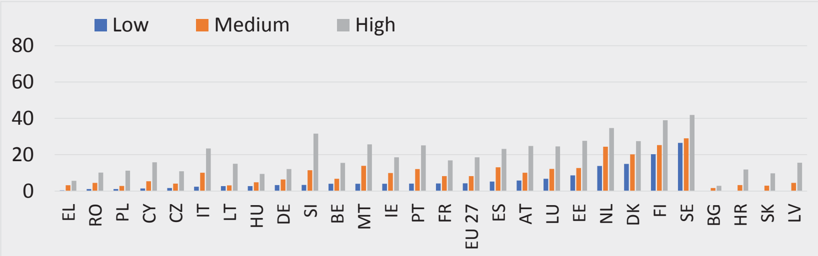
Europe needs to further develop the skills of its workforce, including to support the green and energy transition, to remain competitive, promote quality employment and safeguard its social model. On top of the digital transformation, the shift to a climate-neutral society has been changing the skills demanded on the labour market. The current socio-economic and geopolitical situation is further emphasizing the need for upskilling and reskilling of the workforce in support to job transitions and to address already important labour and skills shortages, including in the green economy. The 2023 European Year of Skills is expected to provide an important policy impulse to the promotion of lifelong skills acquisition, which is essential in order to achieve the big transformations that our economies and societies are facing. Active participation in learning activities of the existing labour force, after effective initial education and training, is paramount to ensure that skills are constantly updated. Quality higher education institutions are also important to developing the high-end skills needed for resilient, inclusive, and sustainable European economies. The 2030 EU headline target on adult learning requires that at least 60% of adults participate in learning every year in the EU by 2030. The latest data available from 2016 point to a still too low participation rate (over the last twelve months) in the EU, at 37.4% of the population aged 25 to 64 years, highlighting the need for significantly stepping up progress to reach the ambitious national targets set for 2030. Moreover, in all Member States, low-qualified adults tend to participate in training less than those with upper secondary qualification, who in turn have lower participation rates than tertiary graduates. Participation of adults in learning is also more frequent in urban than in rural areas. The Council Recommendation on individual learning accounts of 16 June 2022 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 and make progress towards the adult learning target over the coming decade. Also, the Council Recommendation on a European approach to micro-credentials for lifelong learning and employability of 16 June 2022 seeks to ensure the quality, recognition and understanding of micro-credentials that are increasingly being used across education, training, and labour market systems.

Adults' participation in learning is still too low, especially for the low-skilled

10.8% of adults participated in learning (over the previous 4 weeks) in the EU in 2021

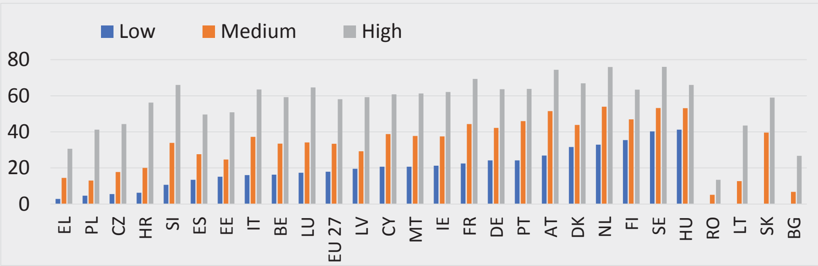
Among **low-qualified adults**, only **4.3%** **participated in learning**

Participation of adults in learning by educational attainment (low, medium, and high qualified) in the last four weeks (2021, %)



Participation of adults in learning by educational attainment (low, medium, and high qualified) in the last 12 months (2016, %)

In 2016, **37.4% of adults participated in some form of education and training** over the previous 12 months



Source: Eurostat [trng_lfs_03], LFS and [special extraction], AES.

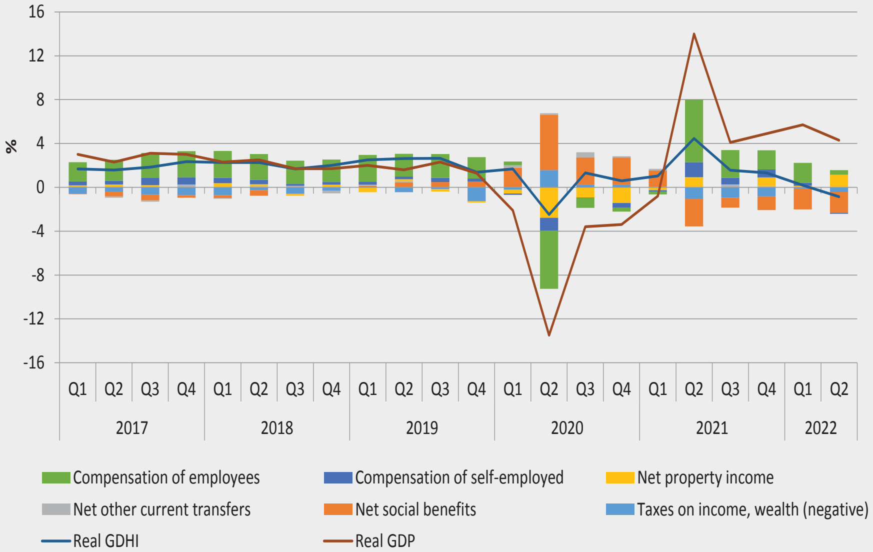
Aggregate real household incomes grew in the EU in 2021, along with GDP and market incomes, on the back of the post-COVID recovery, but contracted in 2022. In Q2-2021, real household income grew by a remarkable 4.5% (year-on-year), as real GDP growth peaked at 14.1%. The resilience of household incomes to the COVID-19 shock in 2020 relates to the functioning of the automatic stabilisers and the massive and prompt policy responses put in place at Member States and EU level, which largely mitigated the negative socio-economic consequences of the pandemic. However, the period starting from Q3-2021 witnessed a strong deceleration in household real income growth, dragged down by the rapidly rising inflation, despite growth of nominal compensations of employees. By Q2-2022, real gross disposable household income contracted for the first time since the COVID-19 shock in Q2-2020, while real GDP growth decelerated.

Recent high inflation has negatively affected aggregate households' real income growth observed in 2022

Real gross disposable HH income contracted in the EU in Q2-2022

Income inequality broadly stable in the majority of Member States

Growth of real GDP and real gross disposable household income and its main components (%, EU-27)



Source: Eurostat, National Accounts [nasq_10_nf_tr] and [namq_10_gdp].
Notes: see body of the Report.

Despite the COVID-19 crisis, the share of people at risk of poverty or social exclusion (AROPE) was broadly stable throughout 2020 and estimated to remain so in 2021, after having improved in previous years, thanks to the measures deployed by the EU and Member States to mitigate the negative impact of the pandemic. Around one out of five persons was at risk of poverty or social exclusion in the EU in 2020 and no significant changes are estimated for 2021 either, although with important differences across countries. The at-risk-of-poverty rate and the share of persons living in (quasi)-jobless households have both remained practically unchanged in the wake of the pandemic, while severe material and social deprivation continued to decrease in 2021. Although with signs of divergence across Member States, income inequality also showed broad stability in 2020-21. This was thanks to substantial and swift policy action, including short-time work schemes and other job-retention and policy measures to support the vulnerable in the COVID-19 crisis. Indeed, the poverty reducing impact of social transfers rose to an unprecedented level (having increased in the large majority of Member States), reducing poverty by more than one third on average in the EU. Still, persons in non-standard employment were more than three times more likely to be at risk of poverty (at 16.6%) than those in standard employment (5%). Early estimates of social protection expenditure in 2021 for 24 Member States show that their share of GDP decreased compared to 2020 (29.2% vs 30.7%), still remaining above the pre-crisis level (27.1% in 2019). In almost all Member States, the share of expenditure for healthcare and sickness benefits increased while the weight of unemployment benefits decreased.

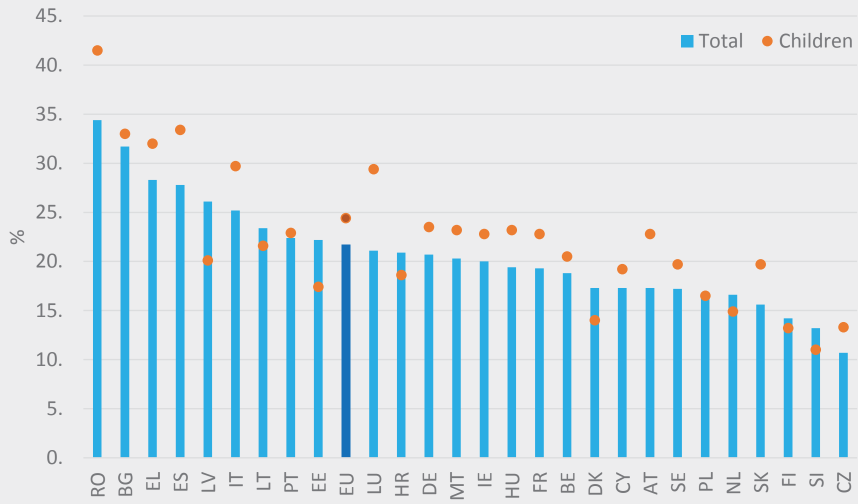
The risk of poverty or social exclusion for specific population groups remained also broadly unchanged in 2020-21, though continuing to flag particular challenges for some of them. The share of non-EU born and of Roma at risk of poverty or social exclusion remained broadly unchanged in the EU while the share of persons with disabilities decreased despite the outbreak of the pandemic. Nonetheless, these groups are still systematically more exposed to poverty and social exclusion than the rest of the population. To fight the higher risk of poverty and social exclusion of persons with disabilities, Member States should address gaps in social protection to reduce inequalities, including by compensating extra costs related to disability and eligibility for disability benefits. Among children, the risk of poverty or social exclusion remained also broadly stable in 2020-21, but higher than for the overall population and with signs of divergence across Member States. In addition, families with children continued to experience high housing deprivation. Children growing up in poverty or social exclusion are less likely to do well in school, enjoy good health, and realise their full potential later in life, calling for urgent policy action to address the challenge in line with the reinforced European Child Guarantee.

The risk of poverty or social exclusion remained broadly stable on average in 2020-21 in the EU, but varies significantly across Member States and is higher for children

One in five people at risk of poverty or social exclusion in 2021 in the EU, ranging from 10.7% to 34.4% across Member States

The risk of poverty or social exclusion is higher for children in the EU(24.4%), as in most Member States

At-risk-of-poverty or social exclusion rates for the total population and for children (0-17) (%, 2021)



Source: Eurostat [ilc_peps01n], EU-SILC

High and increasing energy prices and related inflationary pressures risk negatively affecting purchasing power, in particular for vulnerable households, and generating increases in energy poverty, calling for temporary and targeted support. The spike in energy prices in 2021-22 has negatively impacted on the purchasing power of low- and middle-income households (with an estimated 12% increase in their living costs on average), especially regarding food and energy. Higher overall transport costs, and residential energy costs, mainly related to heating and cooling, also imply an increased risk for households of falling into energy poverty. In particular, the inability to keep home adequately warm affects low-income earners the hardest. Around two out of ten persons at risk of poverty were already unable to keep their home adequately warm in 2021, which is more than twice as high as for the overall population. The Commission has put forward several measures to address the energy crisis. In October 2021, it presented a Communication on energy prices, including a toolbox, outlining what Member States could do under existing EU rules to help vulnerable consumers and businesses to face high prices. The Council regulation of 6 October

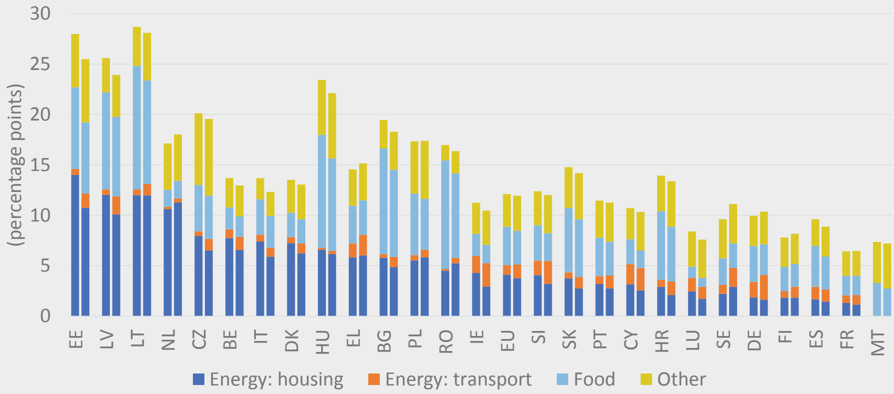
2022 on an emergency intervention to address high energy prices extended the toolbox and is also expected to yield additional public revenues from the unexpected profits from infra-marginal technologies and the solidarity contribution on fossil fuel companies. These revenues will be directed to households and businesses that increasingly risk not being able to pay their energy bills and are expected to help prevent poverty risks and inequalities from rising. Over the past year, Member States introduced exceptional and temporary measures to deal with the ongoing energy crisis. With price pressures broadening, it is particularly important to closely monitor their distributional effects and rely on temporary support measures that are better targeted to the vulnerable. Reducing household expenditure for energy and reliance on fossil fuels, including by mobilising investments into energy efficiency, including buildings renovation, and renewable energy in line with REPowerEU, also contributes to protect households' purchasing power in light of rising energy prices. Such support measures are the best long-term solutions to high energy prices and should also be primarily targeted to the vulnerable.

The increase in energy prices negatively impacts on overall living costs for low- and middle-income households

Almost half of the 9.7% increase in living costs in the EU between 2021 and 2022 was due to **energy price increases**

6.9% of the total population and **16.4%** of those at risk of poverty were **unable to keep home adequately warm** in 2021

Contribution of expenditure types to living costs increases for the first and the third fifth of the population (as ordered by income, %) (first and second bar by Member State, respectively)



Note: Cost of living increases are computed for expenditure shares at the average within the first and third quintile of the equivalised disposable household income distribution. Member States sorted by contribution of housing-related energy price changes for the first quintile. *Source*: JRC calculations based on HICP inflation data from Eurostat indicator [prc_hicp_manr] as of September 2022 and microdata from the 2015 wave of the EU-HBS.

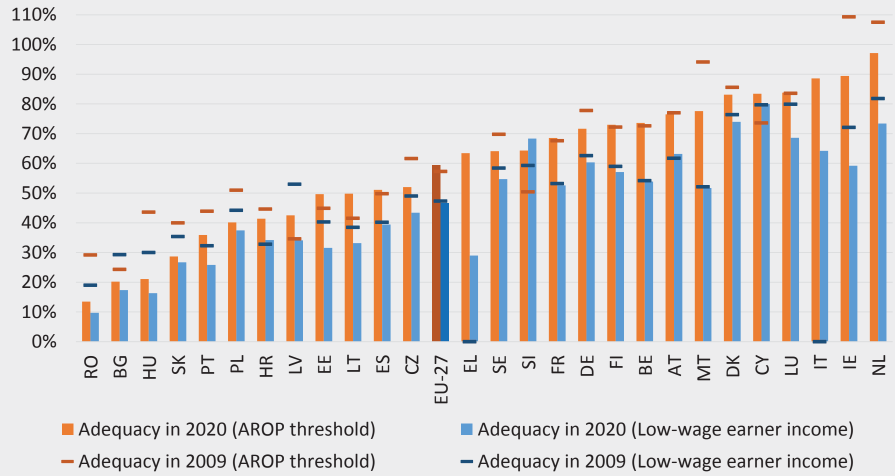
The adequacy of minimum income schemes has been eroding in most Member States in 2020, in comparison to 2019, and gaps in coverage remain. Minimum income protection, along the active inclusion approach, plays a key role in preventing and mitigating the risk of poverty or social exclusion. All Member States have last resort income support schemes in place, and on average the adequacy of minimum income has remained broadly unchanged in the EU over the last decade (but with substantial variation across Member States), while a slight deterioration was observed overall in 2020. Improvements in coverage were observed between 2015 and 2020, which can contribute to preventing increases in the depth of poverty and in material deprivation, but challenges remain in terms of effectiveness. To support upward convergence among Member States and the fight against poverty and social exclusion, the Commission has put forward a proposal for a Council Recommendation on adequate minimum income ensuring active inclusion, which outlines areas for further modernisation of minimum income schemes along the active inclusion approach.

The adequacy of social safety nets differs across Member States

Minimum income benefits at **less than half of the poverty threshold** in **one third of Member States** in 2019

The **impact of transfers on poverty reduction** varies **between 16% and 52%** across Member States

Net income of minimum income recipients as percent of at-risk-of-poverty threshold (smoothed over three years), and income of a low-wage earner (2009 and 2020)



Source: DG EMPL computation from EU-SILC microdata. *Note*: For IE data reflects income year 2020 for MI benefits. For IE, IT, LU and LV, AROP SILC 2020 threshold not yet available. The chart concerns single childless persons. Net income of a minimum income recipient may also include other types of benefits (e.g. housing benefits) than minimum income. The low wage earner considered earns 50% of the average wage and works full time.

Self-reported unmet needs for medical care decreased in the EU on avearge in 2021, but considerable variation remains among Member States, while a strong increase in the demand for long-term care services is observed, driven by population ageing. 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. Labour and skills shortages in the healthcare sector may still cause bottlenecks in service provision, despite the lessening of the COVID-19-related pressure on healthcare systems. A number of Member States embarked on systemic healthcare reforms, including related to primary healthcare provision. It is key to complete these, along with the progressive digitalisation of the services, to increase the quality of provision and improve its resilience. At the same time, under the effect of demographic change, the number of persons potentially in need of long-term care (LTC) is projected to rise in the EU from 30.8 million in 2019 to 33.7 million in 2030 and further to 38.1 million in 2050. This reinforces the need to address challenges related to the availability, affordability, and quality of LTC, while taking into account overall sustainability of public finances. Although all Member States offer some social protection coverage, 35.7% of people in the EU reported that they do not use (more) home care services for financial reasons, 9.7% mentioned shortages in supply and 2.1% cited quality concerns. In particular, even after social protection, the out-of-pocket costs for care can be very high, representing more than 50% of median income for older people with severe long-term care needs in many Member States. To maximise the contribution of long-term care services to social fairness, gender equality, and job creation, the Commission put forward a European Care Strategy, accompanied by a proposal for a Council Recommendation on access to affordable high-quality long-term care.

Member States are taking steps to adjust their social protection systems to the changing demographic and labour market context in order to address challenges related to adequacy, accessibilility, and fiscal sustainability. After the pandemic highlighted some gaps in access to social protection, several Member States have introduced reforms to their national social protection systems, targeting non-standard workers and the self-employed. Demographic change continues to pose long-term challenges to pension systems, including as regards the impact on public finances of population ageing and the related pension healthcare, and long-term care systems, in terms of adequacy, accessibilility, and fiscal sustainability. A broad range of policy measures, spanning pension, labour market, tax and health policies are required to successfully tackle the challenges facing pension systems, including in relation to the presistent gender pension gap.

Predictable, meaningful, and timely involvement of social partners plays an important role to ensure that reforms and investment are designed and implemented effectively. Employment Guideline 7 and principle 8 of the European Pillar of Social Rights call upon Member States to ensure the timely and meaningful involvement of the social partners in the design and implementation of employment, social and, where relevant, economic reforms and policies, including by supporting their increased capacity. During the health crisis, social dialogue and collective bargaining were key for a strong health sector, contributing to an increase in the EU's preparedness to potential future health crises. At the same time, several Member States invited social partners, in line with their national practices and institutional frameworks, to discuss, negotiate and/or implement measures to support working conditions, the functioning of the labour market, equal opportunities and health and safety at the workplace. More recently, the cooperation with social partners has been key to implement appropriate support policies in favour of the integration of Ukrainian citizens and other displaced persons into the European labour markets, including to sectors facing labour shortages. The involvement of civil society organisations is also instrumental to the delivery of quality reforms and policies in Member States. The involvement of social partners and civil society is also important in relation to the recovery and resilience plans.

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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. These should aim to address the challenges that have emerged in the current socio-economic context and promote sustainable and inclusive growth, by fostering quality job creation and transitions throughout the working life and across sectors, improving social and economic resilience, and ensuring fair green and digital transitions, while progressing towards the EU headline and national targets on employment, skills, and poverty reduction by 2030.

In line with the Employment Guidelines, Member States are invited to:

- Mitigate the negative impact of inflationary pressures including notably from high energy prices, on the purchasing power of vulnerable households, including to prevent an increase in energy poverty, via temporary and targeted support measures, while maintaining incentives to reduce energy consumption 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, including via timely updates of statutory minimum wages, while reflecting macroeconomic conditions, preserving employment and competitiveness, and remaining consistent with the objective of tackling high inflation;

- Ensure the availability of short-time work schemes and other job retention measures designed in a way to preserve human capital, support fair restructuring processes where needed, ease job transitions and help the modernisation of the economy, notably via associated upskilling and reskilling, also in view of the potential labour market impact of the energy crisis and related industrial transformations;
- Strengthen the efficiency and effectiveness of active labour market policies and the capacity of public employment services, also by investing in accessible digital infrastructure and services, skills monitoring and forecasting as well as adequate training of staff, with a view to promoting job creation and job-to-job transitions, including towards the digital and green economy, and tackling labour and skills shortages;
- Provide support to workers and households most affected by the economic and social transformations prompted by climate change and the necessary green transition, as well as digitalisation, in particular to those vulnerable, notably through employment services and training measures, well-designed, targeted and time-bound employment programmes, as well as targeted and well-designed hiring and transition incentives, adequate income security with an active inclusion approach and the promotion of entrepreneurship, relying on the full and meaningful involvement of workers and their representatives in the anticipation of change and the management of restructuring processes, in line with the Council Recommendation on ensuring a fair transition towards climate neutrality;
- Enhance the labour market prospects of young people, including by promoting inclusive and quality vocational education and training and tertiary education, offering targeted employment services' support (including mentoring, guidance and counselling), as well as supporting quality apprenticeships and traineeships, in line with the reinforced Youth Guarantee;
- Ensure gender equality and strengthen the labour market participation of women, including by fostering equal opportunities and career progression, as well as ensuring transparency in pay structures; promote the reconciliation of work, family and private life, including through access to affordable, quality long-term care and early childhood education and care services, as well as access to suitable family-related leave and flexible working arrangements for parents and other people with caring responsibilities, in line with the European Care Strategy;
- Foster equal opportunities and improve learning outcomes by addressing early school leaving, including through the provision of affordable and good quality early childhood education and care, in line with the European Child Guarantee and the relevant national action plans, as well as by addressing 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 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;
- Support upskilling and reskilling of adults to adapt to a changing labour market, including among others by strengthening the provision of individual training entitlements, notably delivered through individual learning accounts, and fostering the development, implementation and recognition of microcredentials, in line with the

Council Recommendations on individual learnng accounts and on a European approach to microcredentials for lifelong learning and employability;

- Adapt labour market regulations and tax and benefit systems to reduce and prevent labour market segmentation and foster quality job creation, including a possible reduction of the tax wedge notably for low- earners;
- Ensure that workers in atypical work situations and platform work and the self-employed have access to adequate social protection, in line with the Council Recommendation on Access to Social Protection;
- Ensure healthy, safe and well-adapted working environments, and that flexible working arrangements are available;
- Promote collective bargaining, social dialogue and timely and meaningful social partners' involvement, including in relation to the implementation of the recovery and resilience plans as well as the European Semester process;
- Invest in adequate and sustainable social protection systems for all, in line with the Council Recommendation on Access to Social Protection, including minimum income schemes that rely on the active inclusion approach, in line with the proposal for a Council Recommendation on adequate minimum income ensuring active inclusion; support reforms to ensure adequate levels of protection and improve the protection of those who are not or not sufficiently covered; improve adequacy of benefits, transferability of rights, access to quality services and support for the labour market integration of those who are able to work; in doing the above, ensure the balance of funding sources and preserve the overall sustainability of public finances;
- Assess the distributional impacts of reforms of 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, education and school-based activities, effective access to healthy nutrition and adequate housing, in line with the European Child Guarantee;
- Address homelessness as the most extreme form of poverty; promote the investment in the renovation of residential and social housing, as well as integrated social services; ease access to quality and affordable housing, social housing or housing assistance, where appropriate;
- Invest in healthcare system capacity including primary care and public health capacity, coordination of care, healthcare staff and eHealth; reduce out-of-pocket payments, improve healthcare coverage and promote 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 fiscally sustainable pension systems that allow for adequate incomes in old age and inter-generational fairness.

EU funding, including through the European Social Fund Plus, the European Regional Development Fund, the Just Transition Fund and the Recovery and Resilience Facility 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 IN THE EUROPEAN UNION, HEADLINE TARGETS AND SNAPSHOTS FROM THE SOCIAL SCOREBOARD

1.1 Labour market trends

The labour market recovery continued in 2022 with employment surpassing pre-crisis levels, albeit with significant differences across sectors. In the second quarter of 2022, the total number of people in employment reached 213.4 million in the EU (164 million in the euro area).[10] This is 3.5 million (2.7 for the euro area) above the peak of Q4-2019. The employment rate (20-64) stood at 74.8% in the EU in Q2-2022 (74.3% in the euro area), which is 1.9 pps (1.6 pps for the euro area) above the pre-pandemic highs. On a yearly basis, the employment rate stood at 73.1% in 2021 in the EU (72.5% in the euro area), 0.4 pps above the 2019 value (with no change observed in the euro area). Among the occupations with the highest employment growth, the information and communication technology (ICT) sector has seen an increase by 21% between Q4-2019 and Q2-2022, adding 1.1 million more jobs. This was followed by real estate activities (an increase by 18% or 190,000 more employed people), and professional, scientific and technical activities (an increase by 7.9% or 0.58 million persons). Public administration and defence recorded 0.71 million additional jobs in Q2-2022 than in Q4-2019 (an increase by 5.3%). This was followed by construction (an increase by 6.1%) and professional, scientific and technical activities (an increase by 3.1%). On the contrary, manufacturing, accommodation and food services, and administrative support activities have not yet recovered the pre-crisis employment levels (around 0.2 million fewer employed people in each of them in Q2-2022 compared to Q4-2019). Overall, employment growth is forecast at 1.7% in 2022, before coming to a standstill in 2023 and moderately edging to 0.4% in 2024, in a context of high uncertainty. People fleeing the war in Ukraine to the EU are expected to enter labour markets only gradually, with tangible effects only from next year.[11]

Workers exiting from short-time work schemes and the decrease recorded in absences from work have supported an increase in total hours worked since 2021. The number of hours worked in the EU has recovered slowly but steadily since the low in Q2-2020, reaching a total of 85.9 billion in Q2-2022.[12] This is the highest value ever recorded for this indicator. At the same time, quarterly absences from work continued their downward trend, from 17.5% of total employment in Q2-2020 to 8.9% in Q2-2022.[13] These figures continue to highlight the important role that short-time work schemes have played for many workers and businesses, more than two years after the start of the COVID-19 crisis (see Section 2.1). Labour market measures introduced at EU and Member States level in the context of the COVID-19 pandemic (notably SURE, REACT-EU and the Coronavirus Response Investment Initiative, CRII and CRII plus) allowed firms to retain employees and skills, and help the self-employed to gradually resume their activities upon the lifting of the containment measures. The fourth bi-annual report on the implementation of SURE[14] indicates that the instrument supported approximately 31.5 million persons and 2.5 million firms in 2020, which represented almost one third of total employment and of total firms in the 19 beneficiary Member States.

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[10] Employment: National Accounts (domestic concept), Eurostat indicator [namq_10_a10_e]; [lfsq_eegan2] and other figures: EU LFS. Seasonally adjusted quarterly figures are used throughout this section.

[11] European Commission, *European Economic Forecast, Autumn 2022*, Institutional Paper 187, November 2022.

[12] Eurostat [namq_10_a10_e].

[13] Eurostat [lfsi_abt_q] and [lfsi_emp_q], EU LFS.

[14] COM(2022) 483 final.

Nominal wage growth started to pick up, but is expected to remain below inflation in 2022. In 2021, nominal compensation of employees increased in all Member States and by 4.1% at aggregate level in the EU, on a yearly basis, outpacing the average growth rate of around 1.9% in the period from 2013 to 2019. This increase was largely driven by the strong economic recovery and the rebound in hours worked (see Section 2.1 for details at Member States level). Elevated inflation and tightening labour markets further contributed to a slight acceleration of nominal wages in the first half of 2022. However, nominal increases have been largely eroded by increased inflation, resulting in a significant decline in real wages by 3.3% in the EU in Q2-2022 (year-on-year), amidst growing concerns for the adverse social consequences of the negative impact on purchasing power, especially for low-wage earners. Going forward, wage growth is expected to slow down due to the worsening of the economic situation.[15]

The shares of employees on temporary contracts and of those in self-employment have not increased signficantly, as the labour market became more dynamic. The share of persons on temporary contracts among all employees (20-64) increased slightly from 12.6% in 2020 to 13% in 2021. It reached 13.1% in Q2-2022 (0.8 pps higher than the same quarter of 2020), still lower than in Q4-2019 (13.9%). In 2021, figures were higher among women (13.8% vs 12.2% for men) and for young employees (15-24) (50.9% vs 12.9% and 6.5% for the 25-54 and the 55-64 age groups respectively – see also Section 2.3). The percentage of employees on temporary contracts was also significantly higher for the low skilled (19.2% in 2021) compared to the medium- and high-skilled (11.7% and 12.2%, respectively). The number of self-employed (20-64) decreased by 0.9 million people between 2019 and 2021. In quarterly terms, there were 25.7 million self-employed in Q2-2022, 0.6 million lower than in Q4-2019.[16]

Employment grows in parallel with vacancy rates, highlighting the need to further support labour market participation, job matching, and transitions[17]. The vacancy rate in industry, construction and services stood at 3% in Q2-2022 in the EU-27 (3.2% in the euro area), which is 0.8 pps (0.9 pps) higher than in Q2-2021 and also above pre-pandemic levels (2.1% in Q4-2019 for the EU and 2.2% for the euro area). However, there are significant differences across Member States and occupations (see Section 2.1). Although recent evidence suggests that their increase is not a structural phenomenon, careful monitoring of the job vacancy rate is key for the assessment of potential mismatches on the labour markets.[18] Section 2.3 analyses the adaptations carried out by the public employment services to improve the effectiveness and efficiency of matching between job-seekers and vacancies, including digital and in-person services and partnerships with employers and social services.

Overall, unemployment rates in most EU Member States and the euro area have been moving closer or below pre-crisis levels.[19] The unemployment rate (15-74) in the EU continued its downward trend reaching 6.1% in Q2-2022 (the lowest level ever recorded) and

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[15] European Commission, *Labour Market and Wage Developments in Europe, Annual Review 2022*, Publications Office of the European Union, 2022 (forthcoming).

[16] Eurostat [lfst_r_e2tgaedcu], [lfsa_etpgan] and [lfsq_egaps]. Break in series in 2021 and Q1-2021, respectively.

[17] The job vacancy rate is given by 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. Note: NACE Rev. 2 activities B-S. Eurostat online code: [ei_lmjv_q_r2].

[18] Note: Labour shortages appear to be driven mainly by the labour market recovery and not by hampered labour market reallocation. European Commission, *Quarterly Report on the Euro Area*, Institutional Paper, 2022

[19] For details, see: European Commission, *Employment and Social Developments in Europe 2022*, Publications Office of the European Union, 2022.

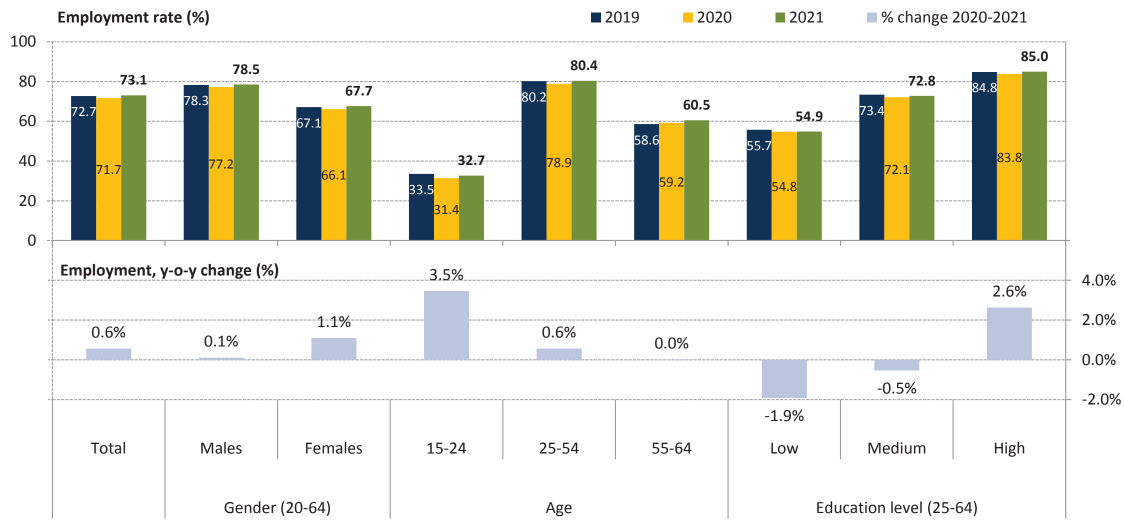
well below the most recent peak of 7.8% in Q3-2020. In the euro area, the unemployment rate was slightly higher, at 6.6% in Q2-2022 (2.1 pps below its value in Q3-2020). Monthly data show that the unemployment rate has further decreased to 6% in the EU in August 2022 (6.6% in the euro area), below the pre-pandemic levels. However, there is a significant heterogeneity across Member States (see Section 2.1). The long-term unemployment rate reached 2.4% of the active population in Q2-2022 in the EU (2.7% in the euro area), which is 0.2 pps and 0.3 pps lower, respectively, than in Q4-2019.[20]

The labour market performance of women continues to improve, although significant gender gaps persist. It went up to 67.7% in 2021 (20-64 years), 1.6 pps higher than in 2020, while for men it increased to 78.5%, 1.3 pps above 2020 – see Figure 1.1.1. In quarterly terms, the employment rate of women stood at 69.5% in Q2-2022, 2.1 pps higher than in Q1-2021 and above its pre-crisis level of 67.3% in Q4-2019. The gender employment gap remains almost unchanged, at 10.7 pps in Q2-2022, 0.2 pps below the level of Q2-2021. The activity rate (20-64) of women increased to 74.1% in Q2-2022, 1.8 pps more than in Q4-2019, while for men (84.8%) it was 1 pp higher than in Q4-2019.

Labour market outcomes of young people have been improving recently, but they remain far from pre-crisis levels in some Member States. Despite an overall positive performance, the youth employment rate (15-24) has not yet recovered from the COVID crisis - with 32.7% in 2021, it is still 0.8 pps below the level reached in 2019 – see Figure 1.1.1. Recent developments show rapid improvement, with 34.9% reached in Q2-2022 (1.5 pps above Q4-2019). As regards the youth unemployment rate (15-24), it decreased from 18.3% in Q1-2021 to 14.3% in Q2-2022. In annual rates, at 16.6% in 2021 it remains more than 1 pp above the pre-pandemic level. Overall, some 9.3 million young people (15-29) were neither in employment, nor in education or training (NEET) in 2021 (13.1%); some 8.3 million in Q2-2022 (11.7%).

Figure 1.1.1: The employment rate has been recovering to pre-pandemic levels or above, driven by improvements among young people, women and the high-skilled

Employment rates by gender, age group and educational attainment level in the EU-27, seasonally adjusted data, not calendar adjusted (%)



Source: Eurostat, [lfsi_emp_a] and [lfsa_egaed], EU LFS.

[20] Eurostat [une_rt_m], [une_rt_q] and [une_ltu_q].

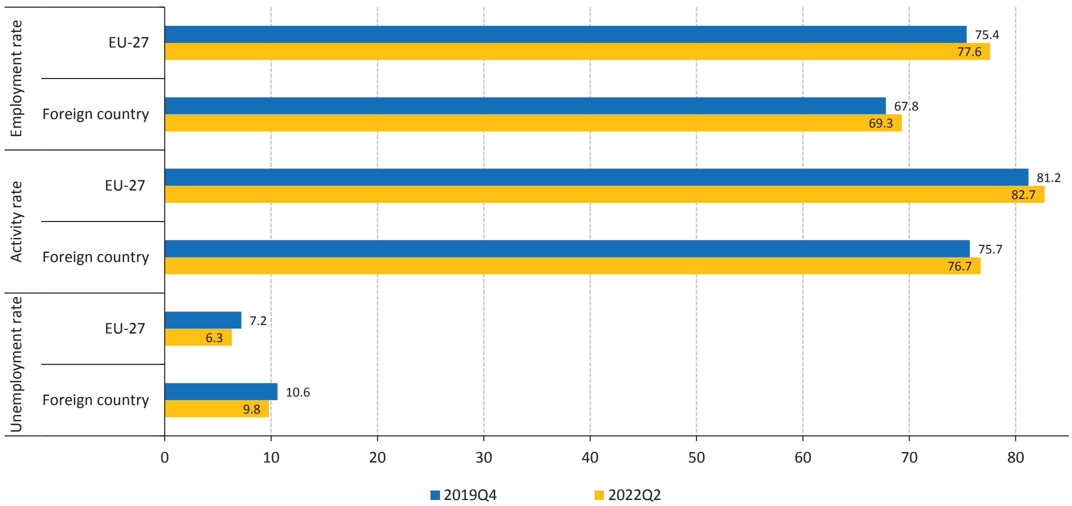
Labour market participation continues to increase, with stronger dynamics among older adults and women. The EU activity rate for those aged 20-64 stood at 73.6% in 2021, 0.4 pps and 1.3 pps higher than in 2019 and 2020, respectively. In Q2-2022, it stood at 79.4%, 1.1 pps higher than one year before and 1.4 pps above its level in Q4-2019. The increase continues to be largely driven by older persons and women. Changes in the activity rate of the 55-64 age group (up by 3.1 pps from 62.3% in Q4-2019 to 65.4% in Q2-2022) were three times higher than the increase observed for the 15-24 (by 1 pps) and the 25-54 year-olds (by 1.2 pps).

The number of high skilled workers in the economy has been increasing together with the employment gap by skills level. The number of people (aged 25-64) with higher education in employment increased by 2.6% in 2021, while the employment for medium- and low-skilled workers (i.e., ISCED 0-2 and 0-4) dropped by 0.5% and 1.9%, respectively – see Figure 1.1.1. The gap between employment rates of low- and high-skilled workers stood at 30.1 pps in 2021, 1 pp higher than in 2020 (see Section 2.2).

Labour market outcomes of people born outside the EU recovered to the pre-crisis levels, but significant gaps remain compared to EU-born citizens. In 2021, the employment rate (20-64) of people not born in the EU stood at 66.7%, still 1 pp below the 2019 value, and 6.4 pps lower than that of the native-born. The quarterly employment rate of people born outside the EU stood at 69.3% in Q2-2022, 1.5 pps higher than in Q4-2019 – see Figure 1.1.2. The unemployment rate (15-74) of the foreign born population was 11.8% in 2021, 0.6 pps lower than in 2020 (see Section 2.2). Women not born in the EU experience comparatively higher levels of unemployment (13.2% in 2021) than men not born in the EU (10.7%). In quarterly terms, the unemployment rate of foreign born (9.8% in Q2-2022) continued its downward trend since Q1-2021 (13.5%) and is currently 0.8 pps below the level in Q4-2019. Recent data highlight the main obstacles faced by foreign born people (15-74) when it comes to getting a suitable job in their host country (e.g., lack of recognition of formal qualifications, of language skills or restricted right to work due to citizenship or residence permit, among others).[21]

Figure 1.1.2: Significant differences exist in labour market outcomes between people born in and outside the EU-27

Employment, unemployment and activity rates based on the country of origin (EU-27 or foreign country), seasonally adjusted data, not calendar adjusted (in %)



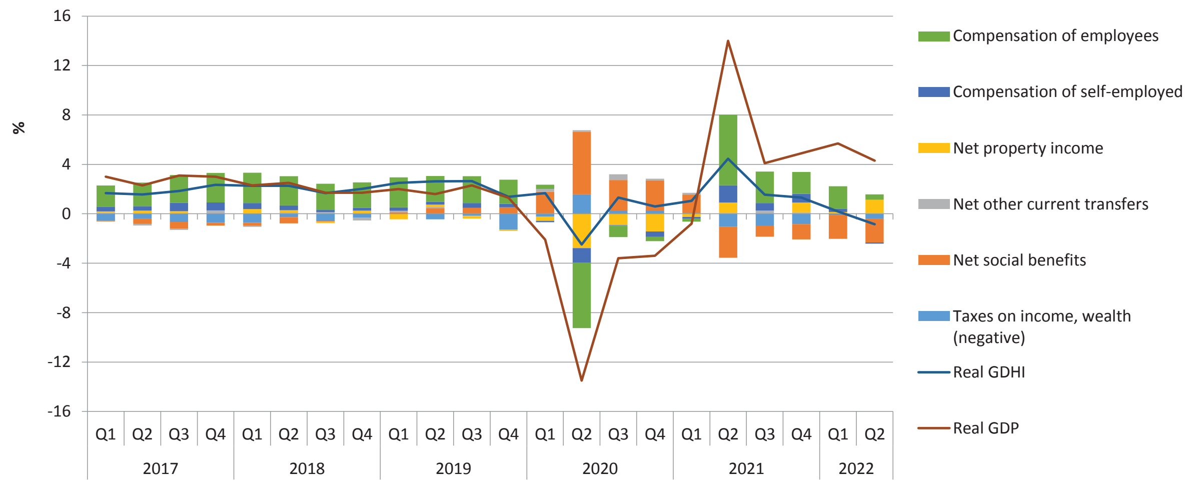
Note: 20-64 age cohort for employment and activity rates, 15-74 age cohort for unemployment rates.
Source: Eurostat, [lfsq_ergacob], [lfsq_urgacob] and [lfsq_argacob], EU LFS.

[21] Source: Eurostat, Labour Force Survey, Module 2021 (ad hoc extraction).

1.2 Social trends

Households' real incomes increased in the EU in 2021 on the back of the post-COVID recovery and the partial continuation of policy measures to mitigate the impact of the pandemic; increased inflation is expected to affect purchasing power going forward. Growth of real gross disposable household income (GDHI, quarterly, year-on-year) recovered to pre-pandemic levels in 2021 on average (2% against 2.2% on avearge in 2018-19) – see Figure 1.2.1. It stood at a remarkable 4.5% in Q2-2021 and a more moderate 1.7% in Q3-2021, to further decelerate until Q2-2022. This growth was driven by the recovery during 2021, also allowing the gradual phase out of the emergency measures. A key force behind the deceleration was the rapid decrease in the contribution of employees' and self-employed persons' compensations in real terms, contrasting with the strong increase in real GDP from Q3-2021 to Q1-2022. An important factor behind this trend is the rapid rise in inflation, as discussed in section 1.1, that severely restricted the contribution of the compensation of employees to GDHI growth in Q2-2022, despite favourable nominal wage developments (see section 2.1.1 for more details). As a result, real household incomes contracted in Q2-2022 for the first time since the COVID-19 shock in Q2-2020 and for the second time after the crisis in 2013. Beyond the average changes in real incomes, there are considerable differences across income levels, with a higher than average impact of price changes for lower and for some middle-income households that devote higher shares of their expenditure baskets to energy and food (see also Pillar Box 7 in section 2.4.1 on the effect of price increases and energy poverty).

Figure 1.2.1: Recent price increases have negatively affected the recovery of aggregate households' real income growth observed after the COVID-19 crisis
Growth in real gross disposable household income (GDHI) and its main components and real GDP growth, (EU-27, year-on-year quarterly growth rates)

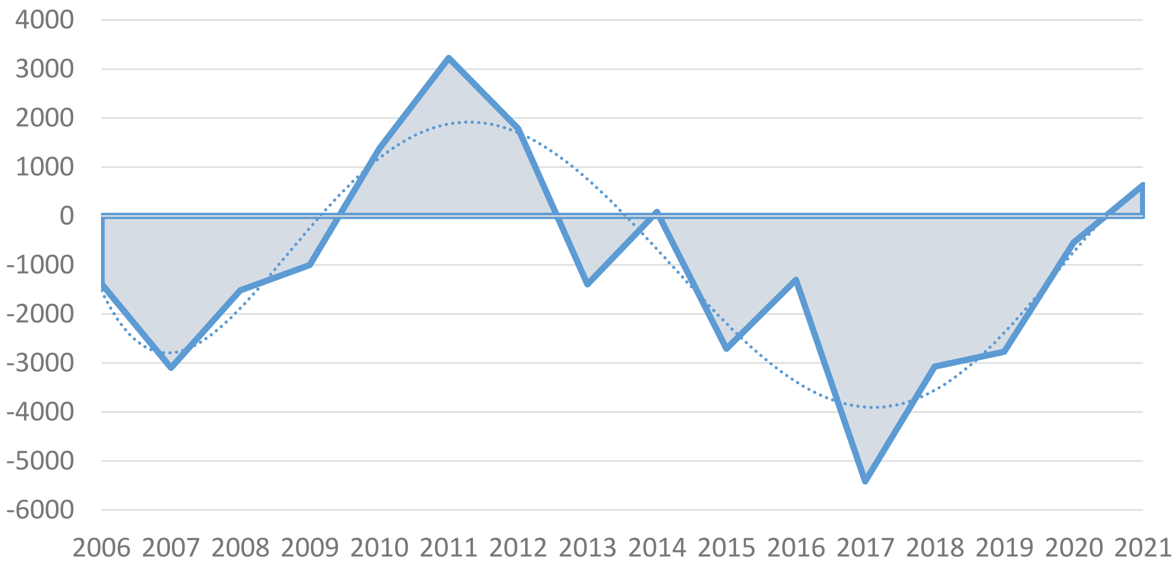


Notes: DG EMPL calculations. Nominal GDHI was deflated using the price index of household final consumption expenditure. The real GDHI growth for the EU is estimated as a weighted average of Member States' values for those with avilable quarterly data based on the ESA2010 (overall 95% of EU GDHI).
Source: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

Overall, income inequality seems to have remained broadly stable in the EU during the COVID-19 crisis. The income quintile share ratio for the top and bottom quintiles (S80/S20) was 4.97 in 2021, against a value of 4.89 in 2020 (referring to 2020 and 2019 incomes, respectively). The broad stability of income inequality in the year when the pandemic broke out is the result of the extensive public support put in place by Member States, also with EU support, and the functioning of strong automatic stabilisers via the tax and benefit systems, having mitigated effects in particular for vulnerable groups. Eurostat's flash estimates of the EU-average income quintile share ratio for income year 2021 also show stability, reflecting the impact of the recovery and the partial continuation of policy interventions to mitigate the negative socio-economic impacts of the crisis.[22] In view of more recent developments, including the energy crisis and related inflationary pressures, monitoring developments on inequalities going forward will be the more important. The assessment of the distributional impact of policy measures is crucial to make sure that measures taken help further reduce income inequalities and combat poverty.[23]

The share of people at risk of poverty or social exclusion remained overall stable despite the COVID-19 crisis. In 2021, the at-risk-of-poverty or social exclusion (AROPE) rate stood at 21.7% in the EU, practically unchanged from the previous year (21.6%).[24] This stability comes after an overall decline in the number of persons at risk of poverty or social exclusion in the EU-27 over the last decade, and reflects the cushioning effect of policy responses adopted across Member States and at the EU level during the COVID-19 crisis – see Figure 1.2.2.

Figure 1.2.2: The number of persons at risk of poverty or social exclusion has decreased over the last decade and remained stable in the aftermath of the COVID-19 crisis
Year-on-Year change in number of persons at-risk-of poverty or social exclusion (AROPE, thousands, EU-27)



Note: Data refer to AROPE (New definition) for the years 2016-2021, and to AROPE (Old definition) for the years 2006-2015 (See chapter 1.4 for details). Data for AROPE (New definition) are indeed available as from 2015 only. The aggregate for EU27 has been built based on national trends; when there is a break for a given Member States or data is not available the contribution to the change in the number of persons at risk of poverty or exclusion is considered to be zero.
Source: [ilc_peps01n] and [ilc_peps01], EU-SILC.

All three components of the AROPE indicator did not see significant changes in 2021 at EU level. In 2021, the at-risk-of poverty rate (AROP, referring to 2020 incomes) was stable in the EU at 16.8% (16.7% in 2020, referring to income year 2019). According to Eurostat flash estimates, the AROP rate is estimated to remain stable at the EU level also in the income year 2021. The severe material and social deprivation rate slightly decreased in 2021, from 6.8% to 6.3%, continuing its declining trend from the years before. The share of persons living in quasi-jobless households, which had been declining since 2015, increased slightly,

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[22] See Flash estimates for the 2021 income year, released in August 2022, from Eurostat's website.
[23] To this end, the Commission has issued a Communication on Better assessing the distributional impact of Member States' policies (COM(2022)494 final).
[24] See section 1.4 for discussion on the AROPE components.

by 0.6 pps, to 8.9% in 2021 (referring to the situation in the previous calendar year). This broad stability in figures is due to the cushioning effect of short-time work schemes and other job retention measures counteracting the effects of the necessary lockdowns. The rising impact of social transfers (other than pensions) on poverty reduction in the first year of the pandemic further witnesses of the positive effects of the decisive policy response to COVID-19 at Member State and EU level. In 2021 (referring to 2020 incomes), social transfers reduced poverty by more than one third (36.3%) on average in the EU. The impact of social transfers on poverty reduction had remained overall stable at around 32%, with minor fluctuations since 2015, but increased to unprecented levels in 2021 (by 3.3 pps, i.e. by 10%).

Energy poverty was declining until the first half of 2021, but is expected to rise going forward, under the effect of the ongoing energy crisis. Before energy prices started to substantially increase in 2022 due to the Russia's war of aggression against Ukraine, energy poverty (as measured conventionally at EU level by the share of people unable to keep home adequately warm) was on an overall declining path at the EU level, down to 6.9% in 2021 from 9.6% in 2015.[25] However, over this period, the share remained much higher for the population at risk of poverty, up to more than twice as high in 2021, at 16.4%. The recent surge in energy prices challenges the progress made over recent years and risks increasing energy poverty across the income distribution – see Pillar Box 7 in section 2.4.1. The Commission put forward a number of initiatives that will support Member States in alleviating energy poverty and the impact of rising energy prices, in particular for low-income households. Already in October 2021, the Commission adopted a Communication on *Tackling rising energy prices*, presenting a toolbox to address the impact of price increases and to strengthen resilience against shocks, followed in September 2022 by a Proposal for a Council regulation to tackle price rises and ease pressure on households across the EU.[26]

In-work poverty remains a challenge for EU Member States. The share of employed working-age people at risk of poverty in the EU slightly increased from 2010 to 2019 (by 0.5 pps), but remained stable between 2020 and 2021 (referring to 2020 incomes), decreasing only by 0.1 pps to 8.9%. The containment of in-work poverty during the first year of the pandemic is also the result of the swift policy intervention put in place by Member States and supported by the EU. As mitigating policy measures have been largely phased out, in-work poverty, especially for vulnerable groups, has to be closely monitored, also in light of the recent negative impact of inflation on real wages.

The share of children at risk of poverty or social exclusion remained also broadly stable during the COVID-19 crisis. The at-risk-of-poverty or social exclusion (AROPE) rate for children in 2021 stood at 24.4%, only 0.4 pps higher than in 2020, and remains significantly lower than in 2015 (27.4%). Children living in households experiencing monetary poverty (the AROP rate for children) remained broadly stable in 2021 (referring to income year 2020) at 19.5% (only slightly up from 19.2% in the year before), while the indicator on the share of children living in quasi-jobless households for 2021 (referring to the situation in the previous calendar year) stood at 8.3%, up from 7.6% in 2020 (referring to income year 2019). Severe material and social deprivation of children is back to pre-pandemic levels at 7.5% in 2021, down from 8.3% in 2020.

[25] There is no single official indicator of energy poverty for the EU yet. The inability to keep adequately warm is one of the used indicators, a dimension of material deprivation that, through the Material and Social Deprivation component, feeds into the AROPE indicators.

[26] See Communication from the Commission on 'Tackling rising energy prices: a toolbox for action and support' (COM/2021/660 final) and Proposal for a COUNCIL REGULATION on an emergency intervention to address high energy prices.

The risk of poverty or social exclusion among older people (65+) has been increasing since 2015. The AROPE rate for people aged 65 or above in 2021 was higher than in 2015 (19.6% vs 18%). This increase was driven by a steady rise in monetary poverty (AROP), now higher among older people than for the working-age (18-64) population (21.6%), mostly as a result of rising working-age incomes. Material deprivation among the elderly has continued decreasing, standing at 5.3% in 2021 (down from 7.4% in 2015) against 6.3% for the working-age population.

Some population groups are more likely to be in poverty or social exclusion than the overall population. Despite an overall decrease across Member States in 2021, the at-risk-of-poverty or social exclusion rate remains higher for persons with disabilities as well as for those with a migrant background than for the total population and the native-born, respectively. Poverty and social exclusion among Roma remained broadly unchanged during the pandemic but remains much higher than for the rest of the population, with even larger gaps for children.

1.3 EU headline and national targets by 2030

In the Pillar Action Plan, the Commission put forward 2030 EU headline targets on employment, skills and poverty reduction that were welcomed by the EU Leaders in Porto and the June 2021 European Council, and invited the Member States to define their own national targets as a contribution to the common endeavour.[27] The Porto Social Commitment of 7 May 2021[28] also called on Member States to set ambitious national targets which, taking due account of the starting position of each country, constituted an adequate contribution to the achievement of the European targets. In the Porto Declaration of 8 May 2021, EU leaders stressed the importance of closely following, including at the highest level, the progress achieved towards the implementation of the European Pillar of Social Rights and the EU headline targets for 2030. The Heads of State or Government welcomed the EU headline targets in the 24-25 June 2021 European Council, in line with the Porto Declaration.[29]

Between September 2021 and June 2022, at the invitation of the Commission, Member States came forward with their national targets. These were subject to intensive consultations, in most cases with the involvement of different stakeholders, including national parliaments, social partners, non-governmental organisations, local authorities and members of the academic community. National targets were discussed in bilateral meetings with the Commission services and multilateral discussions took place in the Employment Committee (EMCO) and the Social Protection Committee (SPC). The national target setting process was concluded in the June 2022 EPSCO, where national targets put forward by all Member States (see Table 1.3.1) were discussed. Most Member States (21) also set complementary goals on at least one domain. In most cases, Member States (19) included a complementary goal to reduce the number of children at risk of poverty or social exclusion,

[27] See: European Commission, *The European pillar of social rights action plan*, Publications Office of the European Union, 2021. The EU headline targets by 2030 are: at least 78% of the population aged 20-64 in employment; at least 60% of all adults to participate in learning every year; at least 15 million fewer people at risk of poverty or social exclusion.

[28] Signed by the presidents of the European Parliament and of the European Commission, by Prime Minister Costa (Portuguese Presidency of the Council of the EU), and by the leaders of the EU Social Partners and the Social Platform, available online.

[29] See online the Porto declaration and the 24-25 June 2021 Council conclusions.

and in a good number of cases they put forward complementary goals on reducing the gender employment gap, increasing the share of population with at least basic digital skills, and decreasing the share of young people neither in employment nor in education or training (NEETs).

Table 1.3.1: 2030 EU headline and national targets by Member State

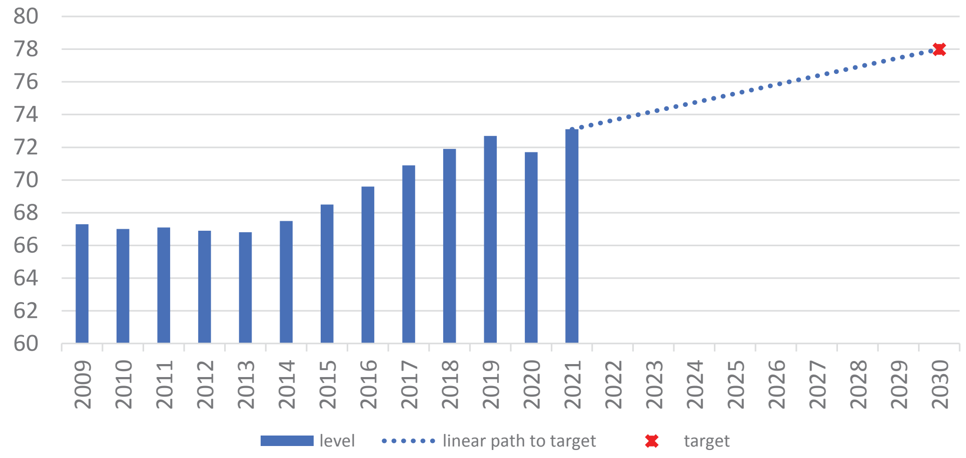
	Employment (%)	Adult learning (%)	Poverty reduction (AROPE, thousand)
EU headline	**78.0**	**60.0**	**-15,000**
All MS together	**78.5**	**57.6**	**-15,600***
BE	80.0	60.9	-279
BG	79.0	35.4	-787
CZ	82.2	45.0	-120
DK	80.0	60.0	-30(1)
DE	83.0	65.0	-1,200(2)
EE	81.3	52.3	-39
IE	78.2	64.2	-90
EL	71.1	40.0	-860
ES	76.0	60.0	-2,815
FR	78.0	65.0	-1,100
HR	75.0	55.0	-298
IT	73.0	60.0	3,200
CY	80.0	61.0	-10
LV	80.0	60.0	-95
LT	80.7	53.7	-223
LU	77.6	62.5	-4
HU	85.0	60.0	-292
MT	84.6	57.6	(3)
NL	82.5	62.0	-163
AT	79.9	62.0	-204
PL	78.3	51.7	-1,500
PT	80.0	60.0	-765
RO	74.7	17.4	-2,532
SI	79.5	60.0	-9
SK	76.5	50.0	-70
FI	80.0	60.0	-100
SE	82.0	60.0	-15

Note: (*) The aggregate of the poverty reduction target for all Member States equals at least 15.6 million excluding Member States which do not express their target in terms of AROPE levels. (1) Denmark expresses its national poverty reduction target as a reduction in the number of persons living in households with very low work intensity (VLWI) by 30,000. (2) Germany expresses its national poverty reduction target as a reduction in the number of persons living in households with very low work intensity (VLWI) by 1.2 million. (3) Malta expresses its national poverty reduction target as a reduction of the AROPE rate by 3.1 percentage points.

A high level of employment is a key priority for 2030 to ensure that everyone can participate fully in the economy and society. As the labour market recovered after the COVID-19 crisis, the EU-average employment rate increased to 73.1% in 2021, which is 4.9 pps below, but moving closer to the 2030 EU headline target of 78% – see Figure 1.3.1. Member States set ambitious 2030 national employment rate targets, adding up to an overall high level of 78.5%. Many of them set their national target above the EU headline of 78%. Member States starting from lower rates tended to set relatively more ambitious targets, which supports upward convergence in the Union. By 2021, the employment rate moved closer to their national targets in most of them – see Figure 1.3.2.

Figure 1.3.1: The EU employment rate increased in the aftermath of the COVID-19 crisis

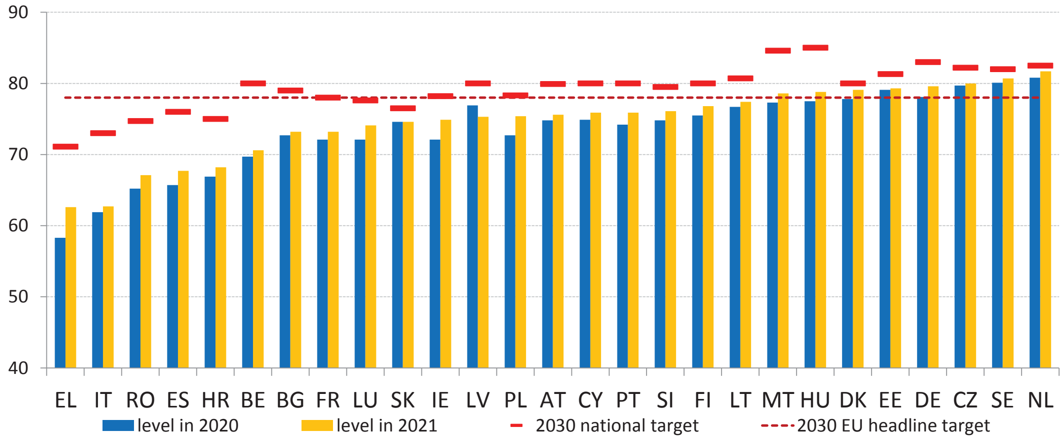
Employment rate in the EU-27 and the related 2030 EU headline target (20-64 year olds, %)



Source: Eurostat [lfsi_emp_a], EU LFS.

Figure 1.3.2: Member States have set ambitious national targets for employment and almost all of them recorded employment growth in 2021

Employment rate (2020 and 2021, 20-64 year olds, %) and related national 2030 targets for Member States

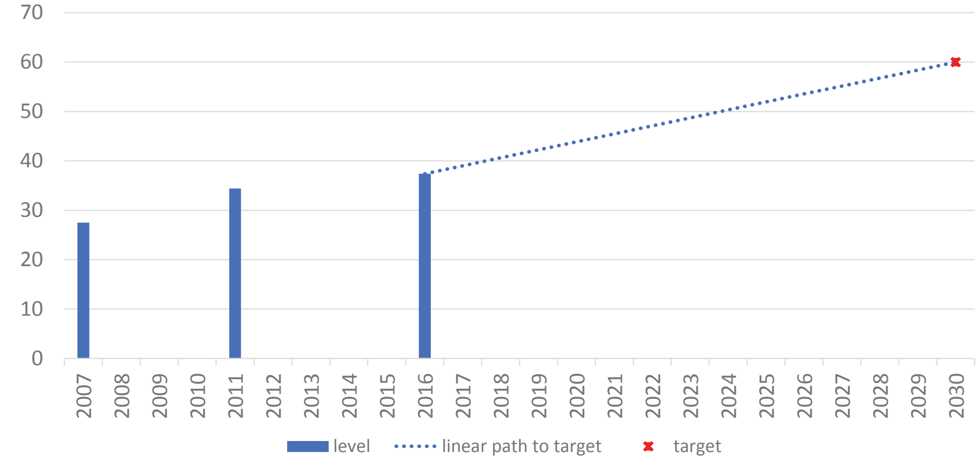


Source: Eurostat [lfsi_emp_a] and table on 2030 national targets.

The ambitious 2030 EU headline target on adult participation in learning reflects the need to ensure workers' potential to contribute to economic growth is maintained. Such contribution requires employability and the capacity to adapt, as well as making transitions, also in view of the green and the digital transformations, but also the ability to innovate and increase productivity. Developing adequate skills is a key enabler for all of them. The related headline target is set in terms of the 'adult participation in learning in the last 12 months' indicator, which will be available from 2023 on in every second year.[30] The indicator values were on an increasing trend from 2007 to the latest data point available for 2016 – see Figure 1.3.3. This rate of improvement will need to be maintained to reach the target by 2030 at EU level. Member states set their national targets on skills at various levels of ambition, in line with the need to contribute to the EU headline target, adding up to an aggregate commitment of 57.6% (which falls slightly short of the 60% EU headline target) – see Figure 1.3.4.

Figure 1.3.3: Adult participation in learning has been on a rising trend that needs to be maintained to reach the 2030 EU headline target

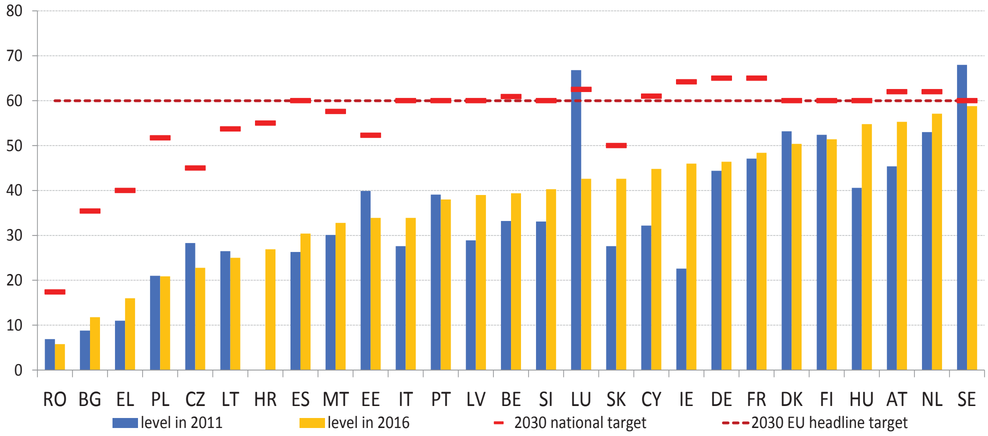
Adult participation rate in learning during the past 12 months in the EU-27 and the 2030 EU headline target (20-64 year olds, %)



Source: Eurostat special exctraction of the Adults' participation rate in learning during the past 12 months withouth guided on the job training (GOJT), from the Adult Education Survey, available online.

Figure 1.3.4: Substantial efforts are needed at Member State level to reach national skills targets and contribute to the EU-level ambition

Adult participation in learning during the past 12 months (2011 and 2016, 20-64 year olds, %) and national 2030 targets for Member States



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

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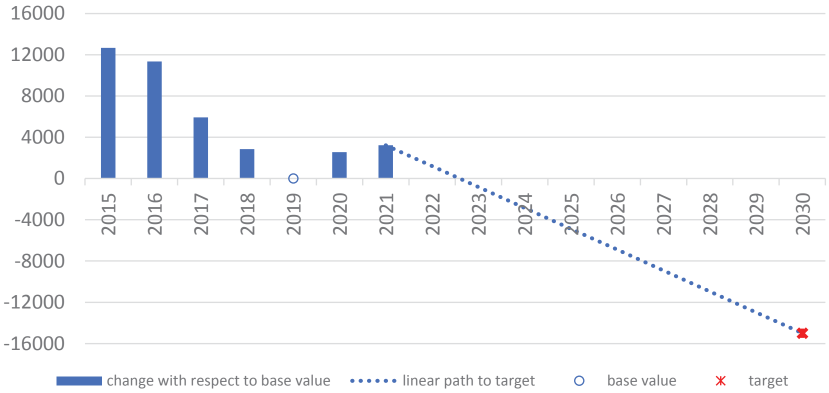
30 The current indicator values for 2007, 2011 and 2016 were collected through the Adult Education Survey (AES). From 2022 on, data will be available through the EU Labour Force Survey, too, which provides a high level of consistency with labour market indicators and data at higher frequency. The concept used in this data collection is one excluded guided on the job training, in line with the existing EU LFS indicator on adult participation in learning during the past 4 weeks. The considerable improvement with respect to this indicator is the reference to a full year, which provides a much more faithful reflection of adults' learning efforts.

Achieving an ambitious decline in poverty and social exclusion is essential to ensure inclusive growth and upward convergence in the EU. The related EU headline target is to reduce the number of people at risk of poverty or social exclusion (AROPE) by at least 15 million by 2030. The trend before the pandemic is in line with the decrease needed to move closer to this target – see Figure 1.3.5. In 2020 and 2021, the number persons AROPE increased, but this may be the result of a statistical artefact.[31] A number of Member States have set their own national targets at ambitious levels, adding up to a reduction in AROPE of 15.6 million by 2030 in the EU (above the EU headline target of 15 million), if counting only those Member States having used the AROPE indicator for setting their national targets – see Figure 1.3.6. Counting also Denmark, Germany and Malta[32] that have used different indicators to set targets, the implied aggregate ambition for poverty reduction would be even higher.

Figure 1.3.5: A decreasing trend in AROPE was observed pre-pandemic, but more efforts are needed to reach the 2030 EU headline target

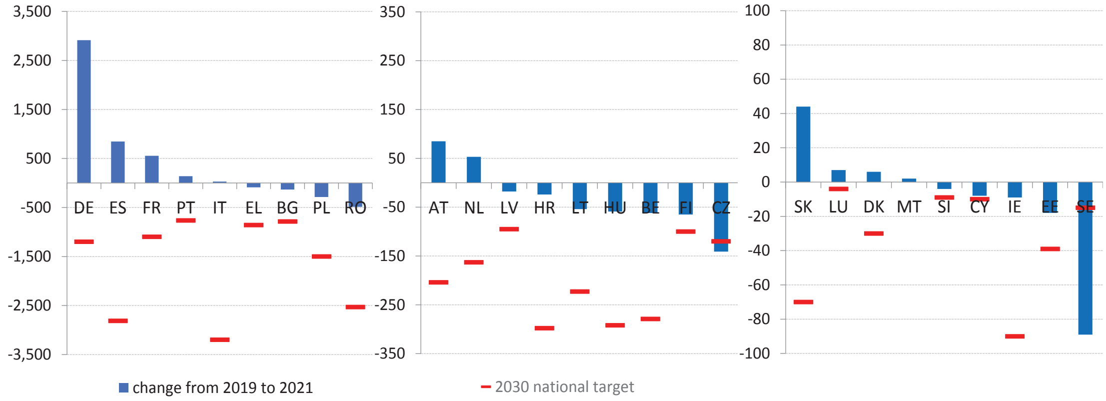
Change in EU-27 AROPE level and the related 2030 EU headline target (total population, thousand persons)



Note: Break in series in 2020 (see footnote 21).
Source: Eurostat [ilc_peps01n], EU-SILC.

Figure 1.3.6: A number of Member States set ambitious national targets

Changes in AROPE levels from 2019 to 2021 and national 2030 targets (total population, thousand persons)



Note: Break in series in 2020 for DE, FR, IE, DK, LU. Break in series in 2021 for LU. DK and DE express their national target 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 percentage points.
Source: Eurostat [ilc_peps01n], and table on 2030 national targets.

[31] Part of the difference in levels is related to a great extent to the change in data collection methods in Germany between 2019 and 2020, affecting also the EU average, but not the direction of change from 2020 to 2021.
[32] Linked to estimates on demographic evolutions in this Member State.

1.4 Overview of challenges based on the Social Scoreboard

The Social Scoreboard supports the monitoring of the European Pillar of Social Rights, contributing to assessing key employment and social challenges in the Member States. The Social Scoreboard, proposed in its current form by the Commission in the Pillar Action Plan of March 2021 and subsequently discussed with the Employment Committee (EMCO) and the Social Protection Committee (SPC)[33], covers comprehensively the Pillar principles, as the main quantitative tool to monitor progress towards the implementation of the Pillar in the context of the European Semester. The headline indicators of the Social Scoreboard were endorsed by the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council on 14 June 2021. The Scoreboard complements the existing monitoring tools, in particular the Employment Performance Monitor and the Social Protection Performance Monitor.[34]

The analysis in the 2023 Joint Employment Report relies on the Social Scoreboard headline indicators endorsed by the Council.[35] Headline indicators respond to principles of parsimony, availability, comparability, and statistical robustness. The indicators, linked to each of the three Pillar chapters, are as follows:

- *Equal opportunities*
  - Adults' participation in learning during the last 12 months (age 25-64)
  - Early leavers from education and training (% of population aged 18-24)
  - Share of individuals who have basic or above basic overall digital skills (% of population aged 16-74)
  - Youth neither in employment nor in education or training (NEET) rate (% of total population aged 15-29)
  - Gender employment gap (percentage points)
  - Income quintile ratio (S80/S20)
- *Fair working conditions*
  - Employment rate (% of population aged 20-64)[36]
  - Unemployment rate (% of active population aged 15-74)
  - Long-term unemployment rate (% active population aged 15-74)
  - Gross disposable household income (GDHI) per capita growth (2008=100)[37]

[33] The current Social Scoreboard covers 18 out of 20 Pillar principles, four more than under the previous version. The two principles not yet covered are 7 and 8 '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, that also need to have a clear normative interpretation. So far, it was not possible to find such an indicator for these principles, but the Commission will conduct further work on this.

[34] The Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM) are prepared yearly respectively by the Employment Committee and the Social Protection Committee and integrated in their annual reports. They identify trends to watch, key employment and social challenges in Member States, and contribute to monitor progress towards the relevant EU-wide employment and social targets.

[35] The opinion by EMCO and SPC reporting on the agreement reached on the headline indicators of the revised Social Scoreboard was endorsed by the Employment, Social Policy, Health and Consumer Affairs Council on 14 June 2021.

[36] From 2021, in line with the entering into force of the IESS regulation, Eurostat, through the National Statistical Institutes of Member States, collects data for the EU-LFS according to a revised methodology. This change aims to improve the labour market data but has to be observed when interpreting changes in indicators close to the time of the change, 1 January 2021. Affected are in addition the Youth NEET rate, the Unemployment rate, the Long-term unemployment rate, the Gender employment gap, the AROPE for children headline indicators.

[37] GDHI is measured in real terms. As demanded by the Social Protection Committee, this indicator uses 'unadjusted income' (i.e. without including social transfers in kind) and dropping reference to the use of

- *Social protection and inclusion*
    - At-risk-of-poverty or social exclusion (AROPE) rate (% of total population)[38]
    - At-risk-of-poverty or social exclusion (AROPE) rate for children (% of population aged 0-17)[39]
    - Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP)[40]
    - Disability employment gap (age 20-64)[41]
    - Housing cost overburden (% of total population)[42]
    - Children aged less than 3 years in formal childcare (% of population under 3-years-old)
    - Self-reported unmet need for medical care (% of population 16+)[43]

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purchasing power standards (PPS) units, used in the original version of the Social Scoreboard, for consistency with the indicators based on EU-SILC.

[38] Together with its three components: at risk of poverty, total population (AROP 0+), severe material and social deprivation, total population (SMSD 0+) and share of people living in households with very low work intensity (quasi-jobless households), age 0-64 (VLWI 0-64). In 2021, the AROPE indicator was modified in view of the new EU 2030 headline target on reducing the number of persons at risk of poverty of social exclusion. In this context, two of its components were revised (the deprivation and the quasi-jobless households). The Severe material and social deprivation component replaces the component Severe Material Deprivation. The reference age group for quasi jobless household changed from 0-59 to 0-64. For all the indicators that depend on income in EU-SILC, the income reference period is defined as a 12-month period. Therefore, income variables involved in the computation of the AROP and VLWI indicators refer to the calendar year prior to the survey year except for Ireland (12 months preceding the survey response). The Severe material and social deprivation indicator does not have any income variable in its calculations; therefore, all the EU-SILC variables used to compute it refer to the survey year.

[39] Together with its three sub-indicators: at risk of poverty, children (AROP 0-17), severe material and social deprivation, children (SMSD 0-17), and share of people living in households with very low work intensity (quasi jobless households), children (QJ 0-17). SMSD for children is a modified version of SMSD for the whole population, giving lower weight to adult items, in order to avoid making the indicator of children too sensitive to adult deprivations. Reference years are identical to those of indicators for the full population.

[40] This is measured as the percentage reduction, for the total population, of the at-risk-of poverty (AROP) rate after compared to that before monetary social transfers (other than pensions). It does not include in-kind transfers related to healthcare for instance.

[41] The disability employment gap indicator is currently computed from the EU-SILC and based on the disability status as given by the Global Activity Limitation Index (GALI). Survey respondents answer the following questions: 1) 'Are you limited because of a health problem in activities people usually do? Would you say you are … severely limited; limited, but not severely; or not limited at all?' Is answer to question 1) is 'severely limited' or 'limited but not severely', respondents answer the question 2) 'Have you been limited for at least for the past 6 months? Yes or No?'. A person is considered disabled if the answer is 'Yes' to the second question. As computed from EU-SILC, one observes a correlation between the prevalence of disability based on the GALI concept and the disability employment gap based on it in year 2020 across Member States of the EU (Pearson correlation coefficient = -0.6).

[42] The indicator measures the share of the population living in households where the total housing costs represent more than 40% of disposable income (both 'net' of housing allowances). The Methodological Guidelines and Description of EU-SILC variables (version April 2020) describes allowances (only means-tested ones included) as including rent benefits and benefits to owner-occupiers, but excluding tax benefits and capital transfers. The document defines housing costs as monthly and actually paid, connected with the household's right to live in the accommodation. They include structural insurance (for tenants: if paid), services and charges (sewage removal, refuse removal, etc.; mandatory for owners, for tenants: if paid), regular maintenance and repairs, taxes (for tenant: on the dwelling, if applicable) and the cost of utilities (water, electricity, gas and heating). For owners paying a mortgage, related interest payments are included (any tax relief deduced, but housing benefits not deduced). For tenants at market price or at reduced price, also rental payment is included. For rent free tenants, housing benefits should not be deduced from the total housing cost.

[43] Self-reported unmet needs for medical care concern a person's subjective assessment of whether he or she needed examination or treatment for a specific type of health care but did not have it or did not seek it because of the following three reasons: 'financial reasons', 'waiting list' and 'too far to travel'. Medical care refers to

The 'Disability employment gap' headline indicator temporarily uses EU-SILC as the statistical source, but will switch to the EU-LFS for improved accuracy as of 2022, providing data in 2023. The Commission services, including Eurostat, will continue to monitor its quality and will review the indicator in the medium term, once LFS-based data become available, and will support further steps to improve cross-country comparability and explore the development of additional indicators in this area. The headline indicator 'Adult participation in learning during the past 12 months' will also use the EU-LFS from 2022 onwards, after having been collected only through the Adult Education Survey before (with last edition for 2016). A thorough analysis of the data from the two survey sources will be conducted when data will become available in order to ensure data quality and comparability. To ensure the monitoring of the Employment Guidelines 6 and 7, including with regard to active labour market policies, this Joint Employment Report will exceptionally use the indicator on adult participation in learning in the past 4 weeks (age 25-64).

Headline indicators are analysed using the common methodology agreed by EMCO and SPC (see Annex 4 for more details). This methodology evaluates the situation and developments in Member States by looking at levels and changes with respect to the preceding year[44] of each of the headline indicators included in the Social Scoreboard. Levels and changes are classified according to their distance from the respective (unweighted) EU averages. Member States' performances on levels and changes are then combined using an agreed rule so that each Member State is assigned to one out of seven categories ('best performers', 'better than average', 'on average/neutral', 'good but to monitor', 'weak but improving', 'to watch' and 'critical situations'). On this basis, Table 1.4.1 provides a summary of the readings of the scoreboard according to the latest figures available for each indicator.

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. Among the indicators flagging the largest number of Members States marked as in 'critical situations' (red in Figure 1.4.1) are early leavers from education and training, GDHI per capita growh, the AROPE rate for children as well as the impact of social transfers (other than pensions) on poverty reduction (5 Member States in 'critical situations'). These indicators record one more Member State in this situation in 2021 compared to 2020, with the only exception of the impact of social transfers on poverty reduction, for which the count is one Member State lower.[45] A large number of critical challenges (red mark for 4 Member States) are flagged also on the youth NEET rate, the gender employment gap, the income quintile ratio, the employment rate, the disability employment gap, as well as the self-reported unmet needs for medical care. There are fewer Members States in a 'to watch' situation than in 2021, the largest number being flagged on children aged less than 3 years in formal childcare (6) as well as the share of individuals with at least basic digital skills (6) and the disability employment gap (5). A more detailed analysis is presented in Chapter 2, relying also a rich set of contextual indicators.

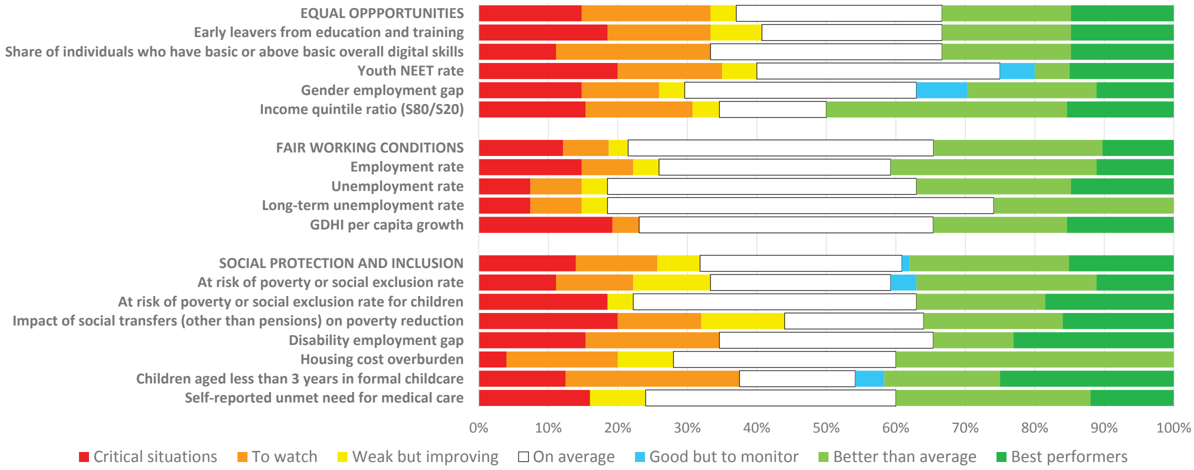
individual healthcare services (medical examination or treatment excluding dental care) provided by or under direct supervision of medical doctors or equivalent professions according to national healthcare systems (Eurostat definition). The problems that people report in obtaining care when they are ill can reflect barriers to care.

44 With the exception of the gross disposable household income, which is measured as an index number (2008=100, thus reflecting a change compared to the year before the 2009 financial crisis), in agreement with the Employment Committee and the Social Protection Committee.

45 Due to data being available for only a small number of Member States for 2021 at the data cut-off date, GDHI per capita growth assessments are based on 2020 data.

Figure 1.4.1: Employment, skills and social challenges across EU Member States by headline indicator in the Social Scoreboard

The share of Member States with specific classification among all classified (see legend) for each headline indicator and also aggregated for the three Pillar chapters



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.
Source: Social Scoreboard designations as in Table 1.4.1.

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

			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)**	**2021**	EL, HR, IE, SI	CZ, LT, NL, PL, PT		AT, BE, DK, FI, FR, LV, SK	ES, MT	CY, EE, LU, SE	BG, DE, HU, IT, RO
	Share of individuals who have basic or above basic overall digital skills (% of population aged 16-74)	**2021**	DK, IE, NL, FI	ES, HR, LU, AT, SE		BE, CZ, EE, EL, FR, LV, MT, PT, SK		DE, IT, CY, LT, HU, SI	BG, PL, RO
	Youth NEET rate (% of total population aged 15-29)	**2021**	NL, SE, SI	AT, DE, DK, FI, HU, IE, MT, PT	LU	BE, CZ, EE, FR, LT, LV, PL	ES	CY, HR, SK	BG, EL, IT, RO
	Gender employment gap (percentage points)	**2021**	EE, FI, LT	DK, FR, IE, PT, SE	LV, SI	AT, BE, BG, DE, ES, HR, HU, LU, NL	MT	CY, PL, SK	CZ, EL, IT, RO
	Income quintile ratio (S80/S20)	**2021**	BE, CZ, FI, SI	AT, CY, DK, HU, IE, LU, NL, PL, SE		DE, EE, FR, HR	BG	EL, IT, MT, PT	ES, LT, LV, RO
Fair working conditions	**Employment rate (% of population aged 20-64)**	**2021**	CZ, NL, SE	DE, DK, EE, HU, IE, LT, MT, PL		AT, BG, CY, FI, FR, LU, PT, SI, SK	EL	BE, LV	ES, HR, IT, RO
	Unemployment rate (% of active population aged 15-74)	**2021**	CZ, DE, MT, PL	DK, HU, LT, LU, NL, SI		AT, BG, CY, EE, FI, FR, HR, IE, LV, PT, RO, SK	EL	BE, SE	ES, IT
	Long-term unemployment rate (% active population aged 15-74)	**2021**		CZ, DE, DK, HU, MT, NL, PL		AT, BE, BG, CY, EE, FI, FR, IE, LT, LU, LV, PT, RO, SE, SI	EL	HR, SK	ES, IT
	GDHI per capita growth (2008=100)	**2020**	HU, LT, PL, RO	EE, IE, MT, SI, SK		CZ, DE, DK, FI, FR, HR, LU, LV, NL, PT, SE		BE	AT, CY, EL, ES, IT
Social protection and inclusion	**At risk of poverty or social exclusion rate (% of total population)**	**2021**	CZ, FI, SI	AT, BE, CY, DK, NL, PL, SE	SK	DE, EE, FR, HR, HU, IE, MT	BG, LT, RO	IT, LU, PT	EL, ES, LV
	At risk of poverty or social exclusion rate for children (% of population aged 0-17)	**2021**	CZ, DK, FI, NL, SI	BE, EE, HR, LT, PL		AT, CY, DE, FR, HU, IE, LV, MT, PT, SE, SK	BG		EL, ES, IT, LU, RO
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP)	**2021**	BE, DK, FI, IE	AT, CZ, FR, SE, SI		CY, DE, LT, NL, PL	BG, ES, IT	EE, LU, MT	EL, HR, LV, PT, RO
	Disability employment gap (percentage points)	**2021**	DK, ES, IT, LU, LV, PT	BG, EE, SE		CZ, EL, FI, FR, LT, MT, NL, SI		AT, CY, DE, HR, HU	BE, IE, PL, RO
	Housing cost overburden (% of total population)	**2021**		CY, EE, FI, HR, HU, IE, LT, LU, MT, SI		AT, BE, CZ, IT, LV, PL, RO, SE	BG, EL	DE, ES, NL, PT	DK
	Children aged less than 3 years in formal childcare (% of population under 3-years-old)	**2021**	DK, ES, FR, LU, NL, SE	CY, EL, HR, SI	BE	AT, EE, FI, LV		BG, DE, IE, LT, MT, PL	CZ, HU, RO
	Self-reported unmet need for medical care (% of population 16+)	**2021**	CY, DE, MT	AT, BG, CZ, ES, HU, LU, NL		BE, DK, FR, HR, IE, LT, PL, PT, SE	EE, LV		EL, FI, RO, SI

Note: update of 21 October 2022. Due to substantial changes in the definition of the Share of individuals who have basic or above basic overall digital skills indicator in 2021, a comparable value for 2019 is not available, therefore analysis of this indicator relies, exceptionally, only on 2021 levels. Income quintile ratio, Impact of social transfers, Disability employment gap, Housing cost overburden, Children aged less than 3 years in formal childcare and Self-reported unmet need for medical care not available for Slovakia; GDHI per capita growth not available for more than half of the Member States, analysis is based on 2020 values; Housing cost overburden not available for France. Breaks in series and other flags are reported in Annexes 1 and 2.

Benchmarking frameworks supporting analysis and policy making

The 2017 Communication on establishing the European Pillar of Social Rights proposed benchmarking as a tool to support structural reforms and foster upward convergence in the employment and social fields. As a multilateral exercise, benchmarking frameworks combine quantitative indicators (on performance and outcomes) with the qualitative analysis of policy design features and policy levers that affect the quality and results of policy making. In addition, the benchmarking frameworks, together with the Social Scoreboard indicators, help inform the analysis in the European Semester and the Joint Employment Report.

Since 2017, benchmarking frameworks in several areas have been developed by the Commission and discussed with Member States, in line with a common approach agreed by the Employment Committee (EMCO) and the Social Protection Committee (SPC). The frameworks agreed so far address the areas of 1) unemployment benefits and active labour market policies, 2) adult skills and learning, 3) minimum income (see Pillar Box 8 on Minimum Income benchmarking in section 2.4.1), 4) childcare and support to children and 5) pensions.

Among the benchmarking frameworks developed within the EMCO, work is ongoing to finalise the framework on unemployment benefits and active labour market policies. While the part of the framework on unemployment benefits is already complete and fully operational, work is being pursued in cooperation with EMCO on the development of policy lever indicators to monitor the quality of the early support services provided by the Public Employment Services to unemployed job seekers.

Among the benchmarking frameworks developed within the SPC, the one on pensions was agreed in February 2022.[46] It consists of indicators of old-age poverty and income maintenance after retiring, as well as context indicators on life expectancy and public expenditure. Policy levers indicate the key features of pension schemes having an impact on pension adequacy.

By strengthening the common understanding of the pertinent indicators and policy levers in a policy area, benchmarking frameworks make a strong contribution to the implementation of the European Pillar of Social Rights. The main results of these exercises are reported in the Joint Employment Report, as relevant.

[46] See a summary and details on frameworks developed within the SPC online.

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 create 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 of 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

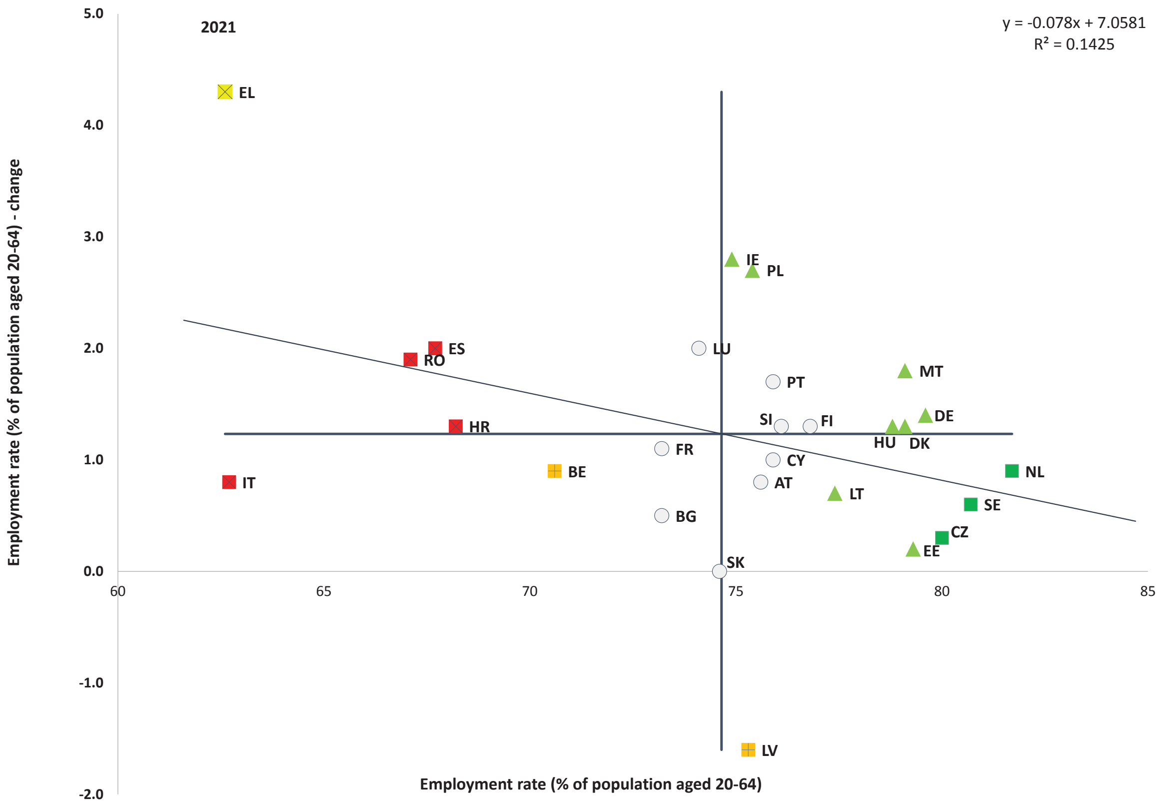
The EU labour market experienced a robust recovery in 2021 and continued to perform strongly in almost all Member States throughout the first half of 2022. On a yearly basis, the employment rate for the EU (age group 20-64) improved by 1.4 pps to 73.1% in 2021, surpassing its pre-pandemic level of 72.7% in 2019. It increased in all Member States but Latvia. This represents considerable progress towards the EU headline target of at least 78% of people aged 20-64 in employment by 2030. Nevertheless, there is substantial heterogeneity across countries, with the largest increases registered in Greece (4.3 pps) followed by Ireland (2.8 pps), Poland (2.7 pps), Spain and Luxembourg (both 2 pps) – see Figure 2.1.1. On the contrary, Latvia experienced a decrease (by 1.6 pps), while Slovakia, Estonia and Czechia recorded stable or marginally increasing employment rates. According to the Social Scoreboard methodology, Italy, Croatia, Romania, and Spain are in 'critical situations', despite average or somewhat higher than average increases in employment (except for Italy with a below-average increase), which still left rates at around or below 67%. Conversely, Sweden, Czechia, and the Netherlands are still 'best performers' (with rates at or above 80% in 2021). The negative slope of the regression line suggests a converging trend with employment rates having increased faster in countries at lower levels. This strong performance was possible also thanks to the wide availability of short-time work and job-retention schemes that helped preserving jobs in 2020 and 2021, during the COVID-19 crisis (see also JER 2022). On a quarterly basis, the employment rate (20-64) increased by 0.8 pps to 74.8% in the first half of 2022 for the EU and improved in almost all Member States. Member States with lower initial employment rates have nonetheless shown a higher level of ambition in their national targets – see section 1.3. Regional differences in employment rates continue to persist, also within individual Member States (see Annex 3).

The recovery has been stronger for less contact-intensive sectors and weaker for other parts of the economy. Job creation remained subdued in manufacturing on the back of shortages of basic inputs and bottlenecks in global supply chains. The recovery was also lagging behind in contact-intensive services[47], where employment at the end of 2021 was still below pre-pandemic levels (by 1.3 %). This reflects the stronger impact on these sectors of the containment measures introduced to deal with the resurgence of the pandemic in the second half of 2021, and the more permanent shift towards online services. By contrast, in less contact-intensive services, where tasks can be performed via IT tools, or the risk of

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

infection is lower, employment expanded more rapidly and was 2.6% above its pre-crisis level by the end of 2021.[48]

Figure 2.1.1: The employment rate increased in almost all Member States in 2021
Employment rate (age 20-64), 2021 levels and changes from previous year (%, Social Scoreboard headline indicator)



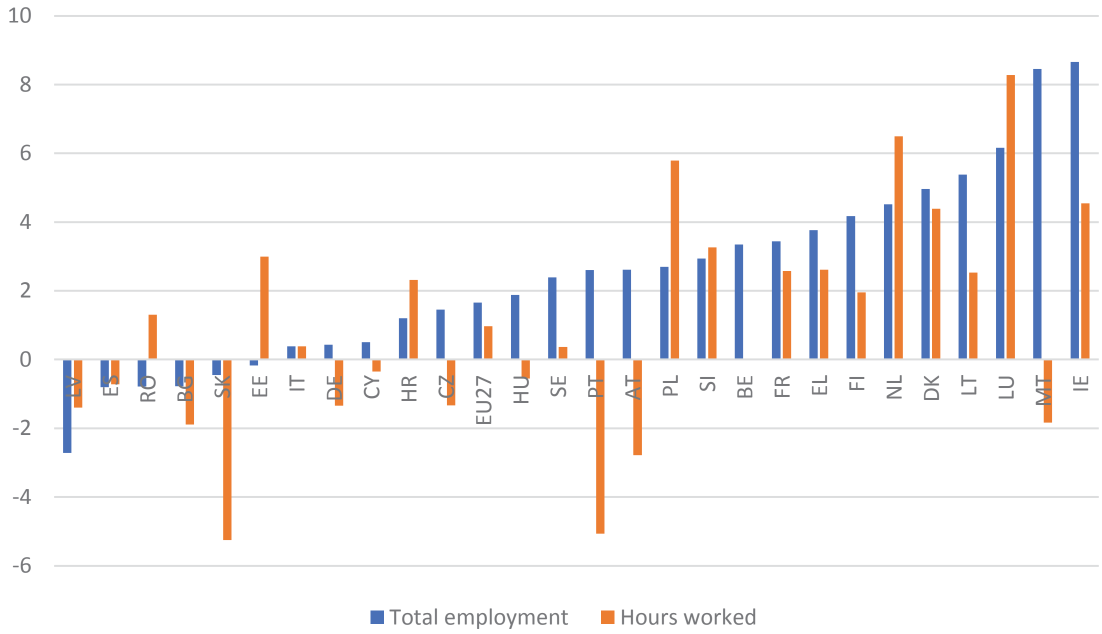
Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.
Source: Eurostat [lfsi_emp_a], EU LFS.

Both total employment and hours worked increased compared to pre-pandemic levels. In the second quarter of 2022, headcount employment was above pre-pandemic levels in all Member States except Bulgaria, Estonia, Spain, Latvia, Romania, and Slovakia, and for the whole EU it exceeded its pre-pandemic level by about 3.5 million – see Figure 2.1.2. At the same time, total hours worked also increased by 1.1% in the EU in the first quarter of 2022 over the previous quarter, surpassing pre-pandemic levels for the first time since the onset of the pandemic in early 2020. This growth rate was nonetheless heterogeneous across Member States, with total hours worked still below pre-pandemic levels in the second quarter of 2022 in Germany, Portugal, Spain, Austria, Bulgaria, Cyprus, Czechia, Latvia, Slovakia, Hungary and Malta. Despite some exceptions where there was a big difference in growth rates between total employment and hours worked (such as for Austria, Portugal, Cyprus, Malta, Hungary, and Sweden), growth rates for the two variables tended to be relatively more aligned for most Member States.

[48] See European Commission, *Labour market and wage developments in Europe: annual review 2022*, Publications Office of the European Union, 2022 (forthcoming).

Figure 2.1.2: Employment and hours worked surpassed pre-pandemic levels in most Member States

Change in total employment and number of hours worked between Q4-2019 and Q2-2022 (%)



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 and similar job retention schemes importantly protected workers and jobs in the COVID-19 crisis and remain an important policy tool to preserve jobs and human capital in crisis contexts while supporting the modernisation of the economy. They were gradually phased out in many Member States after the first half of 2021, in line with the subsiding impact of the pandemic and the lifting of restrictions on economic activities. Several Member States however kept in place and prolonged their pandemic-related schemes, still fewer persons needed support through job retention schemes in the first half of 2022. Monthly expenditure on measures eligible for financial assistance under the European instrument for Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) increased temporarily in January 2022 before decreasing rapidly.[49] Even this reduced expenditure in 2022 is estimated to have supported around 220,000 workers and 10,000 firms by mid-2022. In almost half of the Member States, pre-existing schemes have remained in place following the expiry of COVID-related amendments.[50] Short-time work and other job retention schemes can play a useful role to preserve employment and firm-specific human capital, including in the current uncertain macroeconomic context. At the same time, their design and implementation should be tailored to the specific situation. For industries and sectors affected by structural transformations, short-time work schemes should be designed in a way to support restructuring processes where needed, and help the modernisation of the economy, in particular through associated reskilling and upskilling, including in light of the ongoing need to accelerate the clean energy transition.

Self-employment has not become more widespread in the context of the COVID-19 crisis. The share of self-employment within the total has decreased slightly in the last decade,

[49] See the fourth bi-annual implementation report on the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) on the SURE website (COM(2022) 483 final).
[50] Eurofound EU PolicyWatch database.

from 14.8% in 2010 to 13.4% in 2020.[51] In the context of the COVID crisis, between 2019 and 2020, the number of self-employed declined from 26.1 to 25.7 million. In 2021, the number in the EU stood at 25.1 million and made up to 13% of total employment.[52] However, this varied significantly across Member States, with shares close to or above 20% in Italy and Greece and around 7% in Germany and Denmark. Across the EU, approximately 70% of the self-employed (aged 15-64) were solo self-employed, amounting to 9.4% of total employment, in 2020. This share slightly decreased from 10.2% in 2010, more for men than for women (by 1.1 pps and 0.4 pps, respectively). The number of solo self-employed women rose in 13 countries, and in the EU-27 overall, between 2019 and 2020, suggesting that the increased burden of childcare during the pandemic may have pushed more women to move into self-employment. Own-account workers represented the largest share of self-employed in the EU and in most Member States in 2021 (on platform work, 'own-account workers' and 'bogus self-employment', see section 2.3.1 and Pillar box 5 therein).

The recovery from the COVID-19 pandemic has been characterised by a steep rise in labour shortages in most Member States.[53] With the swift economic recovery, labour shortages re-emerged quickly in 2021, especially in certain sectors and occupations.[54] By the end of 2021, they reached or exceeded pre-pandemic levels in several countries in industry, services and construction, amid declining unemployment and labour market slack.[55] The main occupation groups with reported shortages in the EU in 2021 related to healthcare and long-term care, software professionals, transport, construction, and engineering craft workers.[56] Shortages of skilled workers have also been observed in some sectors linked to the green transition[57]. In Q3-2022, labour shortages stood at 35% in services, 32% in construction, and 27% in manufacturing – see Figure 2.1.3. In the same quarter, the highest shortages in industry were reported for Germany (42%), Slovenia (41%), Hungary and Poland (40%), and Croatia (39%). In services, shortages have been the highest in Malta (70%), the Netherlands (61%), Germany and Ireland (49%), Sweden (48%) and Finland (44%). Population ageing is also negatively impacting on labour shortages. As a result of demographic developments, the EU's working-age population (20-64) has been shrinking in absolute terms over the last decade (from 269 million in 2012 to 264 million in 2021). While the phenomenon is widespread, it is particularly pronounced in certain Member States (such as Latvia, Bulgaria and Romania) affected by migration outflows on top of low fertility rates.[58] In the medium to long run, the inflow of displaced persons from Ukraine, along with regular migration from other regions of the world, may contribute to help easing shortages in

[51] Eurostat [lfsa_egaps], EU LFS.

[52] Comparison with values before 2021 of this indicator is not made as there is a break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics.

[53] Throughout this paragraph, labour shortages are approximated by 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). There are alternative approximations to labour shortages, such as vacancy rates in Industry, Services and Construction, as measured by Eurostat [jvs_a_rate_r2].

[54] See Chapter II in: *European Commission, Institutional Paper 184, Quarterly Report on the Euro Area (QREA)*, Vol. 21, No. 2 (2022).

[55] In Q4-2021, 24% of employers in industry, 25% in services and 30% in construction stated that labour shortages were one of the main factors hampering their business activity (compared to the pre-pandemic levels of 14%, 19% and 23% respectively).

[56] *McGrath, J. (2021): Report on labour shortages and surpluses*. European Labour Authority, 2021. These four occupational groups account for 21 of the 28 identified shortage occupations in the report.

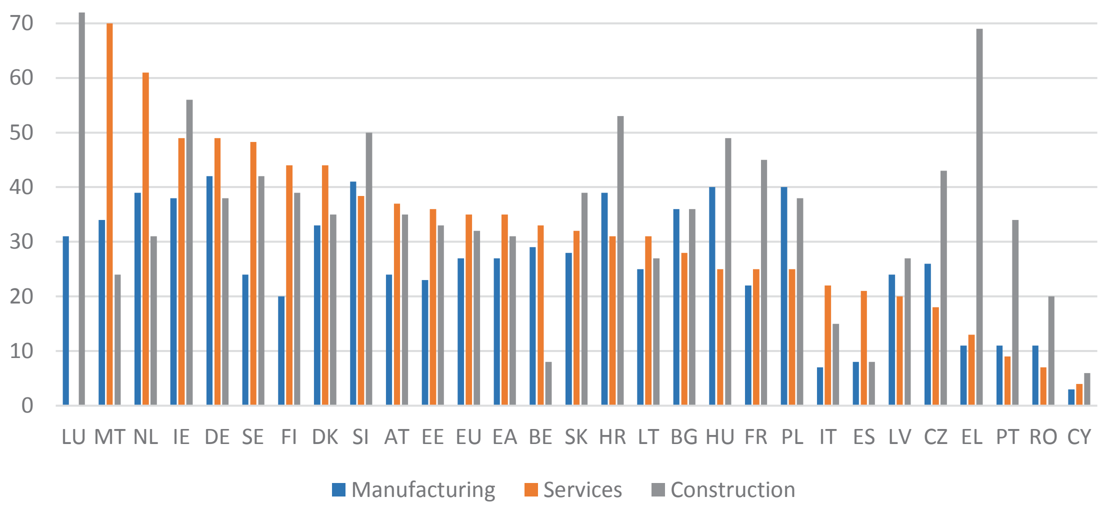
[57] See European Semester Country Reports, Annex 6: Employment and social impact of the green transition in the 2022.

[58] Source: Eurostat article on population and population change statistics. Between 2020-2021 increased mortality impacted by the COVID-19 pandemic added to the decreasing population figures.

sectors with the lowest barriers to skills transferability. Measures to recognise qualifications are key also in this respect (see section 2.1.2). Still, the inflow of people fleeing the war is unlikely to solve the underlying structural problems that strongly influence shortages in the EU and their access to the labour market may involve other challenges such as language barriers.

Figure 2.1.3: Reported labour shortages, especially in services, are 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 (%, Q3-2022)



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

The greening of the EU economy offers significant opportunities for quality employment and requires adequate support to people in job transitions to ensure that no one is left behind. The green transition could create up to 884,000 jobs by 2030 and possibly a multiple of it by 2050, subject to the right accompanying policies.[59] From 2000 to 2019, the number of workers in the EU-27 environmental goods and services sectors (EGSS) grew already by 43.3%, and notably by 91.6% in renewable energy production.[60] In 2019, employment in the EGSS reached 2.2% of total employment in the EU-27 (compared to 1.7% in 2000), though with substantial differences across Member States – see Figure 2.1.4. In some countries, like Finland, Estonia or Luxembourg, this share was close to or above 5%, while in others it was only a limited share of the employed population. At the same time, the transition entails labour reallocation and increases the likelihood of skills shortages and mismatches. Effective active labour market policies as well as upskilling and reskilling opportunities remain key to support a fair green transition and address labour and skills

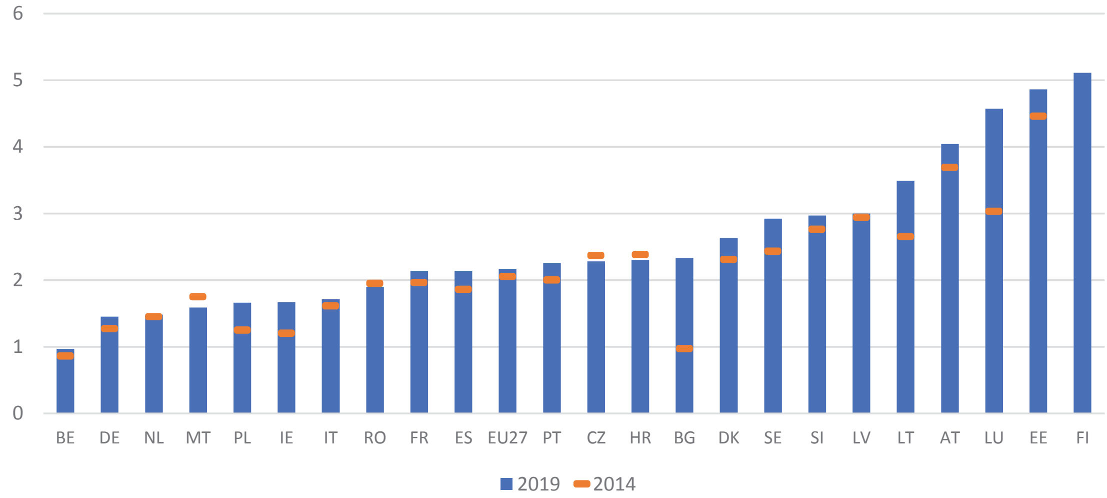
[59] See European Commission, Murauskaite-Bull, I., Scapolo, F., Muench, S., et al., *The future of jobs is green*, Publications Office of the European Union, 2021, JRC126047. For earlier estimates see SWD(2020) 176 final, and for country-specific projections and for country-specific projections, see Eurofound (2019), *Future of manufacturing - Energy scenario: Employment implications of the Paris Climate Agreement*, Eurofound Research Report. See also *A Clean Planet for all* impact assessment; a potential gain of about 2 million jobs by 2050 is reported in European Commission, *Employment and Social Developments in Europe 2019*, Publications Office of the European Union, 2019.

[60] Eurostat indicator [env_ac_egss1]. EGSS can be considered a conservative proxy for green jobs. The concept focuses on activities generating environmental products, which excludes certain activities making a substantial contribution to climate and environmental objectives, for instance based on their performance relative to relevant benchmarks.

shortages that pose bottlenecks to a greener growth model[61] (see Pillar box 4 in section 2.2). Overall, the electricity production, transport, manufacturing, agriculture, and mining sectors together generate close to 90% of all CO_2 emissions in the EU, while accounting for less than 25% of gross value added and 25% of employment. This implies that transition challenges will be particularly present in these sectors and in the regions where they represent an important share of the economy.[62]

Figure 2.1.4: The share of green jobs in total employment has increased in most Member States between 2014 and 2019

Employment in the environmental goods and services sector (% of total employment, 2014 and 2019)



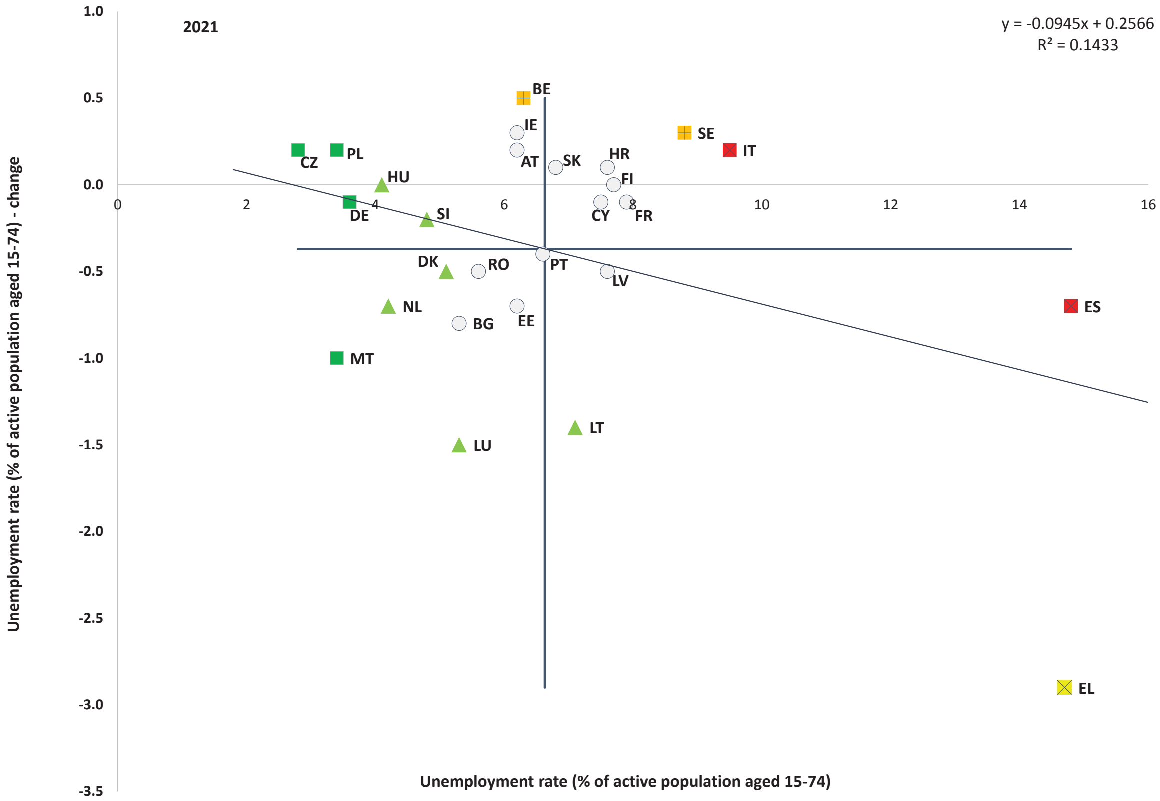
Note: Total full-time equivalent employment in the environmental goods and services sector divided by total employment, both domestic concepts. No data available for Cyprus, Greece, Hungary, and Slovakia.
Source: Eurostat [env_ac_egss1] and National accounts employment data [nama_10_a64_e]

In parallel with employment growth, most Member States recorded decreasing unemployment. The average EU unemployment rate (age 15-74) decreased by 0.2 pps from 7.2% in 2020 to 7.0% in 2021, getting closer to the 2019 level of 6.8%, the lowest since 2009. This decline was driven by the significant job creation that accompanied the strong economic recovery from the COVID-19 crisis in 2021. There are nonetheless considerable differences across Member States with a 12 pps gap between the lowest unemployment rate and the highest – see Figure 2.1.5. In 2021, Greece recorded a much higher than average decline (by 2.9 pps), followed by Luxembourg and Lithuania (by 1.5 pps and 1.4 pps respectively), while the situation deteriorated especially in Belgium, Sweden, and Ireland (with increases by 0.5 pps, 0.3 pps and 0.3 pps, respectively). The Social Scoreboard headline indicator flags a 'critical situation' for Italy, which registered a moderate increase in unemployment still in 2021 from an already high level, and for Spain, where the rate decreased only slightly but the level is still the highest in the EU. Belgium and Sweden are classified 'to watch' (the former at an average value but with an above average increase, and the latter for its above average level). Finally, Greece is marked as 'weak but improving', because of the large drop in unemployment in 2021, which remains nonetheless the second highest in level. The decline in unemployment was accompanied by a rise in labour market participation in the EU, with the activity rate of the 20-64 age group increasing from 75.8% in the second quarter of 2020 to 79% in the fourth quarter of 2021. On a quarterly basis, the

[61] See Council Recommendation on ensuring a fair transition towards climate neutrality (2022/C 243/04).
[62] See p. 175. in European Commission, *Employment and Social Developments in Europe 2019*, Publications Office of the European Union, 2019.

unemployment rate decreased further by 0.4 pps to 6.1% in the first half of 2022 for the EU, but increased in a few Member States (Belgium, Czechia, Estonia, Croatia, and Luxembourg).

Figure 2.1.5: The unemployment rate decreased in most Member States in 2021
Unemployment rate (age 15-74), 2021 levels and changes from previous year (%, Social Scoreboard headline indicator)



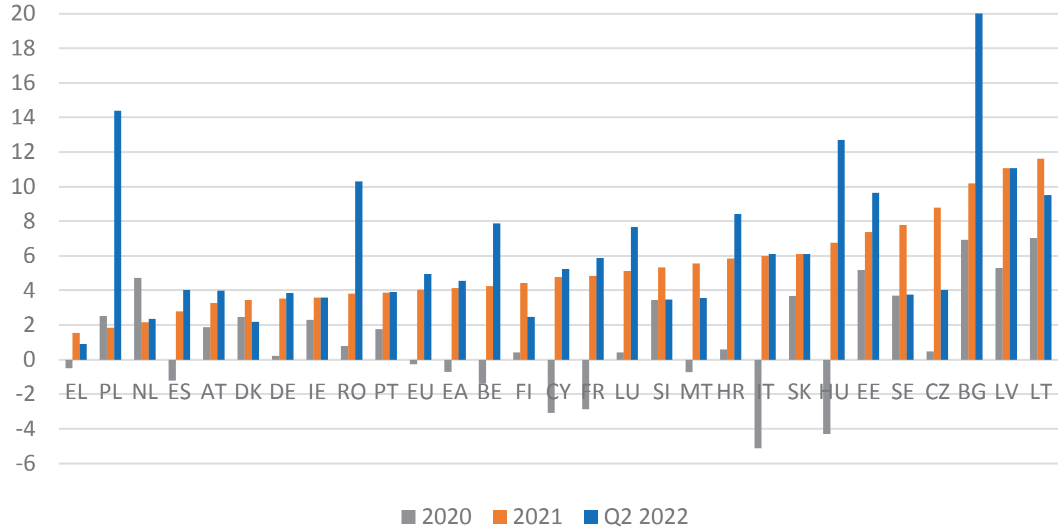
Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.
Source: Eurostat [une_rt_a], EU LFS.

Nominal wage growth picked up in 2021 supported by the rebound in hours worked and the strong economic recovery. Growth in nominal compensation per employee reached 4.1% in the EU in 2021, well above the average of around 1.7% from 2013 to 2019. This can only to a small extent be explained by the pressure exerted by decreasing unemployment and increasing labour shortages. Throughout 2021, nominal compensation per employee increased in all Member States – see Figure 2.1.6. A growth rate above 6% was registered in 2021 in Lithuania, Latvia, Bulgaria, Czechia, Estonia, Hungary, and Slovakia, consistent with the catching-up of their economies, as well as in Sweden. By contrast, compensation per employee grew by less than 3% in Greece, Poland, the Netherlands, and Spain. The increase in nominal compensation per employee largely reflected a rebound in hours worked in 2021 following its collapse in 2020, and in some countries also the 2021 phasing-out of short-time work schemes, extensively used in 2020 (implying a more than proportional increase in the overall wage bill than the increase in employment headcounts)[63]. In the first half of 2022 nominal wage growth accelerated slightly, reflecting notably the pressure from elevated inflation, and further tightening of labour markets. In Q2-2022, nominal compensation per

[63] For more details on the effects of short-time work schemes on measures of compensation per employee, see da Silva et al., *Short-time work schemes and their effects on wages and disposable income*, 2020, ECB Economic Bulletin, Issue 4/2020.

employee grew on a yearly basis by more than 8% in Hungary, Bulgaria, Croatia, Lithuania, Latvia, Estonia, Poland, and Romania, but by less than 3% in Greece, the Netherlands, Denmark, and Finland. In the majority of Member States, the increase was between 3% and 6% - see Figure 2.1.6. Nominal wages are expected to increase further in 2023, due to the tightness of the labour market and efforts to restore purchasing power.[64] This growth, however, is expected to only partially mitigate losses in real incomes, without triggering a persistent feedback loop between wages and inflation.

Figure 2.1.6: Nominal wage growth has recovered in 2021
Nominal compensation per employee (annual % change, 2020, 2021, Q2-2022)



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 2021.
Source: European Commission, AMECO database, Nominal compensation per employee [hwcdw]. For Q1 and Q2-2022: EMPL calculations based on Eurostat data, Compensation of employees [namq_10_gdp] and Total employment (domestic concept) [namq_10_a10_e].

Developments in negotiated wages remained limited in 2021 and their evolution indicates that wages continued to increase at a much slower pace than prices in the euro area.[65] Unlike the evolution in compensation per employee, the indicator on negotiated wages captures the outcome of collective bargaining processes in the euro area and is not directly affected by the large variations in hours worked in the past years caused by the pandemic. Negotiated wages in the euro area registered a modest increase in 2021 by 1.5%, slightly below the average of the period 2013-2020 (1.7%), despite the strong rebound in employment following the pandemic. This can be linked to delays in wage renegotiations and the remaining uncertainty in

[64] See European Commission, *European Economic Forecast, Autumn 2022*, Institutional Paper 187, November 2022, page 37 and Table 26.

[65] The ECB indicator of negotiated wages for the euro area represents a weighted average of national year-on-year growth rates of collectively agreed wages for most euro area countries. In contrast to other indicators like compensation per employee, it is not affected by developments in hours worked. As a rule, the indicator also excludes bonuses, overtime and other individual compensation that is not linked to collective bargaining, and in some Member States it represents a wage floor in some sectors rather than the actual compensation paid by firms. The index of negotiated wages comes with some caveats regarding coverage across countries and methodology harmonisation, including the treatment of certain types of bonuses.

some sectors due to the pandemic. In Q1-2022, negotiated wages in the euro area grew by 2.8% in nominal terms on a yearly basis, after an increase by 1.6% in Q4-2021.[66] However, negotiated wage growth slowed down to 2.4% in Q2-2022.[67]

In 2021, real wages rebounded in most Member States, and on aggregate in the EU, but they are decreasing again in 2022. In contrast to 2020, workers in almost all Member States experienced strong growth of real wages in 2021. Robust real wage growth above 5% was observed in Latvia, Lithuania, and Bulgaria, while on the contrary small decreases were recorded in Ireland and the Netherlands. The rebound of real wages was also particularly strong in Italy, France, and Belgium, which recorded significant increases in 2021, following a drop in the previous year – see Figure 2.1.7. However, the positive trend has been halted or reversed in the first quarter of 2022, when real wage growth turned negative again in the EU (-1.3% year-on-year) and in most Member States. Inflation started accelerating already in the second half of 2021, and Russia's war of aggression against Ukraine has further exacerbated existing pressures, accentuating the decrease in real wages. Annual inflation in the EU reached a peak of 10.9% in September 2022, up from 5.3% at the end of 2021. In Q2-2022 real wages fell severely, by 3.3% in the EU on average compared to the same quarter of 2021 and by more than that in 17 Member States amidst growing concerns about the adverse social consequences of the loss in purchasing power, especially for low-wage earners. Going forward, the loss in terms of trade and deterioration of the economic outlook, together with the uncertainty around the inflation outlook, are expected to have an important bearing on wage developments.

Figure 2.1.7: In 2021 real wages rebounded in the EU but are decreasing in 2022 in most Member States

Real gross wages and salaries per employee (annual % change; 2020, 2021 and Q2-2022)

Source: European Commission, AMECO database, Real gross wages and salaries per employee; deflator: private consumption [rwwdc]. For Q1 and Q2 2022: 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].

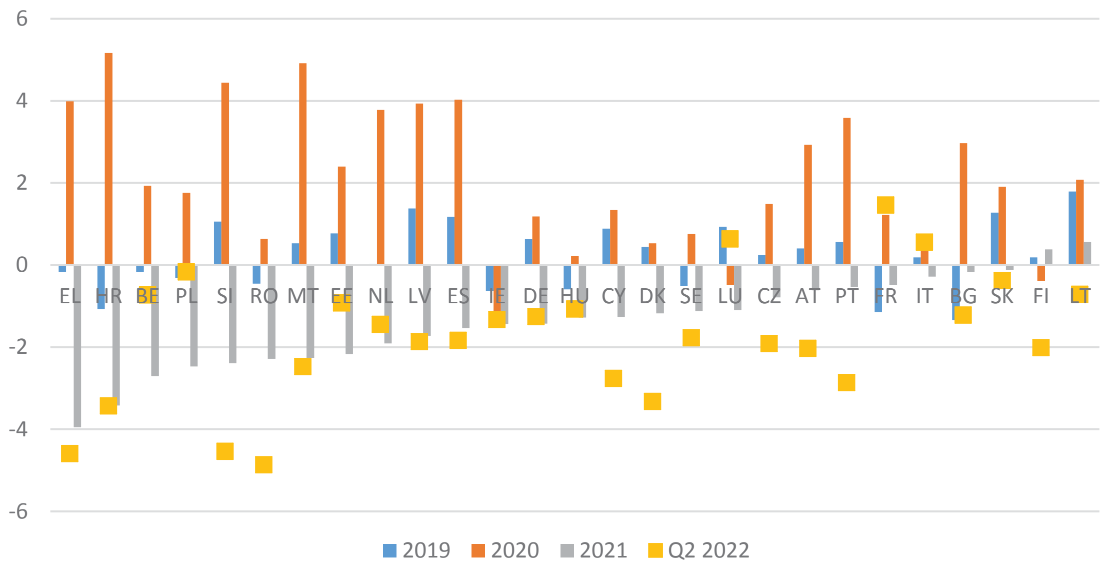
Real wage growth was trailing behind growth in labour productivity in 2021 and is expected to drop further in 2022 in most Member States. This resulted in a decreasing

[66] At Member States level, sizeable increases occurred notably in Germany (yearly growth of 4.0% in Q1-2022, after 1.1% in Q4-2021 and less than 2% since Q3-2020), France (around 3% in Q1-2022, after around 1% having fluctuated between 0.5% and 1.5% over 2014–2021), the Netherlands (2.4% after 2.1% in 2021), Belgium (+4.8%), Austria (2.6%, after 1.7% in 2021) and Spain (+2.6% in Q2-2022, after around 1.7% in 2020 and 2021).

[67] For further details see Chapter 2 of European Commission, *Labour market and wage developments in Europe: annual review 2022*, Publications Office of the European Union, 2022 (forthcoming).

wage share, which measures the share of national income paid to labour. When real wages grow more slowly than labour productivity, this share decreases. In 2021, the wage share in the EU stood at 55.7%, down from 56.9% in 2020. Decreases higher than 1 pp were recorded in 20 countries in 2021 - see Figure 2.1.8, while the wage share increased only in Lithuania and Finland by less than 1 pp. Over the period 2013-2020, the wage share increased in Member States whose starting levels were comparatively low, and most notably in Bulgaria, Estonia, Latvia, Lithuania, Romania, and Slovakia, thus contributing to convergence. In the first half of 2022 the wage share has been decreasing in almost all countries, reflecting slow wage growth. Furthermore, the deteriorating terms of trade resulting from the sharp increases in the price of imported energy have led to a further loss in real domestic incomes.

Figure 2.1.8: The wage share decreased in 2021 with wages growing on average slower than labour productivity
Wage share (2019, 2020, 2021 and Q2-2022, y-o-y change, pps)



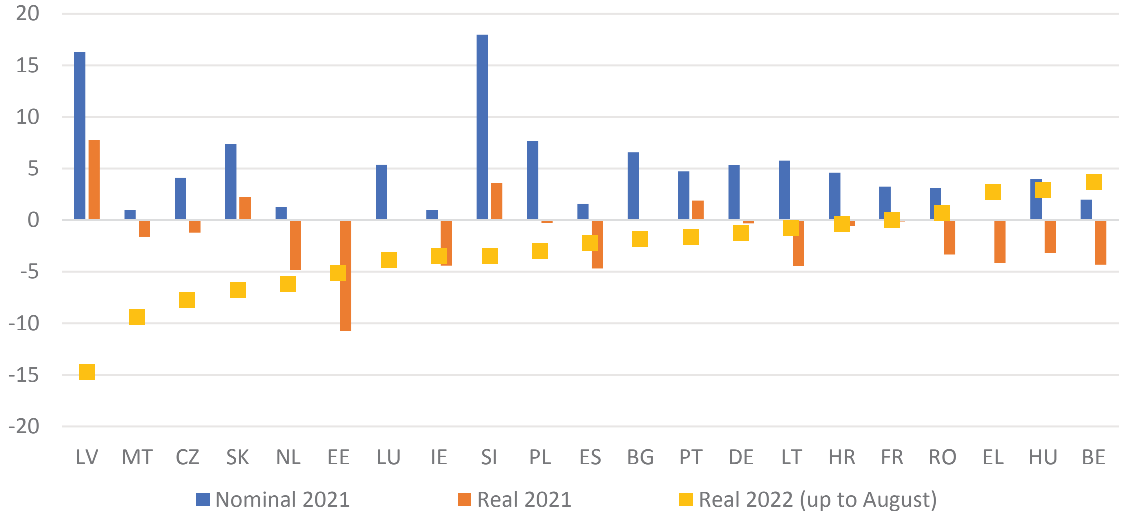
Note: (1) The wage share is calculated as percentage of GDP at current prices (2) Countries are ranked in descending order of wage share growth in 2021.
Source: DG EMPL calculations based on Eurostat data, [namq_10_a10_e] and [namq_10_gdp].

Recent minimum wage increases in many Member States have not avoided the loss in purchasing power among recipients due to the surging inflation, and adequate increases through timely updates play an important role in protecting low-wage earners. Despite the significant nominal increases in 2021 (see Section 2.1.2), minimum wages decreased in real terms in all but four Member States (Latvia, Portugal, Slovenia, and Slovakia). By contrast, average real wages increased in all Member States except Ireland and the Netherlands in the same period. Up to August 2022, the lowest-paid employees incurred further significant losses in purchasing power[68] in most countries with a statutory minimum wage – see Figure 2.1.9. The only exceptions were Belgium, Hungary, Greece, and Romania where nominal increases exceeded inflation, while in France the minimum wage in real terms remained unchanged. Around half of the Member States with statutory minimum wages take inflation into account when setting these, and they do so in different ways and to different

[68] Calculated from Eurostat [prc_hicp_midx].

degrees.[69] In most countries the process results in an upgrade of the level in January of each year, with no additional policy interventions during the rest of the year. The recently adopted Directive on adequate minimum wages[70] can help support vulnerable households by encouraging the setting of statutory minimum wages at adequate levels, taking into account the purchasing power of the minimum wage, the socioeconomic conditions and long-term productivity developments among other criteria (see also Pillar Box 1). In particular, the regular updates of minimum wages in line with the Directive could help prevent generalised losses in purchasing power among minimum wage earners in the current context in order to maintain their living standards. In addition, in the context of the energy crisis, temporary budgetary support measures targeted at low earners can help alleviate the loss of purchasing power.

Figure 2.1.9: Inflation has eroded recent increases in minimum wages
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 2022.
Source: Network of Eurofound Correspondents and Eurostat [prc_hicp_midx], Eurofound calculations.

Pillar Box 1: Minimum Wages

When set at adequate levels, minimum wages, either statutory or based on collective bargaining, promote upward social convergence. Adequate minimum wages help reduce in-work poverty and wage inequality, sustain domestic demand and strengthen incentives to work. They also contribute to reducing the gender pay gap given the over-representation of women in low-paying jobs and ensuring fair competition for employers that pay decent wages. The right to adequate minimum wages is enshrined in Principle 6 of the European Pillar of Social Rights (EPSR).

[69] Eurofound, Aumayr-Pintar, C., Rasche, M., Vacas, C., *Minimum wages in 2019*: annual review, Publications Office of the European Union, 2019.
[70] Directive (EU) 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. 33–47.

Many low-income workers are not protected by adequate minimum wages; overall, almost one in ten workers is at risk of poverty.[71] With the current combination of high inflation and relatively moderate wage growth that is eroding the purchasing power of households (see also Pillar box 7), ensuring that workers are paid adequate minimum wages is crucial to support the most vulnerable and mitigate the social consequences of the energy crisis.

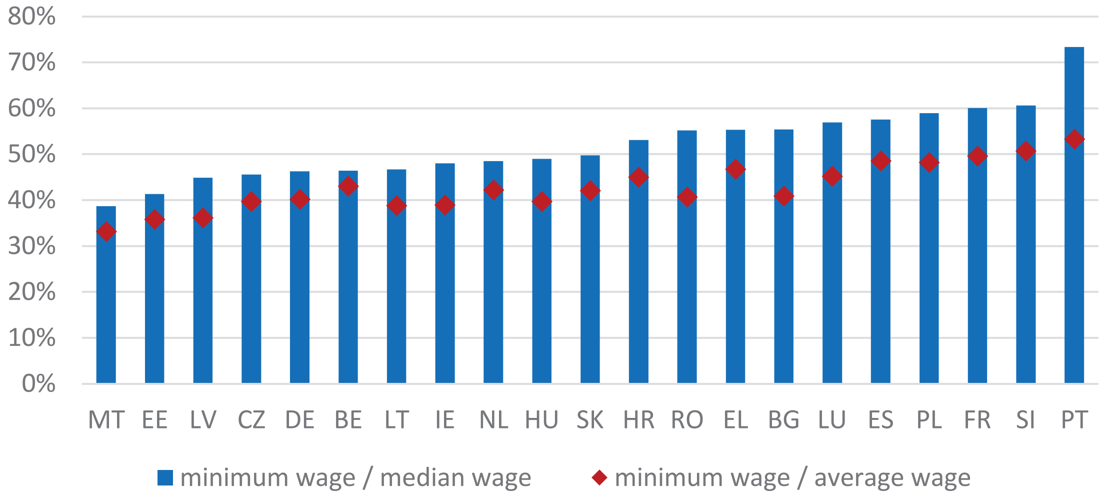
The Directive on adequate minimum wages aims at strengthening minimum wage protection across the EU. It was proposed by the Commission in October 2020 and adopted on 19 October 2022. The Directive will contribute to ensuring that workers in the Union are protected by adequate minimum wages allowing for a decent living. To this end, it contains provisions to promote collective bargaining and to enhance enforcement and monitoring mechanisms in all Member States. Moreover, it establishes a framework with clear rules to improve the adequacy of statutory minimum wages in those Member States that have them in place.

Collective bargaining plays a key role in achieving adequate minimum wages. Well-functioning collective bargaining implies that employers and employees are duly represented and ensures that wage conditions are consistent with workers' and employers' needs and are responsive to changing economic circumstances. By shaping general wage developments, collective bargaining also influences developments in minimum wages. Member States with a high collective bargaining coverage rate overall tend to have smaller shares of low-wage earners and higher minimum wages. Therefore, the Directive requires all Member States to take action to promote collective bargaining on wage setting. It also requires the establishment of an action plan and the setting of a framework of enabling conditions for collective bargaining for Member States where its coverage rate is lower than 80%.

Statutory minimum wages are often low compared to other wages in the economy, as well as insufficient to provide for a decent living. In almost all Member States, the statutory minimum wage is below 60% of the median wage and 50% of the average wage – see the Figure below. In 2021, only the statutory minimum wages of Portugal, Slovenia and France reached both values. Furthermore, in the same year, the statutory minimum wage was below 50% of the median wage in eleven EU countries (Slovakia, Hungary, the Netherlands, Ireland, Lithuania, Belgium, Germany, Czechia, Latvia, Estonia, and Malta). In two of these countries (Estonia and Malta), it was even below 45%. Moreover, three countries (Latvia, Estonia, and Malta) had minimum wages below 40% of the average wage. In this regard, the Directive contains requirements to strengthen the governance frameworks to set and update statutory minimum wages. These include (i) the use of clear criteria to set and update these wages, (ii) the use of reference values to help assess their adequacy, (iii) regular updates to preserve adequacy over time, (iv) clear conditions for variations and deductions from statutory minimum wages, as well as (v) timely and effective involvement of social partners throughout the setting and updating process.

[71] The in-work at-risk-of-poverty rate stood at 9% in 2019 and decreased slightly to 8.9% in 2021 for the 18-64 population, as measured by the Eurostat indicator [ilc_iw01].

In many Member States statutory minimum wages remain low compared to other wages
Minimum wages as a percentage of the gross median and the gross average wage (2021)



Source: DG EMPL calculations based on Eurostat data [earn_mw_cur], [lc_lci_r2_a] and Structure of Earnings Survey.

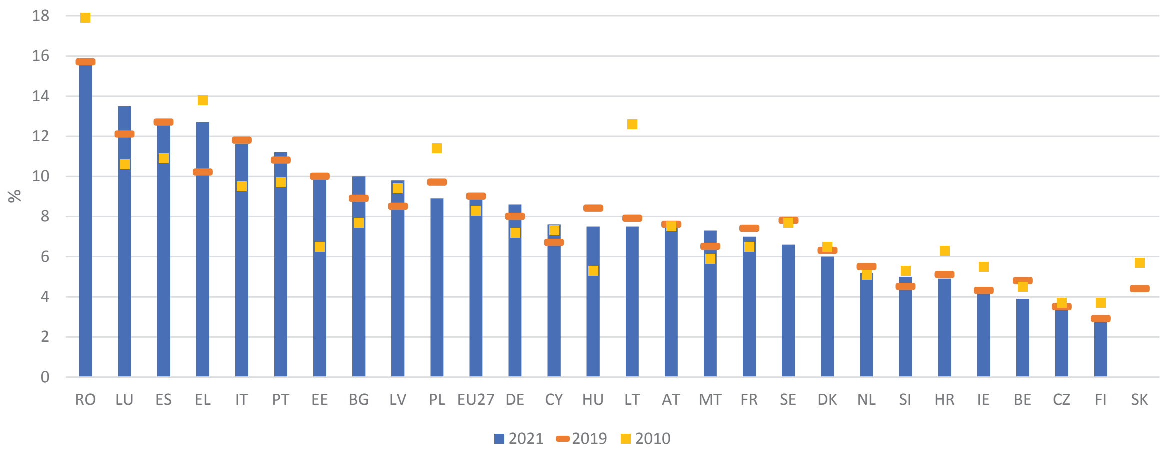
Effective enforcement and monitoring mechanisms are key to ensure appropriate access of workers to adequate minimum wages. Non-compliance with rules related to minimum wages appears to be a significant phenomenon across the EU, although data issues limit the possibility to have precise estimations.[72] To enhance the enforcement of these rules, the Directive requires Member States with statutory minimum wages to strengthen the controls and the intensity of field inspections and guarantee appropriate resources for enforcement authorities. Furthermore, it stresses that Member States must have in place effective redress mechanisms and penalties in case workers' rights relating to statutory minimum wages and to the minimum wage protection provided by collective agreements are not respected. To address shortcomings in data collection, the Directive requires all Member States to develop effective tools to monitor the coverage and adequacy of minimum wage protection, and to report a series of indicators related to minimum wage protection to the Commission every two years, starting from 2025.

A frontloaded implementation of the Directive can support Member States' efforts to offer timely support to vulnerable households in the current context. While they still have a two-year period to transpose the Directive into their national legislation, the initiative has already fostered debates at the national level, which may have been instrumental in the adoption of new measures enhancing the access to adequate minimum wages across the EU.

[72] This is notably the case in economic and social survey data, such as EU-SILC. A detailed survey of recent evidence is provided in Eurofound, Aumayr-Pintar, C., Rasche, M., Vacas, C., *Minimum wages in 2019*: annual review, Publications Office of the European Union, 2019. Non-compliance is shown to be a significant phenomenon in many countries, including those with minimum wage protection – see among others Garnero, A., *The dog that barks doesn't bite: Coverage and compliance of sectoral minimum wages in Italy*, IZA Journal of Labor Policy 7, 3 (2018).

A job still does not necessarily provide a way out of poverty. In-work poverty in the EU has not decreased over the last decade and stood at 8.9% in 2021.[73] The Member States with the highest levels in 2010 saw an overall sharp decrease of in-work poverty (i.e., Romania, Greece, Poland, and Lithuania) and Lithuania even decreased below the EU-27 average, with others remaining above or around it. In 2021, in-work poverty remained broadly stable in the majority of Member States in comparison to 2020 (referring to income years 2020 and 2019 respectively). A small number of Member States witnessed a decrease above 1 pp (i.e., Ireland and Sweden), while a larger group showed a slight increase (i.e., Romania, Luxembourg, Spain, Greece, Portugal and Latvia), including Member States where in-work poverty remains above the EU average. Figure 2.1.10 shows that in 2021 more than 10% of workers were at risk of poverty in Romania, Luxembourg, Spain, Italy, Greece, and Portugal. According to Eurostat's flash estimates[74] referring to the income year 2021, the situation does not appear to have changed across countries, except for Greece, estimated to see a slight decrease, and Croatia, the Netherlands and Slovenia, for which a slight increase is estimated. In general, low-educated workers face higher risks of in-work poverty than high-educated ones (19.8% vs 4%), as do non-EU born compared to native-born workers (21% vs 7.6%). In addition, workers on temporary contracts are more likely to be at risk of in-work poverty than those on permanent contracts (12.9% vs 5.3% in the EU).

Figure 2.1.10: In-work poverty remains a key challenge in many Member States
In-work at-risk-of-poverty rate (%, 2021, 2019 and 2010)



Note: Data for SK for 2021 not available. There is a break in the time series for LU in 2021.
Source: Eurostat [ilc_iw01], EU-SILC.

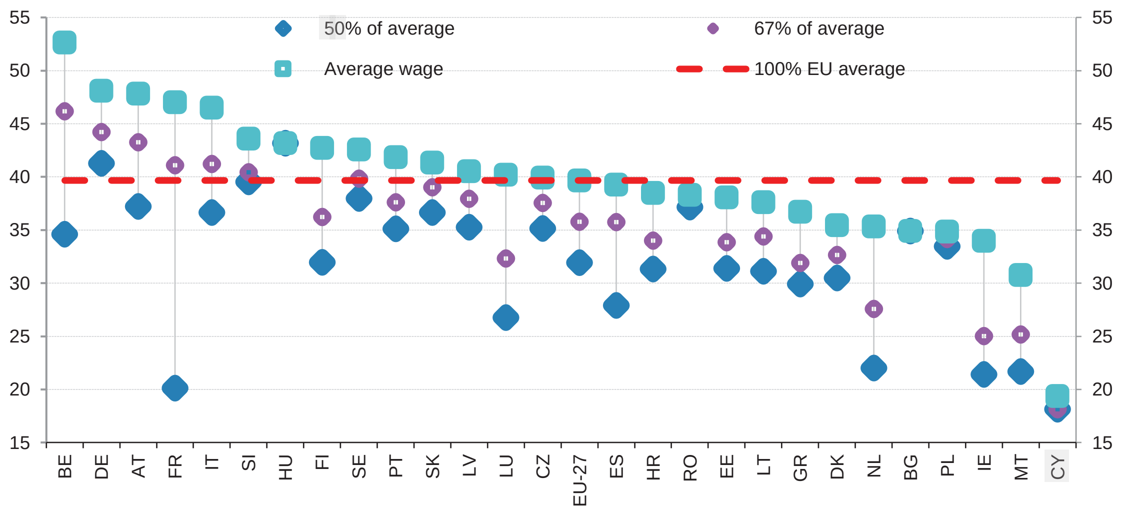
A high tax wedge can negatively influence labour demand, weakening incentives to look for work and increase working hours[75]. Between 2011 and 2021, the EU-27 tax wedge for a single person on an average wage declined from 41.6% to 39.6%. The tax wedge decreased in sixteen EU Member States over the same period, with the sharpest declines recorded in Hungary, Greece, Romania, Latvia, and Belgium. By contrast, significant increases occurred in Portugal, Malta, Luxembourg, and Slovakia. Importantly, the EU-27 tax wedge for a single person on a low wage (50% of average income) declined even more, by 2.8 pps since 2011,

[73] In-work poverty is the share of persons, aged 18 or above, who are at work and have an equivalised disposable income below the at risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers). Data for 2021 refer to 2020 income year. In the EU-27, the indicator increased significantly from 2010 (8.5%) to 2016 (9.8%), to then start decreasing, slowly but steadily year on year until 2020. Eurostat [ilc_iw01], [ilc_iw04], [ilc_iw05] and [ilc_iw16].
[74] See Flash estimates for the 2021 income year, released in August 2022, on Eurostat's website.
[75] The tax wedge measures the difference between total labour costs of employing a worker and employees' net earnings.

although it increased slightly between 2020 and 2021 (from 31.5% to 31.9%). Lowering tax burdens on low-income earners is particularly important also to reduce the barriers to hiring low-skilled workers.

Income tax systems tend to be progressive, implying that the tax wedge on labour is lower for those at the lower end of the income distribution. The tax wedge (including personal income tax and social security contributions) for single earners with no children is higher for those on average wages than for those earning 67% of the average wage, which in turn is higher compared to those on a low wage (50% of the average). This shows the progressivity of labour taxation, a pattern that is quite pronounced for France, Belgium, and Luxembourg, while less apparent for Hungary, Romania, Bulgaria, Poland, and Cyprus – see Figure 2.1.11. In several Member States, there remains nonetheless still scope for shifting taxation away from labour, notably by lowering the tax wedge for low- and middle-income earners, also to mitigate the effects of increasing energy prices, and towards other sources more supportive of environmental goals.

Figure 2.1.11: The tax wedge on labour is smaller for lower-wage levels
Tax burden for a single low wage earner (50% and 67% of the average wage) compared to average wage in 2021



Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax/benefit model (updated March 2022).

Pillar Box 2: Social Economy and Social Enterprises

The social economy counts 2.8 million entities across the EU, whose primary aim is to generate a positive social and/or environmental impact rather than financial gains for their owners or stakeholders. These include various business and organisational models, such as associations, cooperatives, mutual benefit societies, foundations, and social enterprises, building on local roots and using participatory governance. Social economy organisations offer concrete and innovative solutions to key societal challenges in a large variety of economic sectors, including social services, health care, education, agriculture, energy, banking, insurance, and waste management.

Paid employment in the social economy varies from less than 1% to 10% of the total workforce across Member States and suggests an untapped potential for employment growth in the sector for some Member States.[76] Social economy entities employ 13.6 million people in the EU and bring value to local economies and societies by fostering their inclusiveness, resilience, and environmental sustainability. For example, they provide additional quality jobs in the economy, contribute to the inclusion of disadvantaged groups, drive sustainable economic development, and promote the active participation of citizens in society. More recently, the social economy has helped mitigate the impact of the COVID-19 crisis by developing bottom-up solutions, mainly in health and social services, to support vulnerable and at-risk-groups. For example, in Poland the Malopolska Incubator for Social Innovation, co-financed by the ESF, provided citizens with grants for developing, testing, and implementing projects to address the needs of dependent people. In addition, the social economy's values-based approach makes it an important actor to ensure fair green and digital transitions.

While social economy organisations and social enterprises operate in all Member States, the degree of understanding and acceptance of the social enterprise and social economy concepts varies to a significant extent across them. In many Member States, because of the lack of formal recognition and awareness about their business models, social economy entities face difficulties in developing their activities. Hence, there is scope for more and better support, including policy and legal frameworks tailored to their specificities, better access to finance and markets, as well as better integration into business networks and support services.

To address this challenge, in December 2021 the European Commission put forward the Social Economy Action Plan (SEAP).[77] The SEAP aims at improving the ecosystem for social economy entities in particular in countries where it is still underdeveloped, in line with principle 4 of the European Pillar of Social Rights (Active Support to Employment). The proposal for a Council Recommendation on developing social economy framework conditions (planned for May 2023) – as one of the key actions under the SEAP – should help improve the policy and regulatory framework for the social economy in a range of areas, including State Aid, public procurement and taxation. Additionally, 'proximity and social economy' is recognised as one of the fourteen key industrial ecosystems by the Commission's industrial strategy of March 2020.

Access to finance represents a key structural challenge for social enterprises. The availability and use of repayable financial resources for social enterprises is very heterogeneous across Member States. In 2014-20, the pioneering EU-level financial instruments under the EU Programme for Employment and Social Innovation (EaSI) supported social enterprises through loan portfolio guarantees, equity and debt financing. Support continues through the InvestEU Social Investment and Skills Window in 2021-27, with the European Investment Fund, as the main implementing partner for social enterprise finance. Financial instruments' support is complemented by grants (such as transaction cost support, social finance pilot grants) funded under ESF+.[78]

[76] European Economic and Social Committee, Monzon, J. L., Chaves, R., *Recent evolutions of the Social Economy in the European Union*, European Economic and Social Committee, 2017.

[77] European Commission, *Building an economy that works for people: an action plan for the social economy*, Publications Office of the European Union, 2021. The action plan builds on the Social Business Initiative (2011).

[78] An example from the latest supply and demand social finance call (2020) is the cooperation between Erste Bank and Impact Hub in Austria, Czechia, Slovakia, Serbia, and Croatia supporting the development of quasi-equity along with complementary non-financial support for social enterprises. By boosting the equity of social

In recent years, several Member States adopted overall strategies or specific initiatives to support the social economy. **Bulgaria** adopted its 5th Biannual National Action Plan for the Social Economy 2022-2023. **Finland** adopted a Strategy on Social Enterprises in 2021 and, in line with it, a national Centre of Expertise for Social Enterprises was established.[79] In its 2022 National Reform Programme, **Germany** expressed its commitment to draw up a National Strategy for social enterprises with the aim to strengthen companies that serve the common good and a solidarity-based economy. Regarding the legal recognition of social enterprises, **Czechia** is preparing an Act on Social Entrepreneurship as a means for integrating disadvantaged persons into the labour market, and **Poland** adopted an Act on the social economy, as part of its recovery and resilience plan, setting the rules for certification of social enterprises that will reintegrate people at risk of social exclusion. In 2022, **Spain** adopted a strategic project for the social and care economy worth EUR 800 million, financed mainly from Next Generation EU, aiming to unlock the full potential of the social economy to contribute to fair, green, and digital transitions and to strengthen inclusion and welfare systems. The plan is expected to increase the share of the social economy in the Spanish GDP by 1 pp to 11%.

2.1.2 Measures taken by Member States

Several Member States have recently adopted measures to support job creation. In January 2022, the employment service in **Croatia** adopted new job creation measures, as part of its RRP, to support the green and digital transitions, designed to prioritise activation and (self-) employment of inactive, long-term unemployed and young people not in employment, education or training (NEETs). **Lithuania** increased the scope and diversity of employment support measures in July 2022, focusing more on high value-added jobs and the twin transition, as part of its recovery and resilience plan commitment. In March 2022 **Portugal** started granting financial support to employers who offer open-ended contracts paying adequate wages under the 'Sustainable Employment Commitment' measure, also as part of its recovery and resilience plan. During the pandemic, **Belgium** (Wallonia) introduced a monthly EUR 1 000 targeted employment subsidy, 'Tremplin24mois+', for hiring very long-term unemployed jobseekers. Initially, this subsidy was targeted at specific sectors, but the measure was extended in January 2022 to include all private and public employers. In January 2022, the Brussels government extended the 'Phoenix' hiring incentive for the recruitment of vulnerable jobseekers, who lost their jobs during the health crisis and registered with the public employment services (PES). Some Member States adopted measures aimed at providing access to work for displaced persons from Ukraine to foster their integration in the labour market and supporting job creation. For example, in March 2022, **Latvia** put in place an employment subsidy for refugees from Ukraine, which provides employers with a one-off allowance of EUR 500 at the start of the employment relationship. In **Hungary**, a temporary employment subsidy was introduced in March 2022 for employers hiring Ukrainian citizens fleeing the war. The subsidy covers 50% of the accommodation and commuting costs for up to one year. In **Denmark**, employment promotion services for displaced persons from Ukraine are administered at the municipal level, including through employment subsidies. For an overview of the active labour market measures facilitating the integration of displaced persons from Ukraine see Section 2.3.2.

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enterprises, they could pursue their growth plans, realize new or scale up existing projects and consequently increase their impact.

[79] See online the Strategy on Social Enterprises and the Centre of Expertise, respectively.

Some Member States phased out their emergency support measures after the first half of 2021, in line with the easing of public health restrictions. For example, between May and October 2021, the temporary short-time work and other job retention schemes introduced in response to the COVID-19 crisis were phased out in **Cyprus**, **Denmark**, **Estonia,** and **Lithuania**. During the same period in Sweden temporary measures were also discontinued, but the respective pre-existing schemes remained in place.

Other Member States have extended their short-time work schemes throughout the first half of 2022 and over. For example, in Croatia, Italy and Portugal, measures to preserve jobs in the context of the COVID19 pandemic were financed throughout the first quarter of 2022. In **Bulgaria**, wage subsidies for workers (60/40 scheme) were extended for the period up until June 2022. In **Malta** and **Greece,** the wage supplement scheme and the short-time work scheme have been extended until the end of May 2022. **Belgium** extended the 'simplified procedure' (with less administrative obligations for the employers) of its short-time work scheme in March 2022 until the end of June 2022 in response to the outbreak of the war in Ukraine, with the same modalities as applicable during the COVID-19 crisis. Similarly, **France** extended the applicability of its existing partial employment scheme (APLD) until the end of 2022 to allow companies impacted by the war in Ukraine to benefit from it. **Luxembourg** had initially extended its short-time work scheme until June 2022 for SMEs in view of gradually phasing out the scheme. However, in the context of the energy crisis, the government announced in August 2022, that companies severely impacted can make use of the short-time work scheme. In May, **Romania** also extended its short-time work scheme until the end of 2022.

In some cases, the temporary measures adopted in response to the COVID-19 pandemic were replaced by permanent short-time work schemes. Spain gradually phased out the emergency rules for the short-time work scheme ERTE (while parts of the benefits and social security rebates were extended until 31 March 2022). In December 2021 a new legislation establishing a permanent short-time work scheme to adjust to cyclical and structural shocks entered into force as a part of a broad reform defined in the national recovery and resilience plan. In this context, companies are incentivised to provide their employees with training programs for upskilling and reskilling. In March 2022, **Slovakia** also introduced a new permanent measure for the preservation of jobs during economic downturns. In **Slovenia**, the adoption of a permanent short-time work scheme for severe economic downturns is planned before end of 2022.

Between January 2021 and July 2022, several Member States have substantially increased their statutory minimum wages. The aim was to respond to the loss of purchasing power of low wage earners as inflation is surging, and in some cases, but also to improve more generally the adequacy of minimum wages, in light of their low levels and the gap compared to the other wages.[80] The largest increase of the statutory minimum wage was recorded in Hungary (19.5%). Other countries also had considerable increases, notably **Lithuania** (13.7%), **Belgium** (13.3%), **Estonia** (12%), **Romania** (11%), **Croatia** (10.3%), **Germany** (10%), **Greece** (9.7%), and **Bulgaria** (9.2%). In some of these countries, the increases were introduced through discretionary updates on top of usual negotiations or indexation mechanisms. Other Member States, including **Germany**, **Latvia**, the **Netherlands**, **Portugal,** and **Romania**, have also announced minimum wage increases for the course of 2022 or by the beginning of 2023 (in Portugal the government has signed in October 2022 a medium-term agreement with social partners to increase the minimum wage to EUR 900 in 2026). Notably, in January 2023, **Latvia,** and **the Netherlands** plan to

[80] Some updates in 2021 were already responding to the increasing inflation.

increase their statutory minimum wages by 40% and 10% respectively. In **Ireland**, it is also envisaged to abolish a lower minimum wage for young workers.

In addition, a few Member States introduced reforms to their frameworks for setting statutory minimum wages. Most importantly, **Cyprus** has introduced a statutory minimum wage for the first time that will apply as of January 2023, at a level of EUR 940. Through an amendment of the Labour Code, **Romania** has established that a worker can only be paid the minimum wage for up to 24 months, after which a higher wage must be paid. In **Croatia**, under the RRP, the Minimum Wage Act has been amended to enhance the enforcement of the rules related to the statutory minimum wage, regarding among others the penalties for offenders and strengthening the control by inspection bodies. As part of a broad reform of the minimum wage setting framework in **Ireland**, the statutory minimum wage will be replaced by a 'living wage'. The living wage will be set at 60% of the median wage in any given year starting from 2023. The national minimum wage will remain in place until the 60% living wage is fully phased in, in 2026, but will increase over the years as usual, closing the gap between it and the living wage. **Malta** has set up a new Low Wage Commission, which is expected to issue its first recommendations for a new mechanism to update the minimum wage in 2023. Despite these measures, many workers in the EU are still not covered by adequate minimum wage protection. To help addressing this situation, the Commission put forward in October 2020 a proposal for a Directive on adequate minimum wages in the EU, which was adopted by the European Parliament on 14 September and by the Council on 4 October 2022.[81] Pillar Box 1 further explains the main challenges that the Directive is aiming to address and its main provisions.

Only a few Member States have taken actions to counteract the decreasing trend in the number of workers covered by collective bargaining agreements. Some Member States have adopted measures to strengthen the collective bargaining frameworks. For instance, in December 2021, as part of a broader reform, **Spain** established that, in the absence of an applicable firm-level collective agreement, employees working for a sub-contractor are included in the scope of the sectorial collective agreement corresponding to the subcontracted activity. In **Romania**, new legislation on social dialogue is envisaged by the national recovery and resilience plan and expected to enter into force in Q4-2022. The plan also includes a revision of the definition of the economic sectors as a basis for sector-level collective agreements. In August 2021, **Estonia** adopted a new law extending the working conditions provisions agreed as part of collective bargaining. Conditions related to pay, working time and rest periods are extended to a whole sector upon agreement by the employers of at least 40% of the workforce in the sector and by trade unions representing at least 15% of the employees.

Some Member States have also adopted, or are considering adopting, various measures related to public sector wages. Given the significant share of the public sector in total employment, these can have broader effects on the economy, as increases in public sector wages support the purchasing power of these employees but can also have spill-over effects on wages in the private sector. In **France** a 3.5% pay increase for civil servants has been decided, to cushion the impact of inflation on the purchasing power. **Portugal** increased salaries for doctorate graduates and entry levels in the public administration by 4.7% in 2022 with the aim of attracting and retaining talent. In **Slovenia**, a reform has amended the public sector wage system to include arrangements for variable remuneration and linking

[81] The Directive sets a framework to improve the access to adequate minimum wage protection across the EU, including through the promotion of collective bargaining, thereby helping improve the living and working conditions of minimum wage and low wage earners. See for instance: Commission welcomes political agreement on adequate minimum wages for workers in the EU - Employment, Social Affairs & Inclusion - European Commission (europa.eu).

remuneration to work outcomes. In **Latvia**, the government has decided to allocate bonuses for social workers due to higher workload due to the arrival of Ukrainian refugees.

A number of Member States put in place measures to make their tax systems fairer and improve incentives to work. In **Czechia,** the flat personal income tax scheme was abolished with the introduction of a new progressive marginal rate. As of 2021, a tax rate of 23% is applied to income exceeding CZK 1,701,168 (approx. EUR 67,300), while income below that threshold remained subject to a 15% rate. **Austria** reduced its lowest personal income tax rate from 25% to 20% and extended the application of the top rate of 55% until 2025 for income above EUR 1 million. As the last wave of a larger tax reform package started in 2017, **Croatia** cut its personal income tax rates from 36% to 30% and from 24% to 20% for income above and below HRK 360,000 (EUR 49,000) respectively. This measure has decreased the progressivity of the scheme, but also the tax burden, hence indirectly supporting households during the pandemic. Croatia also reduced the tax rate on dividends from 12% to 10%. In July 2022, **Romania** amended the rules on taxation of incomes earned from part-time employment contracts. Under the new regime, the income considered for the calculation of the social and health contributions, will be the minimum basic salary and not the income actually earned by the employee. In **Belgium**, the Flemish government announced in September 2022 the extension of the job bonus (in-work benefit) to higher income earners and the temporary increase of the level of the benefit.

Some Member States provided tax relief to cushion the impact of rising energy prices on people and households, with measures targeted to the most vulnerable in some cases. For example, in **Germany**, the Tax Discharge Act adopted in March 2022 provides for an increase in the employee lump sum, the basic allowance and the commuting expenses that can be deducted from the personal income taxes. In April 2022, **Portugal** implemented an extraordinary regime of tax deferrals for companies and self-employed workers in the transport sector, most affected by the increase in fuel and energy prices. **Lithuania** raised the non-taxable income threshold to EUR 540, increasing net income predominantly for the employees earning the minimum wage. The non-taxable threshold was increased more for the elderly and persons with disabilities. Furthermore, in **Malta** as of January 2022 the tax refund was increased to between EUR 60 and 140, with the highest refund being given to the lowest income earners. In **Finland**, the government decided to introduce a temporary option to deduct electricity costs from the income tax base and a limited electricity support for people who cannot benefit from the tax deduction targeting the poorest households. For an overview of additional public support measures adopted in response to the ongoing energy crisis see Pillar Box 7 in section 2.4.1.

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 the European Pillar of Social Rights 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). Section 2.2.1[82] reports on key developments in the area of education and skills, as well as on the labour market situation notably of vulnerable and 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 (ECEC) continues to rise, but children from disadvantaged backgrounds still encounter obstacles. Between 2015 and 2020, the EU-27 average participation of children between the age of 3 and the national starting age for compulsory primary education increased from 92% to 93%, with most countries showing either slow growth rates or very slight drops. Five Member States (Belgium, Denmark, France, Ireland, and Spain) have already reached the 2030 target of a participation rate of at least 96% as set in the European Education Area.[83] By contrast, in Greece (71.3%), Slovakia (78.1%), Romania (78.2%), and Croatia (78.8%) the participation rate remains below 80% - see Figure 2.2.1. Across EU countries, participation rates of children at risk of poverty or social exclusion are consistently lower than those of their peers. From the 2008 crisis, the percentage of children between three years old and compulsory schooling age at risk of poverty in ECEC steadily increased until the COVID-19 crisis. Following the significant negative impact of the pandemic, in 2021 the rate remained below pre-pandemic levels.[84] Some vulnerable groups experience particularly low participation. For instance, participation of Roma children in early childhood education remains less than half the one of the total population (around 42-44%, against a 2030 target of at least 70% set in the new EU strategic framework on Roma equality, inclusion and participation).[85] Disadvantaged children were also reported to have suffered disproportionately from closed or restricted services during the pandemic, increasing the risk of further exclusion.[86]

[82] The analysis in this section is largely based on the European Commission's Education and Training Monitor 2022, accompanying the European Commission Communication on early progress towards the achievement of the European Education Area.

[83] 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', COM(2020) 625 final.

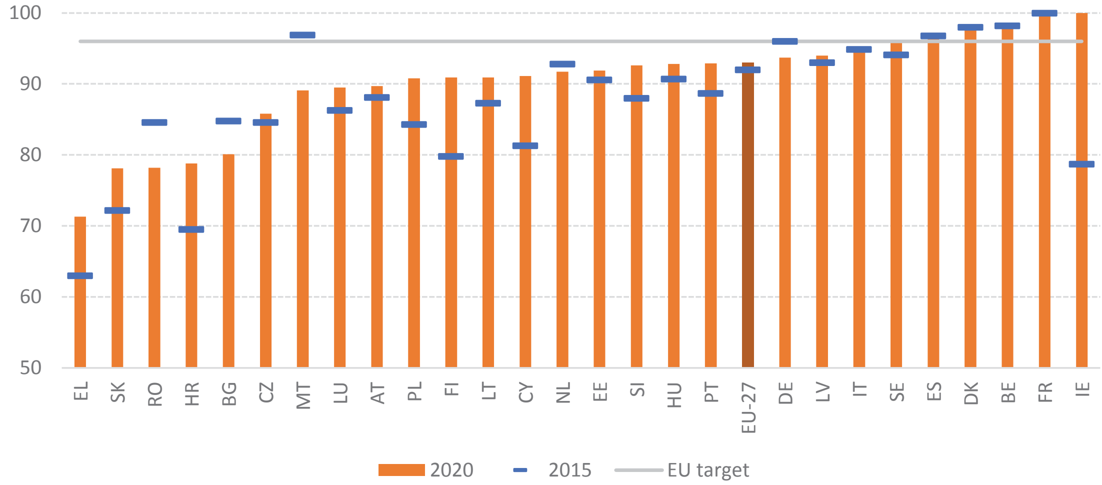
[84] Molinuevo, D. and Consolini, M., *Analysis of the Child Guarantee National Action Plans. Support for refugees and trends in Member States*, publication for the Committee on Employment and Social Affairs, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, 2022.

[85] Based on the latest Fundamental Rights Agency (FRA) Roma Survey 2020-2021 results for BG; CZ; EL; ES; HR; HU; PT; RO; SK - to be published in autumn 2022. For more information see: EU Roma strategic frame work for equality, inclusion and participation for 2020-2030.

[86] European Commission, *Early childhood education and care and the Covid-19 pandemic - Understanding and managing the impact of the crisis on the sector*, Publication Office of the European Union, 2021.

Figure 2.2.1: While increasing overall, participation in ECEC remains low in a number of Member States

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

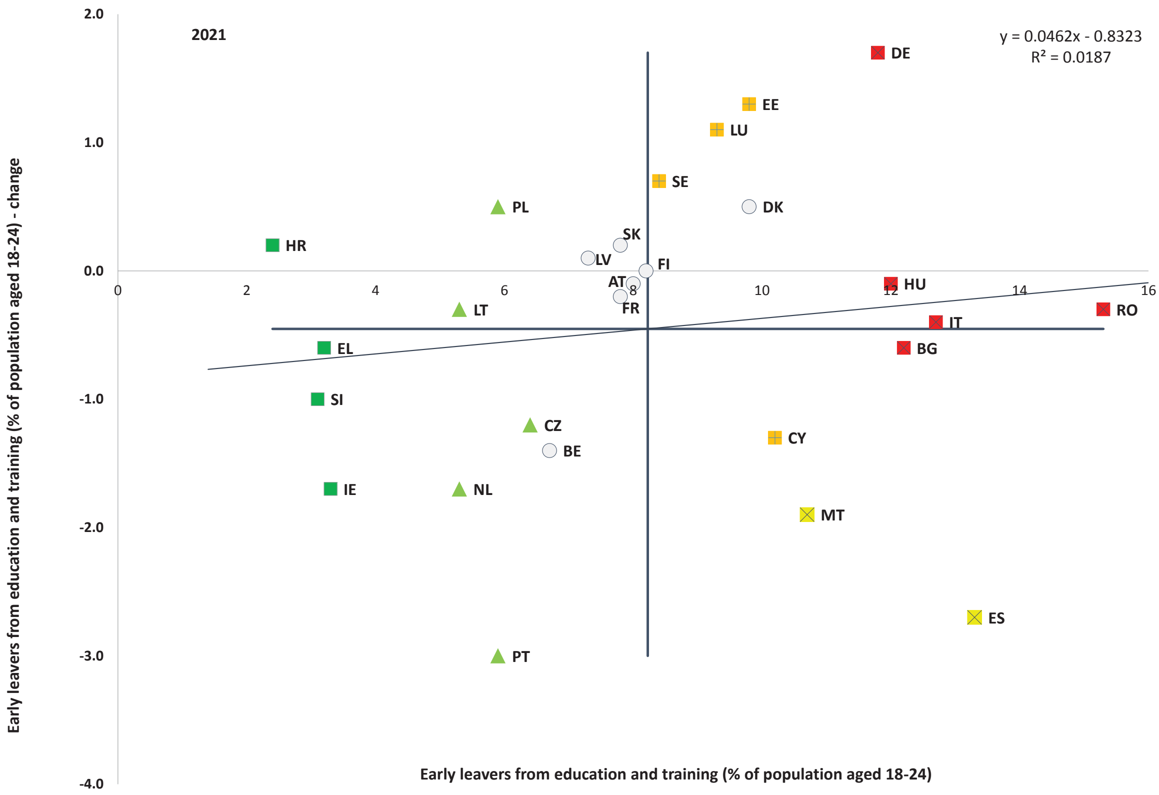


Note: 2015: definition differs for BE, EL, PT. 2020: definition differs for BE, EL, IE, MT, PT; FR provisional; BG, IE estimated; break in the series for BE.
Source: Eurostat, [educ_uoe_enra21].

The share of early leavers from education and training (ELET rate) varies widely, signalling challenges for a number of Member States. On average, across the EU, 18-24-year-olds without upper secondary educational attainment and no longer in education or training amounted to 9.7% of their cohort in 2021. In 16 Member States, the ELET rate is below 9% (the European Education Area 2030 target for the EU as a whole), with top performers being Croatia (2.4%), Slovenia (3.1%), Greece (3.2%) and Ireland (3.3%), which are all 'best performers' according to the Social Scoreboard methodology – see Figure 2.2.2. In Slovakia (7.8%), while the rate remains below the EU target, it has increased from a low base (5.3%) in 2012. Six Member States display rates close or above 12% (Romania, Spain, Italy, Bulgaria, Hungary, and Germany). Differences across regions are also pronounced; in particular, in several regions of Spain, Southern Italy, Eastern Bulgaria and Romania, Northern and Eastern Hungary the share of early leavers from education and training remains higher than 15%. In Eastern Slovakia, the rate has almost doubled over the past decade, and it is now close to 15% (14.4% from 7.9% in 2012) (see Annex 3). With a relatively large gap of 3.5 pps, young men (11.4%) are more often leaving early from education and training than women (7.9%).

Figure 2.2.2: Early leaving from education and training varies substantially across Member States and remains a challenge

Early leavers from education and training (age 18-24), 2021 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics. The legend is presented in the Annex.
Source: Eurostat [edat_lfse_14], EU LFS.

Early school leaving is particularly prevalent among Roma pupils, which is often linked to school segregation. In the EU countries surveyed by the EU Agency for Fundamental Rights (FRA) in 2020-2021, on average, 71% of Roma aged between 18 and 24 left the education system before reaching upper secondary level and are not in further education or training. In Greece and Portugal, for example, the lowest figures were recorded, where among 20-24 years old Roma pupils, only 16% and 10% respectively completed at least upper secondary education.[87] The new EU Roma strategic framework, launched by the European Commission in October 2020, requires this gap between the general population and Roma to be reduced by at least a third until 2030. It also calls on Member States to strengthen efforts to eliminate educational segregation, ensuring that by 2030 less than one in five Roma children (age group 6 to 15) attends schools where most or all children are Roma, compared to more than half currently affected (with peaks of close to two thirds in countries such as Bulgaria and Slovakia). So far, since 2016, the share of children in segregated education has increased by 10% points on average. In 2021, school segregation of Roma pupils was most prevalent in Bulgaria, Slovakia, Croatia, and Romania where a majority, and in the case of the first two Member States almost two-thirds, of children aged 6-15 attended a school where all or most of the other school children were Roma.[88]

[87] See European Union Agency for Fundamental Rights, *Roma in 10 European Countries – Main results*, Publications Office of the European Union, 2022
[88] Ibid.

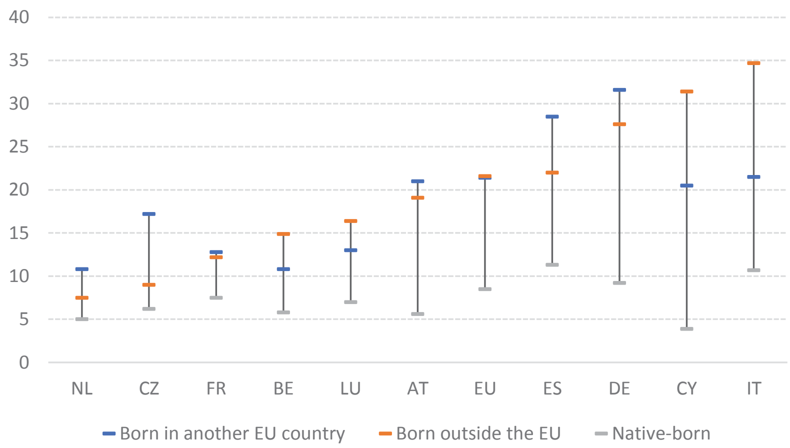
Pillar Box 3: Addressing early school leaving

Effectively addressing early school leaving is key to ensuring better employment prospects for young people over their lifetime and promoting their active participation in society, in line with principles 1 (education, training and lifelong learning), 3 (equal opportunities) and 11 (childcare and support to children) of the European Pillar of Social Rights. The reduction of early school leaving is therefore a key policy priority and as such highlighted in the Council Resolution on a strategic framework for European cooperation in education and training towards the European Education Area and beyond (2021-2030) as well as in the Council Recommendation establishing a European Child Guarantee. It also features among the complementary goals of the European Pillar of Social Rights Action Plan.

The trend in early school leaving is overall improving at the EU level, and further reductions importantly require a focus on the most disadvantaged and hardest-to-reach groups. Two groups of young people (those with low educated parents and foreign-born students) deserve specific policy attention. The risk of early school leaving is 9 times higher among young people with low educated parents (26.1%) compared to those with highly educated parents (2.9%). Also, average early school leaving rates are more than double among foreign-born pupils than among the native-born (21.5% vs 8.5%). In all countries where a breakdown between people born in another EU country and people born outside the EU is available, both groups are significantly more affected by early school leaving compared to the native born – see the Figure below.[89]

People born outside the EU or in another EU Member State are significantly more likely to leave education early than the native born

Early school leaving rates by country of birth in selected countries, (%, 2021)



Note: Born in another EU country: low reliability for BE, CY, CZ, FR. Born outside the EU: low reliability for CZ and LU. Only a limited number of Member States included due to a lack of data availability.
Source: Eurostat [edat_lfse_02], EU LFS

Disengagement from education during the COVID-19 pandemic may affect early school leaving rates. As the early school leaving indicator covers 18 to 24 year-olds, any increase in the share of young people having left education and training prematurely during COVID-19 will take time before being fully reflected in the data. Still, physical school closure and

[89] The number of years since arrival is a clear determining factor of this disadvantage. ELET rates among those who arrived in the reporting country before the start of compulsory education have been found to be similar to those of the native-born population. Special attention thus needs to be paid to young people arriving in the reporting country during – and in particular towards the end of – mandatory school age. See: European Commission, *Education and Training Monitor*, 2022, forthcoming, based on ad-hoc data extraction by Eurostat.

confinement measures have put a strong pressure on children and youth mental health and their wellbeing. This tends to be strongly associated with educational outcomes, with education systems not always having been able to provide appropriate support in the critical context.[90]

Tackling early school leaving, and reducing underachievement in basic skills, are the main objectives of the Commission proposal for a Council Recommendation on Pathways to School Success of 30 June 2022[91]. The proposal aims at promoting better educational outcomes and an inclusive school environment for all learners, taking into account the key role of well-being at school.[92] Compared to the 2011 Recommendation on early school leaving[93], it adopts a broader and more systemic perspective, with a renewed framework for action. It calls on the Member States to develop or further strengthen, by 2025, an integrated and comprehensive strategy towards school success, based on evidence and with strong focus on prevention. This is of particular importance in light of the twin transition, as early school leaving also deprives young people of the chance to adapt and develop the necessary skills for the digital and green transitions, which assure everyone thrives in the new world of work. The Recommendation stresses the importance of combining measures addressing all learners with more targeted and individualised actions for those more at risk. It calls for the development of system-level measures to improve equity and inclusion in education and training, including by addressing structures and mechanisms, which may have a particularly detrimental impact on inequalities. Since teachers and school leaders are at the core of educational success, their adequate preparation and support to work with learners at risk is essential.

Some Member States have achieved considerable progress in reducing early school leaving between 2011 and 2021.[94] For example, in **Malta**, the early school leaving rate dropped from 18.8% to 11% until 2020 and reached 10.7% in 2021. The strengthening of vocational education and training and the launch of second-chance programmes contributed to this result, among other factors. As part of its RRP, **Malta** plans to introduce an early school leaver tracking system, the Data Warehouse project, to further combat early school leaving. The early school leaving rate has halved in **Greece** (down at 3.8% in 2020, and 3.2% in 2021, from 12.9% in 2011). The country has focussed its policies on facilitating transitions between various learning pathways, targeted support to early leavers, career guidance and second-chance programmes. **Spain** and **Portugal** also managed to reduce early school leaving (from 26.3% to 16% and from 23.0% to 8.9%, respectively from 2015 to 2020, with a value of 13.3% and 5.9% in 2021, respectively) focusing primarily on territorial approaches. In Portugal, the Priority Intervention Educational Territories Programme (Territórios Educativos de Intervenção Prioritária, TEIP), implemented since 1996, has been targeting schools located in areas with high levels of poverty and social exclusion. Since 2016 the National Programme for School Success Promotion (Programa Nacional de Promoção do Sucesso Escolar, PNPSE) aims to prevent school failure by reducing grade repetition through bottom-up approaches, whereby each school can implement its own strategic action plan. In

[90] For more information on a whole-school approach to mental health and wellbeing, see European Commission, Simões, C., Caravita, S., Cefai, C., *A systemic, whole-school approach to mental health and well-being in schools in the EU: Analytical report*, Publications Office of the European Union, 2021.

[91] See: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM:2022:316:FIN

[92] Educational outcomes, in terms of knowledge, skills and attitudes developed during schooling, are traditionally measured in terms of 'educational achievements' (which refer to learners' learning progress and their actual functional literacy, like reading, writing, numeracy and scientific abilities) and 'educational attainments' (i.e., the successful completion of specific education levels, for example primary, lower or upper secondary education).

[93] See: OJ C 191, 1.7.2011, *p. 1–6*.

[94] Comparison with values before 2021 of this indicator is not made as there is a break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics.

Spain, the success is linked to the implementation of territorial cooperation programmes such as the PROA+ (supported by the national recovery and resilience plan) and its predecessors (PROEDUCAR, PROA). Yet, despite the overall positive trends, significant regional disparities persist in both countries.

Socio-economic differences continue to translate into inequality of learning outcomes. Underachievement in reading, mathematics and science is captured by the OECD Programme for International Student Assessment (PISA, for which the most recent round took place in 2018).[95] Across the EU, the shares of 15-year-olds not achieving the minimum learning standards in reading (22.5%), mathematics (22.9%) and science (22.3%) are all significantly worse than the 2030 European Education Area target of below 15%. The gap in underachievement (in all three PISA domains combined) between learners from disadvantaged and better socioeconomic backgrounds is 19.3 pps on average, exceeding 35 pps in Romania (39 pps) and Bulgaria (38.3 pps) – see Figure 2.2.3.[96] Only in Estonia and Finland (among the PISA top performers) the socioeconomic gap in underachievement is below 10 pps (5.1 and 9.9, respectively). National studies show large variation in the impacts of the COVID-19 pandemic on learning outcomes. These reflect differences in the extent of physical school closures, modes of distance or hybrid learning adopted, readiness to move towards online learning and type, scope and timing of measures adopted to mitigate learning losses. Existing research suggests that where learning losses occurred, they usually exacerbated educational inequalities stemming from pre-existing socioeconomic gaps. Students from disadvantaged family backgrounds were generally found to have incurred larger learning losses.[97] In turn, for students with a good learning environment, encompassing internet access, physical space as well as parental support only minor learning losses were reported.[98]

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95 PISA is usually conducted every three years. The next data collection has been delayed to 2022 due to the COVID-19 pandemic. The results will be released by the end of 2023.

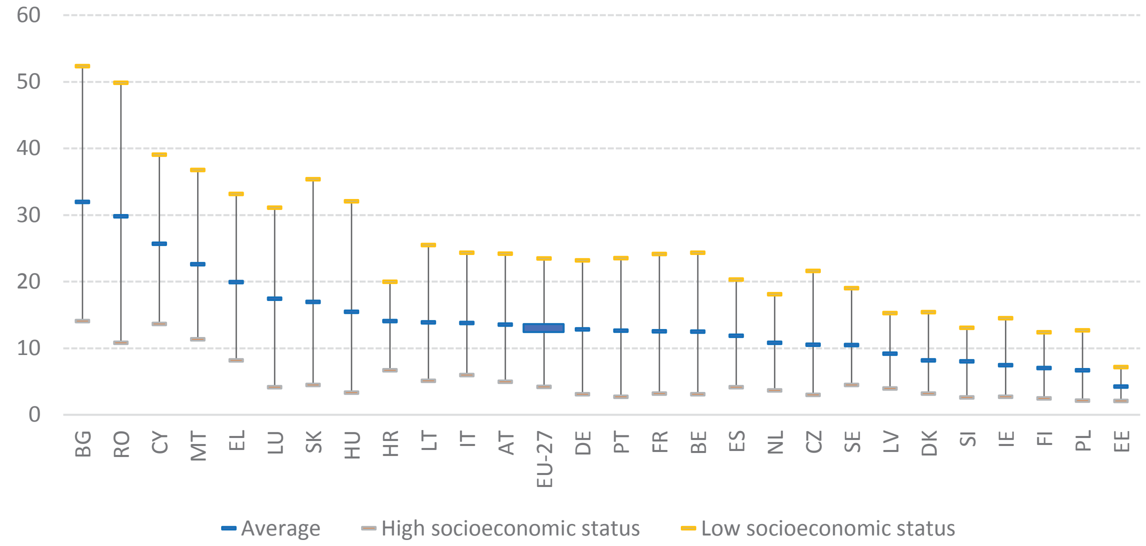
96 Socioeconomic status is captured by the OECD's index for economic, social and cultural status (ESCS), comparing its lowest and highest quarters. This well-established index is a measure of students' access to family resources (financial, social, cultural and human capital). It comprises elements such as parental level of education, parental occupational status and various home possessions.

97 See Dorn, E. et al. (2020). *COVID-19 and learning loss—disparities grow, and students need help*. McKinsey & Company, December, 8, 6-7, and Dorn, E. et al. (2021). COVID-19 and education: The lingering effects of unfinished learning. *McKinsey & Company, 27.*

98 See Agostinelli, F. et al., *When the great equalizer shuts down: Schools, peers, and parents in pandemic times*, In: *Journal of public economics*, *206*, 2022, and Andrew, A. et al., *Learning during the lockdown: real-time data on children's experiences during home learning*, IFS Briefing Note BN288, 2020

Figure 2.2.3: The socio-economic background is a key determinant of educational achievement, with large differences across Member States

Combined underachievement rate in reading, mathematics, and science by socioeconomic status (%, 2018)



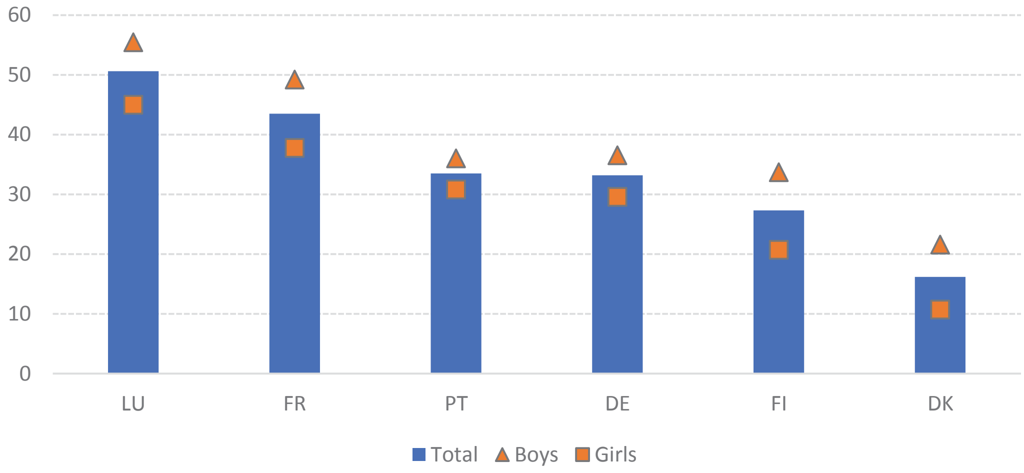
Source: JRC calculations based on OECD PISA 2018 data.

Available evidence points to a still insufficient level of digital skills among pupils. The 2030 European Education Area target for digital skills requires that the share of low-achieving eight-graders (13- or 14-year-olds) in computer and information literacy is below 15%. The International Computer and Information Literacy Study (ICILS)[99] shows that, among participating countries, many pupils are still not equipped with an adequate level of digital skills (see also JER 2022). ICILS shows evidence of a gender gap in favour of girls in average performance, with a higher share of underachieving boys – see Figure 2.2.4. Pupils' socioeconomic background remains a strong predictor of their level of digital skills. The COVID-19 pandemic accelerated the digital transition, but also accentuated pre-existing digital skills gaps and exposed new emerging inequalities in the EU. A lower socioeconomic status is likely to have exacerbated learning deficits because of limited digital resources. Migrant and displaced children, especially refugees and asylum-seekers, were more vulnerable to educational disruption when they had limited access to resources necessary for online learning.[100] In addition, teacher shortages at all educational levels increasingly threaten the equipment of young people and learners with the skills most in demand now and in the future on the changing labour markets.

[99] ICILS measures pupils' achievement through computer-based assessment in two domains of digital competences: computer and information literacy and computational thinking. Two cycles have been completed so far, the first one in 2013 and the second one in 2018. A third cycle is scheduled for 2023. Nine Member States participated in the first cycle and seven in the second cycle.

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

Figure 2.2.4: Many pupils do not achieve a sufficient level of digital skills
Underachievement in digital skills by gender (%, 2018)



Note: Underachievement is defined as performance below the level 2 threshold (492 score points) on the ICILS computer and information literacy scale. The results from Italy are not comparable with those of other Member States and have been excluded from the figure.
Source: IEA, ICILS 2018.

Participation in vocational education and training (VET) leads to positive labour market outcomes; yet the employment rates of recent VET graduates have not yet fully recovered from the COVID-19 related decline. Around half of the pupils in upper secondary education (48.7% in 2020 in the EU, corresponding to over 8.7 million pupils) are enrolled in VET (as opposed to programmes with a general orientation), though with large differences across Member States. Between 2014 and 2019, the employment rate of recent graduates from medium-level VET in the EU-27 had increased from 72.3% to 79.1%, thereby making progress towards the target of 82% by 2025.[101] The emergence of the COVID-19 pandemic triggered a decline to 75.7% in 2020, which was followed by a partial recovery to 76.4% in 2021 (76.4%).[102] While nearly all Member States saw a decline between 2019 and 2020 (except for Latvia and Romania), the trends are more diverse in the subsequent year.[103] A majority of VET graduates benefited from work-based learning (in 2021, the EU average stood at 61%, above the 2025 target of 60%[104]), but with large differences across countries. Whereas in some countries (including Germany, Spain, Austria, and the Netherlands) more than 90% of graduates benefited from work-based learning, the rate was below 20% in others (Romania, Greece, and Poland).

Despite recent steady increases in tertiary educational attainment, gender and social disparities persist. After a steady increase from 36.5% in 2015 to 40.5% in 2020 for the EU-27, the tertiary educational attainment (TEA) rate of 25-34-year-olds reached 41.2% in the EU in 2021. Currently 13 Member States surpass the 2030 European Education Area target of 45%, with Luxembourg (62.6%), Ireland (61.7%), Cyprus (58.3%), Lithuania (57.5%) and the Netherlands (55.6%) being the top performers – see Figure 2.2.5. By contrast, two Member States (Romania and Italy) are still below 30%. Tertiary attainment is

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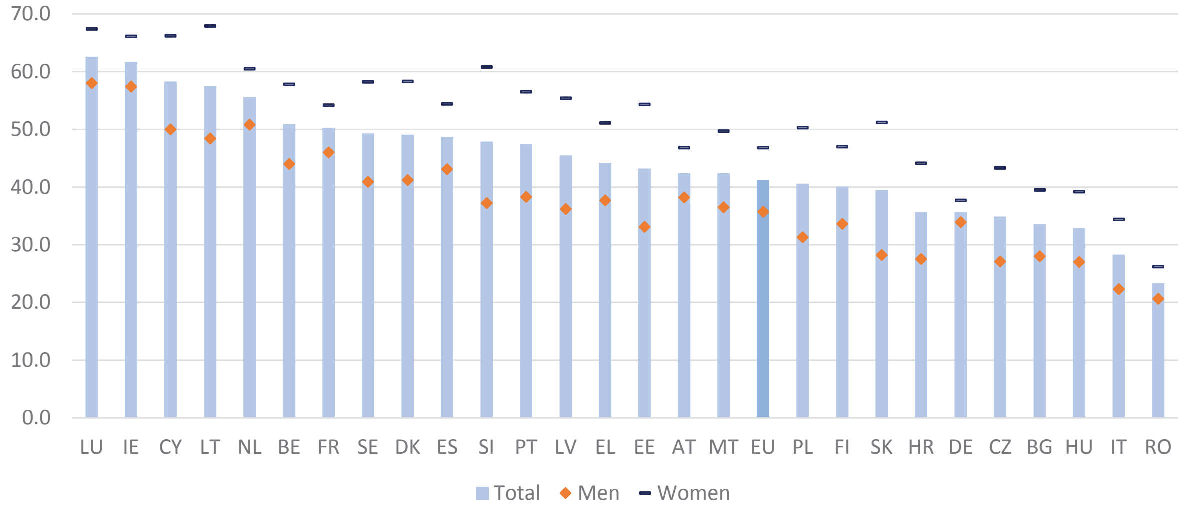
[101] Target set in the Council Recommendation of 24 November 2020 on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience 2020/C 417/01
[102] Comparison with values before 2021 of this indicator is not made as there is a break in time series in 2021 for all Member States due to the entering into force of the IESS regulation.
[103] See European Commission, *Employment and Social Developments in Europe 2022*, Publications Office of the European Union, 2022.
[104] Target set in the 2020 VET Recommendation, as well as the European Education Area Strategic Framework.

significantly higher among women than for men in the 25-34 age group (46.8% vs 35.7% in 2021 in the EU). This gap has been widening over the past two decades and is now substantial across all Member States. Also, the rate is generally lower for people born outside the EU (34.7%) compared to native-born (42.1%) and people born in another EU country (40.7%). Reducing these gaps is necessary to reach the EU level target by 2030. This will require institutional changes at tertiary level to ensure gender equality and social inclusion, accompanied by interventions at lower education levels.

Figure 2.2.5: Despite a general increase, tertiary education attainment shows substantial variation among Member States

Tertiary education attainment rate, age group 25-34 (%, 2021)



Source: Eurostat [edat_lfse_30], LFS.

To remain competitive, promote quality employment and safeguard its social model, Europe needs to further develop the skills of its workforce, including in support to the green and digital transitions. The digital transformation and the shift to a climate-neutral society have been changing the demand for skills. This pattern has been accelerated by the COVID-19 pandemic and by the current geopolitical situation and clean energy transition, with important emerging labour and skills shortages. Well-functioning and effective systems of initial education and training are key to provide young people with labour market relevant skills, while a high participation in learning activities of the existing labour force is paramount to ensure that skills are constantly updated. The 2030 EU headline target on adult learning requires that at least 60% of adults participate in learning every year in the EU by 2030. The target, and the related national targets, are defined in terms of participation over the last 12 months (excluding guided on-the-job training), to better reflect the reality of continuing training, largely provided through short, targeted courses. While this indicator will be regularly collected through the Labour Force Survey from 2023, the latest data available from the 2016 Adult Education Survey (AES) points to an average participation rate of 37.4% for the EU, significantly below the 2030 target – see section 1.3. The Council Recommendation on individual learning accounts from 16 June 2022 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, and progress towards the adult learning targets over the coming decade.[105] Micro-credentials have an enormous social and economic potential in offering quick and targeted upskilling and reskilling for workers, learners, and jobseekers. To ensure the quality, recognition and understanding of micro-

[105] Council Recommendation of 16 June 2022 on individual learning accounts.

credentials that are increasingly being used across education, training and labour market systems, the Council Recommendation on a European approach to micro-credentials for lifelong learning and employability of 16 June 2022 seeks to ensure the quality, recognition and understanding of micro-credentials that are increasingly being used across education, training, and labour market systems.[106]

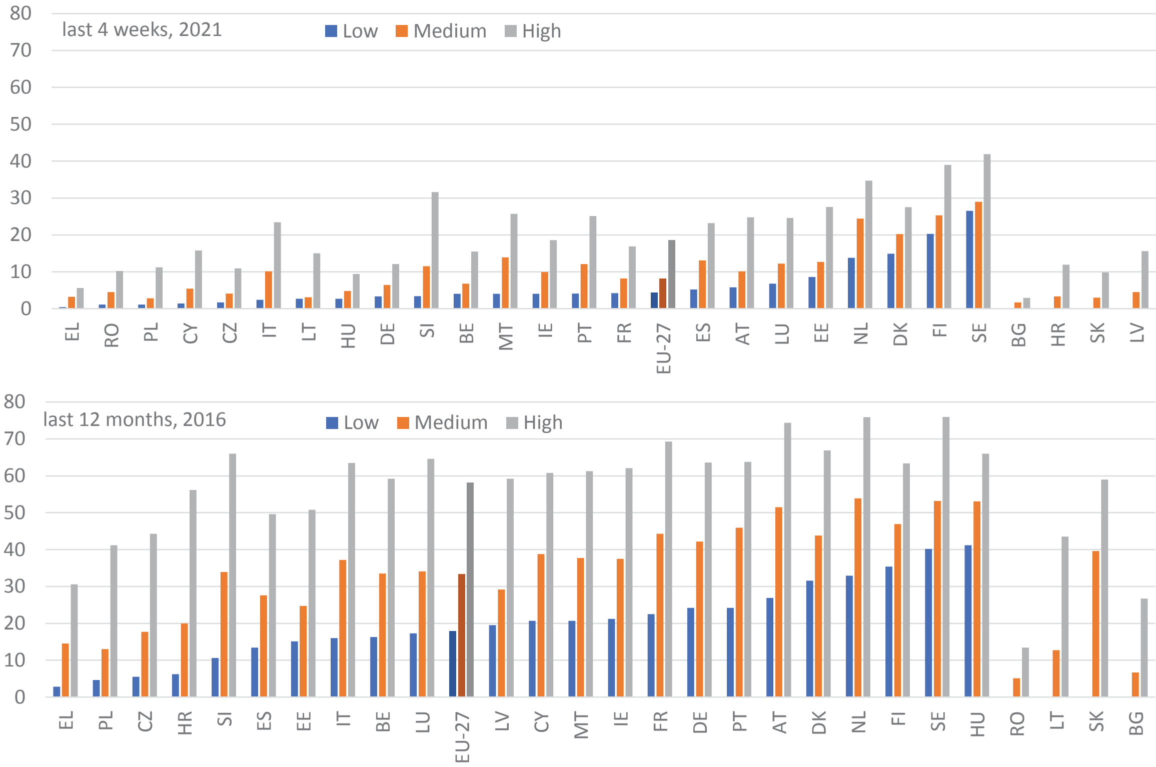
In all Member States, participation in adult learning is highest among the highly educated and decreases with lower levels of education - important differences are reported also between urban and rural areas. This is valid independently on whether participation in learning is measured over the past 12 months or past 4 weeks only.[107] In 2021 (based on the four-week indicator) the EU average participation rate for the low qualified (4.3%) was about half the rate for the medium qualified (8.2%), which was in turn less than half that for people with tertiary qualification (18.6%) – see top panel of Figure 2.2.6. This pattern is visible in all countries, with some variations in the gaps, which tend to decrease in countries with a higher overall participation rate. Gaps are slightly lower but still large with the 12-month indicator: in 2016, the participation rate for the low qualified (17.9%) was less than one third the rate for the tertiary qualified, which at 58.1% was already close to the 2030 target of 60% – see bottom panel of Figure 2.2.6. Sustained efforts are necessary to increase the participation in training of low qualified adults, which in 2021 made up about one fifth (20.7%) of the working-age population (25 to 64 years), and also a significant share (14.8%) of young adults (25 to 34 years). Stepping up the implementation of the Upskilling Pathways Recommendation, with effective outreach to potential beneficiaries and appropriate financial and non-financial incentives, would contribute to achieve this goal. Participation of adults in learning is also more frequent in urban than in rural areas in all Member States. In 2021, the EU rate of adults' participation in training (as measured by the four-week indicator) was on average 13.6% in cities, 9.8% in towns and 7.8% in rural areas. This may be related to educational attainments, as better qualifed people are more likely to live in urban areas, but it may also reflect a lower availability of learning opportunities in less densely populated areas.

[106] Council Recommendation of 16 June 2022 on a European approach to micro-credentials for lifelong learning and employability.

[107] The indicator looking at participation during the past four weeks is available on a regular basis. Eurostat, [edat_lfse_03], LFS. Comparison with values before 2021 of this indicator is not made as there is a break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics.

Figure 2.2.6: Few low qualified adults participate in learning

Participation of adults in learning by educational attainment (low, medium and high qualified) in the last four weeks (2021, top panel, %) and in the last 12 months (2016, bottom panel, %)



Note: 2016 data for the low qualified are not available for Bulgaria, Lithuania, Romania and Slovakia.
Source: Eurostat [trng_lfs_03], LFS and [special extraction], AES.

Policy action is needed to equip people with the skills they need for the digital transition. In 2021, according to the Digital Economy and Society Index 2022, only 54% of the EU adult population had at least basic digital skills. There is therefore a sizeable gap with the 2030 goal of 80%, as defined in the European Pillar of Social Rights Action Plan and the Digital Compass of the Digital Decade.[108] Based on the Digital Skills Indicator 2.0 (DSI)[109] (based on selected activities related to internet and software use that individuals aged 16-74 perform in five specific areas), there are major differences between Member States in terms of performance. The best performers (the Netherlands, Finland, Ireland and Denmark) already attain levels close to 80%, while in Romania and Bulgaria fewer than one third of the adult population have basic digital skills and are flagged in the Scoreboard, along with Poland, as 'critical situations' – see Figure 2.2.7. On average, younger generations are more proficient at using digital technologies than older adults. Still, even among young people, there is a substantial share that lacks digital skills (29% for the EU in 2021). Those with low educational attainment, the unemployed and persons outside the labour force tend to have lower levels of digital skills and fewer opportunities to develop such skills.[110]

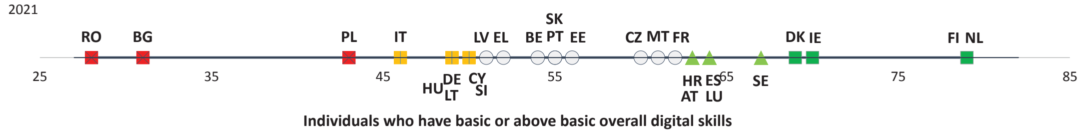
[108] The Digital Decade is the European Commission's forward-looking strategic vision for the development of the digital economy and the transformation of European businesses by 2030. The plan was presented by the European Commission in March 2021. In addition to the target on digital skills, it set a target of 20 million ICT professionals by 2030 (up from around 9 million in 2021).

[109] See: European Commission, *Digital Skills Indicator 2.0 Methodology*, 2022, JRC document repository

[110] See Centeno, C., Karpinski, Z. and Urzi Brancati, M.C., *Supporting policies addressing the digital skills gap*, 2022, Publications Office of the European Union

Figure 2.2.7: 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 and changes from previous year (%, 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.
Source: Eurostat, online data code [tepsr_sp410].

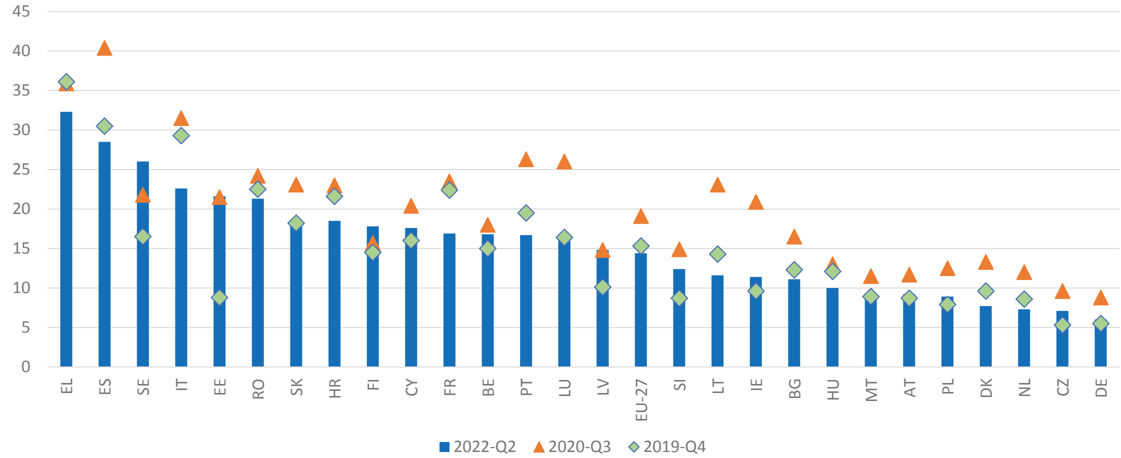
Under the European Skills Agenda, the European Commission has been supporting Member States in reaching a common understanding of the skills needed for the green transition. In January 2022, the European Commission published a classification of skills for the green transition in European Skills, Competences, Qualifications and Occupations (ESCO).[111] The classification includes 381 skills, 185 knowledge concepts and 5 transversal skills considered most relevant for a greener labour market. Examples of 'green skills' include how to conduct energy audits, measure the sustainability of tourism activities, as well as how to train staff on recycling programmes. In early 2022, the European Commission also presented the European sustainability competence framework ('GreenComp'), which provides an overview of the more transversal competences for citizens need to live and work in a greener society.[112] GreenComp comprises four interrelated competence areas: 'embodying sustainability values', 'embracing complexity in sustainability', 'envisioning sustainable futures' and 'acting for sustainability'. Together, the classification of skills for the green transition and GreenComp provide orientation for education and training systems on how to adapt to the green transition.

The situation of young people in the labour market has improved in the aftermath of the COVID-19 crisis but remains particularly difficult in some Member States. The youth unemployment rate (15-24) in the EU bounced back from a peak at 19.1% in Q3-2020 and is now below its pre-crisis level (14.4% in Q2-2022 vs 15.3% in Q4-2019). In particular, from its peak in Q3-2020, it dropped by more than 11 pps in Lithuania and Spain, and almost 10 pps in Luxembourg, Portugal, Ireland, and Italy, while it kept increasing only in Finland (+2.1 pps), Sweden (+4.2 pps) and Estonia (+0.1 pps). However, the youth unemployment rate remains almost three times that of the overall population aged 25-74, which stood at 5.2% in Q2-2022. It is still particularly high in Romania, Estonia, Italy, Sweden, Spain, and Greece, all recording rates above 20% - see Figure 2.2.8. The structural challenges that young people face on the labour market calls for decisive policy action, including to prevent risks of longer-term negative effects on young people's skills and labour market prospects.

[111] See: European Commission, *Green Skills and Knowledge Concepts: Labelling the ESCO classification*, 2022, Technical Report, Directorate-General for Employment, Social Affairs and Inclusion.
[112] See: JRC, *GreenComp: The European sustainability competence framework*, 2022, JRC Publications Repository.

Figure 2.2.8: Youth unemployment improved in the aftermath of the COVID crisis but remains particularly high in some countries

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)

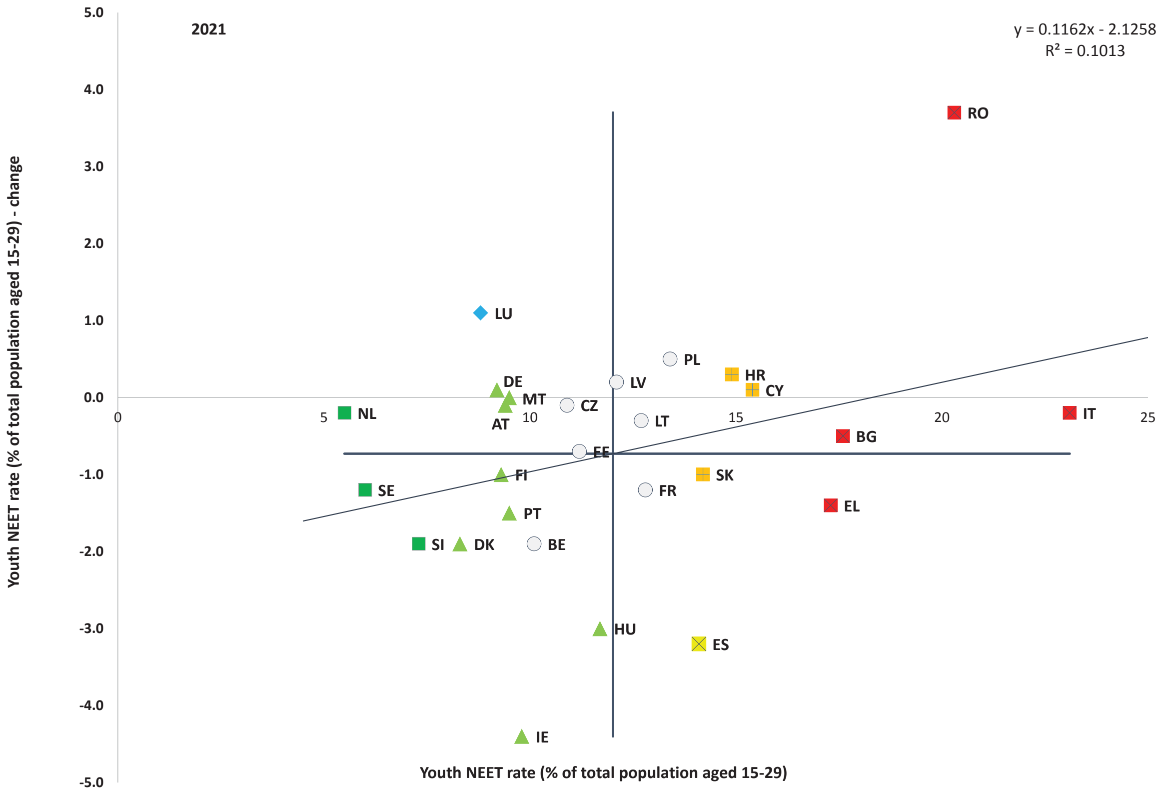


Notes: Seasonally adjusted data. Low reliability for EE, HR, LU, MT, and SI in Q4-2019 and Q3-2020, and for LU, MT, and SI in both Q2-2022. Definition differs for FR and ES in Q2-2022.
Source: Eurostat [une_rt_q], LFS.

After a negative trend over five years in the share of 15-29-year-olds not in employment, education or training (NEET rate), substantial differences remain between Member States in the aftermath of the COVID-19 crisis. After a decreasing trend from 16.1% in 2013 to 12.6% in 2019, 2020 saw a more than 1 pp jump in the NEET rate in the EU-27.[113] In 2021, a year after the height of the COVID-19 crisis, the NEET rate for the EU stood at 13.1%, with significant heterogeneity across Member States. Italy (23.1%), Romania (20.3%), Bulgaria (17.6%), and Greece (17.3%) recorded the highest NEET rates in 2021, all pointing at a 'critical' situation based on the Social Scoreboard methodology, while for eleven Member States, led by the Netherlands (5.5%), the rate is below 10% - see Figure 2.2.9. The majority of Member States record regional differences in the NEET rates, in some cases substantial ones (see Annex 3). The unemployed NEET rate in 2021, i.e. those young people that are not in employment, while actively seeking and available, is reported to be 5.0%, which is practically identical to the pre-crisis rate of 4.9% in 2019.[114] Most NEETs are outside of the labour force and thus inactive; this sub-group has felt the impact of the COVID-19 crisis particularly hard, increasing from 7.8% in 2019 to 8.7% in 2020. In 2021, the inactive NEET rate was particularly high in Italy (15.4%), Romania (15%), Bulgaria (13.7%) and Poland (10.2%). On the contrary, it was rather low in Sweden (3.1%) and the Netherlands (3.8%).[115]

[113] Eurostat [edat_lfse35], LFS. Comparison with values before 2021 of this indicator is not made as there is a break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics.
[114] Eurostat [edat_lfse_20], LFS.
[115] See: European Commission, *Employment and Social Developments in Europe 2022*, Publications Office of the European Union, 2022.

Figure 2.2.9: Considerable differences are observed in NEET rates across Member States after the peak of the COVID-19 crisis
NEET rate (age 15-29), 2021 levels and changes from previous year (%, Social Scoreboard headline indicator)

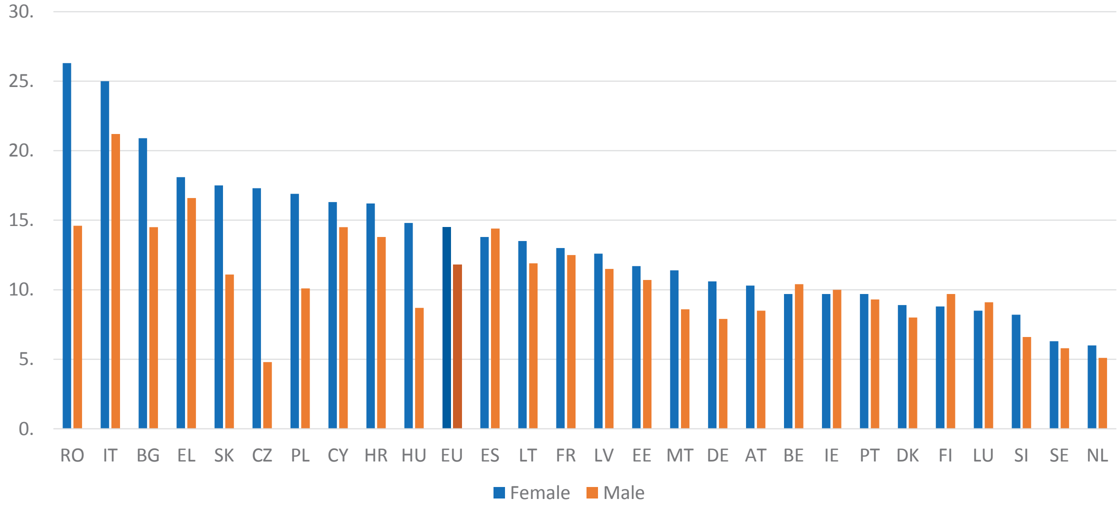


Note: Break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics. Definition differs for ES and FR in 2021. The legend is presented in the Annex.
Source: Eurostat [edat_lfse_35], EU LFS.

Overall, the NEET rate remains particularly high among women, and people with a migrant background. The share of women not in employment, education, or training in the EU (14.5%) was 2.7 pps higher in 2021 than that for men (11.8%), mainly due to larger care responsibilities – see Figure 2.2.10.[116] While the difference was less than 1 pp in some Member States (Belgium, Denmark, Ireland, France, Spain, Luxembourg, the Netherlands, Portugal, Finland, Sweden), it was more than 10 pps in others (Czechia and Romania). Among female NEETs, inactivity is much more frequent than unemployment (10.2% vs 4.3%), while for male NEETs inactivity is only slightly higher than unemployment (6.3% vs 5.5%).[117] The NEET rate of non-EU born young people was also significantly above the one for native-born in 2021 (24.7% vs 12.3%).[118] Moreover, the situation was on average worse for women born outside the EU, with a rate of 31.6%, which is more than 17 pps higher than among their native-born peers (13.3%).

[116] Eurofound, *Impact of COVID-19 on young people in the EU*, Publications Office of the European Union, 2021.
[117] Eurostat [edat_lfse_14], EU LFS.
[118] Eurostat [edat_lfse_28], EU LFS.

Figure 2.2.10: In nearly all Member States, the NEET rate is higher among women
Female and male NEET rates (15-29, %, 2021)



Note: Definition differs for ES and FR.
Source: Eurostat [edat_lfse_20], EU LFS.

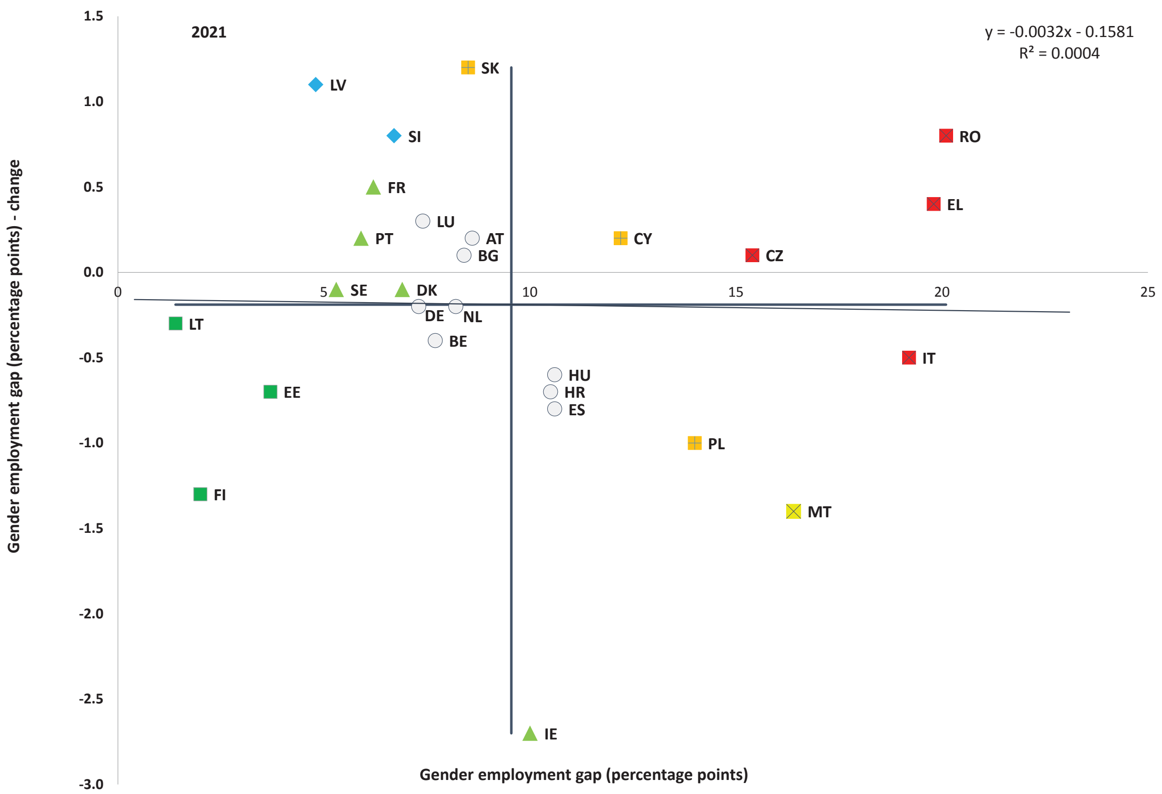
The employment rate of older workers kept rising in 2021 in all Member States. Following a long-term trend, which reflects demographic changes and increases in retirement age across many Member States, the employment rate of people aged 55-64 recorded a further increase in 2021, reaching 60.5% (1.3 pps more than in 2020, and 15.4 pps more than a decade ago). Overall, the pandemic has not affected this increasing trend. Nonetheless, differences among Member States persist, some of them recording employment rates for elderly workers well above 70% (Sweden, Denmark, Germany, the Netherlands and Estonia) while others remain below 50% (Croatia, Greece, Luxembourg and Romania). A significant gap (higher than 30 pps) between the employment rate of workers aged 55-64 and those aged 25-54 can be observed in countries such as Luxembourg, Slovenia, Malta, Romania, Croatia, and Poland, against a EU average gap of 19.9 pps.

The gender employment gap remained unchanged and sizeable throughout the COVID-19 crisis, only slightly declining over the last year. The indicator value remained practically unchanged at a high level during the COVID-19 crisis (at 11.2 pps 2019 and 11.1 pps in 2020) The labour market rebound of 2021 coincided with a small decline in the gender employment gap, by 0.3 pps to 10.8 pps. This reflects somewhat different dynamics in employment of women and men during the pandemic: while both groups experienced a decline of about 1 pp in employment rate in 2020, the employment recovery in 2021 was somewhat stronger for women (1.6 pps) than for men (1.3 pps). Thus in 2021, men's employment rate stood at 78.5% compared to 67.7% for women, in both cases surpassing the pre-pandemic employment levels. After reducing in 2020, the gender employment gap among older workers has remained stable at 12.7 pps, higher than the corresponding figure for the 20-64 age group (10.8 pps).

Significant differences persist in gender employment gaps across countries, with no clear signs of convergence. The smallest gender employment gaps in 2021 were recorded in Lithuania (1.4 pps), Finland (2 pps), Estonia (3.7 pps), which all rank as 'best performers' according to the Social Scoreboard methodology – see Figure 2.2.11. 'Critical situations' were, on the contrary, flagged for Romania (20.1 pps), Greece (19.8 pps), Italy (19.2 pps) and Czechia (15.4 pps). No clear convergence pattern across Member States is visible. The two Member States where the gender employment gaps were already the widest saw further increases (Romania by 0.8 pps and Greece by 0.4 pps), while the two countries with the second largest gap (Italy and Malta) experienced decreases (by 0.5 pps and 1 pp respectively). Looking at female employment rates, Sweden remains the top performer in the EU with 78%, closely followed by Estonia, Netherlands, and Lithuania, all above 76%. Italy and Greece, on the contrary, had the lowest rates, both below 54%, followed by Romania with 56.9%.

Figure 2.2.11: Despite a slight reduction in the gender employment gap, wide differences remain across Member States

Gender employment gap (age 20-64), 2021 levels and changes from previous year (%, Social Scoreboard headline indicator)



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

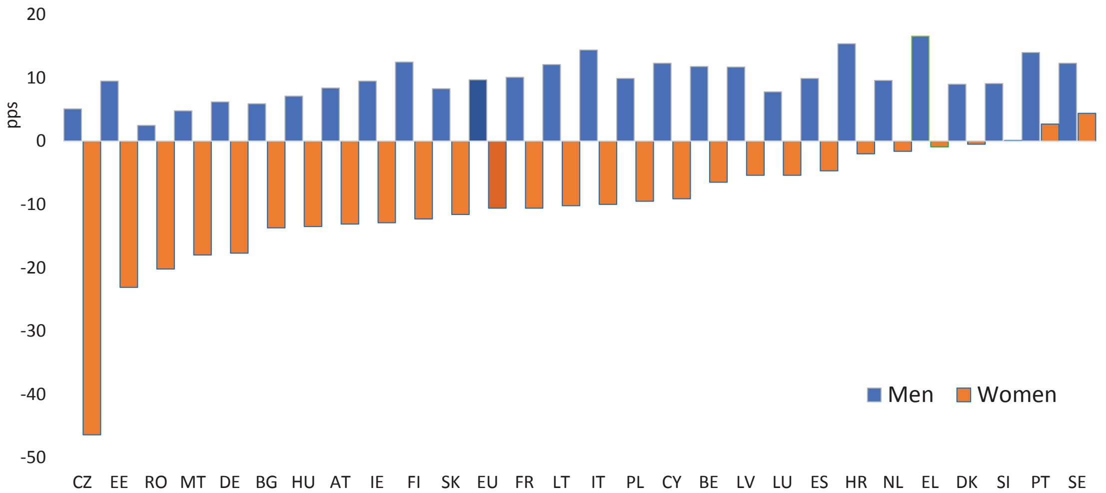
The gender employment gap is wider when considering the actual hours worked, as incorporated in the full-time equivalent (FTE) employment, largely reflecting a higher share of part-time work among women (28.3% of employed women worked part-time compared to 7.6% of men in 2021).[119] In 2021, the FTE gender employment gap for people aged 20-64 stood at 16.3 pps, declining somewhat compared to 2020 (by 0.7 pps). This reduction was somewhat larger than for employment headcounts, reflecting increases in full-time employment among women. In 2021, the FTE gap was the lowest in Lithuania, Finland, and Latvia, and the widest in Italy (23.5 pps), Greece (21.2 pps) and the Netherlands (20.1 pps).

Behind the gender employment gap in the EU is also the stronger impact of parenthood and other caring responsibilities on women's employment, which points at the key importance of the availability of affordable quality care services and adequate work-life balance policies, also in light of the demographic challenge of decreasing birth rates. In

[119] 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.

2021, the employment rate of those with at least one child under six years old was higher among men aged 25-49 than for their peers without young children (by 9.7 pps on EU average) in all Member States, while it was smaller for women (by 10.6 pps at EU level) in all but three (Sweden, Portugal, and Slovenia) – see Figure 2.2.12.[120] The negative gap for women was particularly wide (above 45 pps) in Czechia. The different impact on women and men is also associated with an unequal distribution of unpaid work. In 2021, women spent considerably more time per week on unpaid work (31 hours) compared to men (18 hours), with much of the difference due to time spent on caring activities, mostly for children.[121] In 2021, around 1.4 million women aged 20-64 in the EU (20% of the whole) did not seek employment due to care responsibilities but wanted to work, compared to only around 130,000 men (3% of the total). Around one in four women working part-time did so because of caring responsibilities compared to one in twenty men.[122] The impact on employment is also closely linked to differences in educational attainments. In 2021, the employment rate of low-skilled women with at least one child under six years old stood at 36%, in contrast to 63.9% for women with an upper secondary qualification, and 81.5% for women with a tertiary qualification. Caring for persons with long-term care needs is another factor keeping many women out of the labour market. On average, around 52 million Europeans (14.4% of the population aged 18 to 74) provide informal long-term care to family members or friends on a weekly basis, 60% of which are women. When using full-time equivalents, informal carers account for close to 80% of care providers at EU level.[123]

Figure 2.2.12: The employment impact of parenthood differs among men and women
Difference in employment rates of parents (aged 25-49) with children (0-6) and adults without children, by gender (pps, 2021)



Source: Eurostat [lfst_hheredch], EU LFS.

[120] Eurostat [lfst_hheredch]. Comparison with values before 2021 of this indicator is not made as there is a break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics.
[121] Eurofound, *COVID-19 pandemic and the gender divide at work and home*, Publications Office of the European Union, 2022.
[122] European Commission DG EMPL calculations based on [lfsa_epgar] and [lfsa_epgaed].
[123] Van der Ende, M. et al.(2021), Study on exploring the incidence and costs of informal long-term care in the EU.

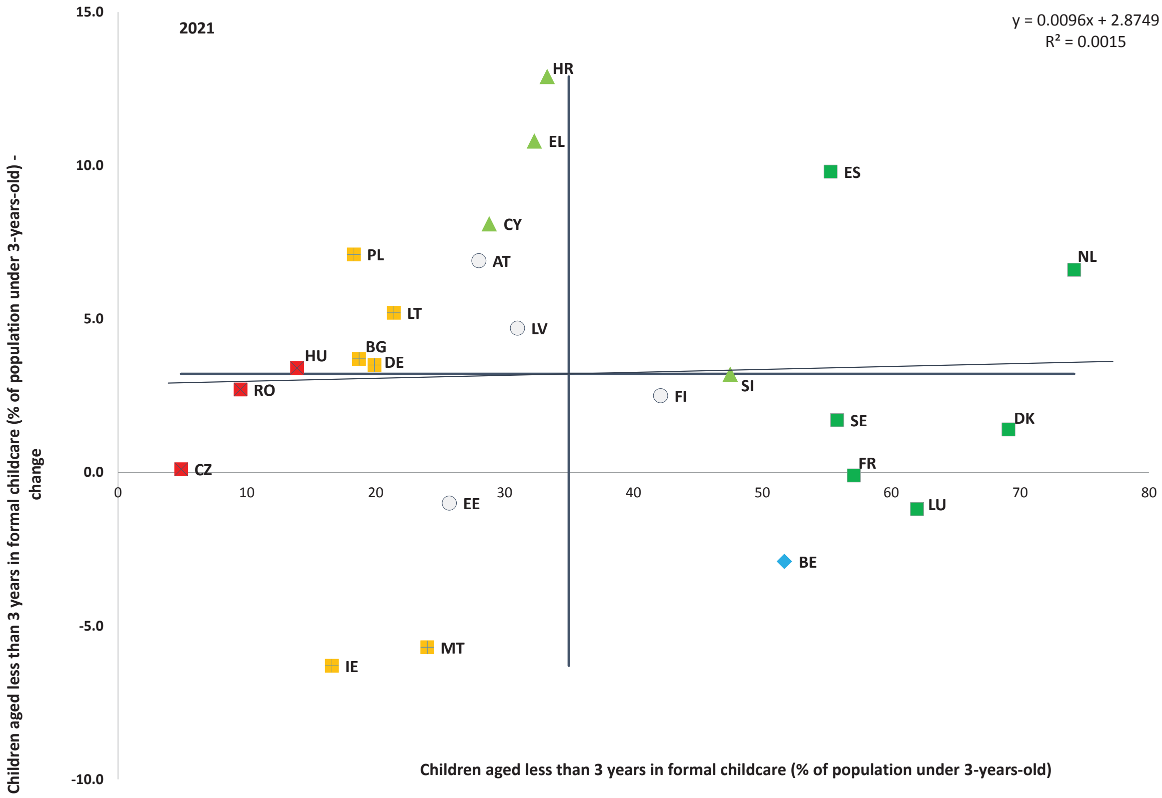
Access to quality and affordable early childhood education and care (ECEC) is key to promoting labour market participation, especially among women, as well as to reducing the negative impact of children's socio-economic background on their future educational attainment. Based on the Social Scoreboard headline indicator the participation of children below the age of 3 in formal ECEC was at 36.6% in the EU in 2021 (thereby exceeding the Barcelona target set at 33%).[124] However, differences persist among Member States with a majority still not having attained the target. For Czechia, Romania, and Hungary, the Social Scoreboard analysis records a 'critical' situation – see Figure 2.2.13.[125] On the other end of the spectrum, in Denmark, the Netherlands, and Luxembourg more than 60% of children under the age of 3 are enrolled in ECEC. However, in the Netherlands a majority of them attend for less than 30 hours per week. Some Member States offer a range of support to families, from guaranteed places (for example Denmark, Estonia, and Latvia, though not necessarily free), to fee reductions and subsidies covering part or all costs to tax credits, though the latter tend to be regressive. Although targeted support can result in substantial reductions for low-income earners, remaining ECEC costs could still be quite high (1/4 full-time earnings), especially when its use entails loss of generous homecare or child-raising allowances offered in some Member States (Finland, Slovenia, and Slovakia).[126] On top of quality and accessible childcare services, adequate work-life balance policies, such as flexible working arrangements and family-related leaves, also play an important role in reducing obstacles to the labour market participation of people with caring responsibilities.

[124] The European Care Strategy, presented in September 2022, sets out new targets on early childhood education and care, thereby revising the Barcelona targets. By 2030, at least 50% 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 early childhood education and care.

[125] Slovakia also presents a very low participation rate (1.4%) based on 2018 data (data for 2019 not available at the data cut-off).

[126] See OECD 2020, *Net childcare costs in EU countries: Impact on family incomes and work incentives, 2019*.

Figure 2.2.13: Large differences in participation in childcare services persist among Member States
Children less than 3 years in formal childcare and yearly change, 2021 levels and changes from previous year (%, Social Scoreboard headline indicator)

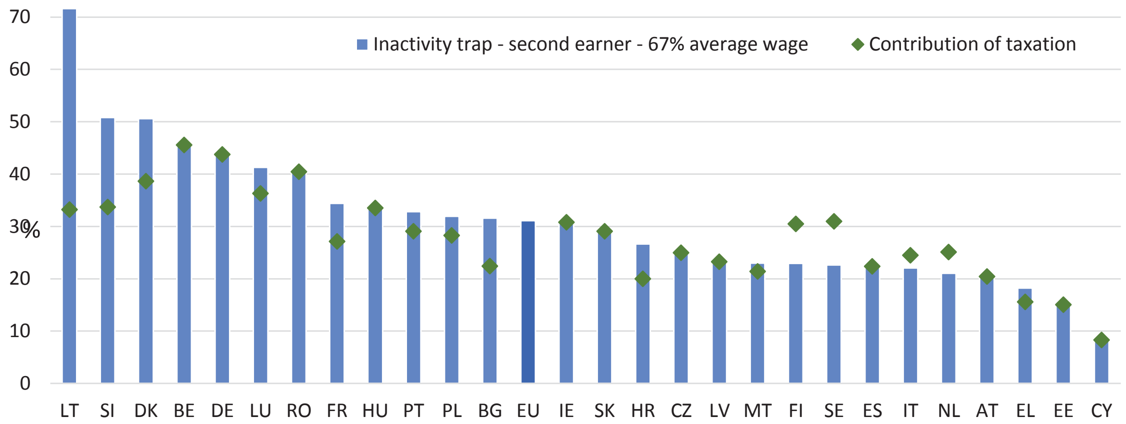


Note: The legend is presented in the Annex. Data for IT and PL are provisional. Break in the series for LU. No data for SK and PT.
Source: Eurostat [tepsr_sp210], EU-SILC.

The functioning of tax and benefit systems has important implications on gender equality in labour market participation. The majority (78%) of second earners in the EU is women. Joint progressive taxation systems can negatively impact on their entry into employment and hours worked by creating a high marginal tax burden. The degree of 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) impacts the incentives for participation in the labour market and can lead to inactivity traps for second earners. Joint taxation can lower couples' overall tax burden where earnings are unevenly distributed between the partners. However, it can inflate marginal tax rates for non- or lower earners, as all their income is effectively taxed at a higher marginal rate in line with their higher-earning partner. This can therefore contribute to widening gender employment gaps, and also unadjusted gender pay gaps (due to differences in average hours worked). The inactivity trap for second earners is highest (above 40%) in Lithuania, Denmark, Slovenia, Belgium, Germany, Luxembourg, and Romania – see Figure 2.2.14.[127] In contrast, it is less than 20% in Greece and Estonia, and less than 10% in Cyprus. The contribution of taxation is most pronounced in Belgium, Germany, and Romania.

[127] This means for instance that if an inactive spouse with two children takes up a job at 67% of the average wage in Lithuania, more than 70% of her earnings would be lost in additional taxes and withdrawn benefits.

Figure 2.2.14: Tax systems can provide substantial disincentives for second earners to take up paid work
Inactivity trap for second earners, (%, 2021)

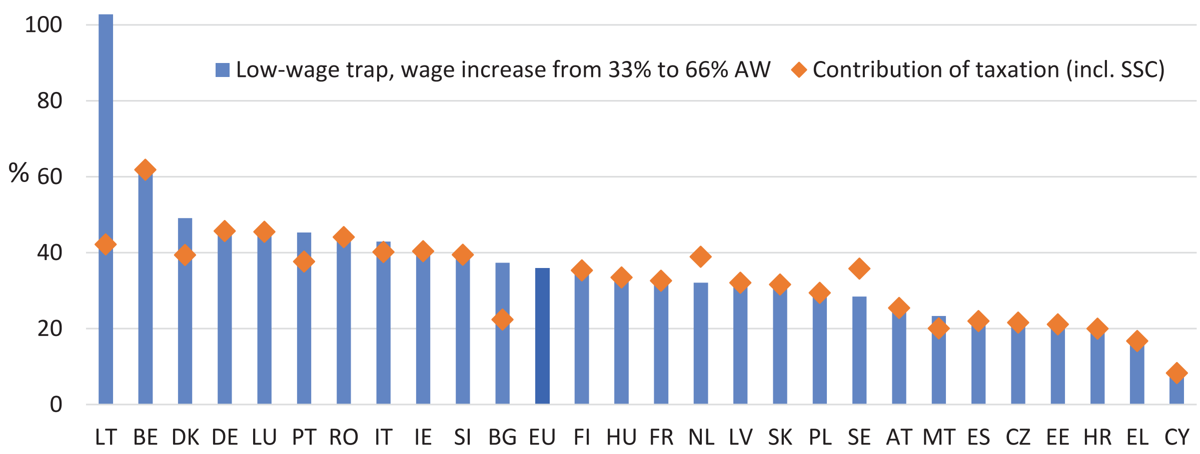


Note: The data are for a second earner on 67% of the average wage in a two-earner family with two children; the principal earner is on the average wage. 'Contribution of taxation (including SSCs)' refers to the percentage of additional gross income that is taxed away due to taxation and SSCs (other elements 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

Low-wage traps may also disproportionately affect women, as a high rate by which taxes are increased and benefits withdrawn with rising earnings lowers incentives to working more hours and the attractiveness of better paid jobs. Taxation plays a key role also in determining the level of the low-wage trap, i.e., the amount of pay that is taxed away if a person with a low salary (often working part-time) moves to a higher paid job. Figure 2.2.15 shows the percentage of additional earnings taxed away when second earners increase their earnings from one third to two thirds of the average wage, by increasing their hours worked. On average in the EU, second earners can lose around one third of their additional earnings. Due to the high value of the housing benefits in both countries, losses of additional earnings can rise above 60% in Belgium and, in extreme cases, in Lithuania even above 100%. The contribution of taxation to this trap is the highest in Belgium, followed by Germany.

Figure 2.2.15: In many Member States, taxation provide disincentives for low-wage earners to work longer hours

Low wage trap for second earners, (%, 2021)



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.

The gender pay gap remains high despite slight improvements. The EU-wide unadjusted pay gap declined somewhat year-on-year, standing at 13% in 2020 (-0.7 pps since 2019 and -2.5 pps since 2015).[128] This is a somewhat faster decline compared to the average drop of about 0.3 pps per year since 2010. The unadjusted gender pay gap remained nonetheless above 20% in Estonia and Latvia; the smallest values (3% or less) were registered in Luxembourg, Romania, and Slovenia – see Figure 2.2.16. Since 2015, the situation has considerably improved in Czechia, Estonia, Slovenia, Spain, and Portugal (by around 5 pps), while the gap has grown by more than 3 pps in Hungary and Latvia. These gaps are significantly influenced by gender segregation in economic activities, as well as differences in educational attainments. The gender pay gap tends to emerge early on during the career, even though young women outperform men in educational achievement.[129] Other factors are also likely to play a role, including underrepresentation of women in more senior positions, greater difficulties in reconciling work with care responsibilities (also resulting in career breaks), discrimination and non-transparent wage structures. Pay disparities tend to accumulate over lifetime and contribute to the gender pension gap (at 26.9% for people aged 65-74 in the EU in 2020, with considerable heterogeneity among Member States, ranging from Estonia at less than 1% to Luxembourg at 40.5% in 2019).

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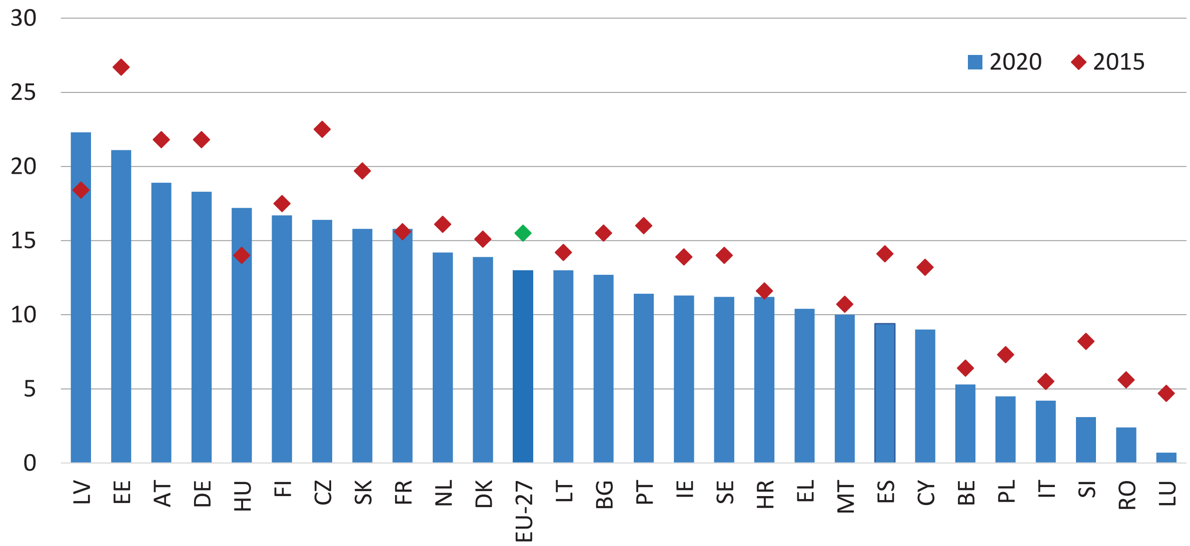
[128] The indicator has been defined as unadjusted because it gives an overall picture of gender inequalities in terms of pay and measures a concept which is broader than the concept of equal pay for equal work. It is used by Eurostat to monitor SDG 5 on gender equality – see details on the related Eurostat website.

[129] See: European Commission, *Employment and Social Developments in Europe 2022*, Publications Office of the European Union, 2022. In 2021, 47% of women aged 25 to 34 held a tertiary qualification as opposed to 36% of men of the same age.

Figure 2.2.16: Gender pay gaps in unadjusted form remain wide despite improvements
Difference between average gross hourly earnings of male and female employees as a percentage of average gross hourly male earnings (%, 2020 and 2015)

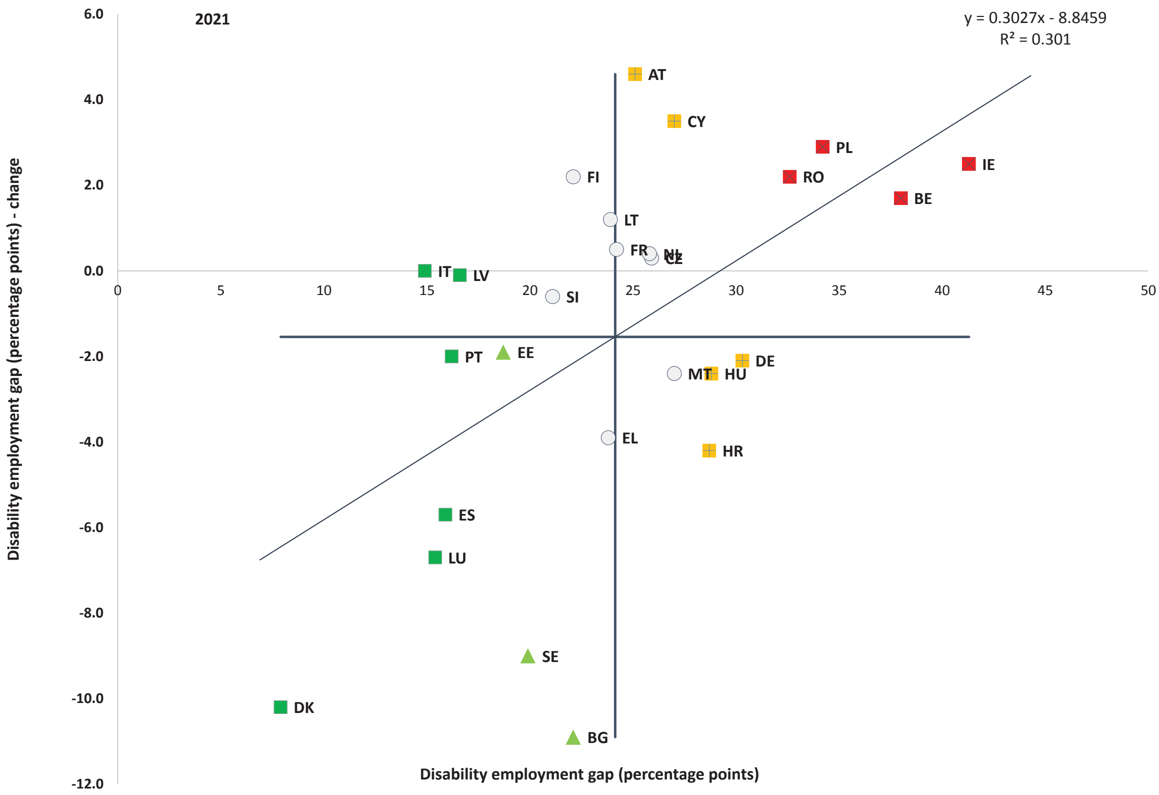


Note: For IE and EL, latest data from 2018 instead of 2020. Data are provisional for all Member States.
Source: Eurostat [earn_gr_gpgr2], SES.

There is considerable potential for stronger labour market participation among persons with disabilities, in line with Principle 17 of the European Pillar of Social Rights. The revised Social Scoreboard includes a headline indicator to monitor their labour market integration as a means to contribute to achieving the employment ambitions laid out in the Strategy for the Rights of Persons with Disabilities.[130] The disability employment gap between persons with disabilities and without stood at 23 pps in 2021 in the EU. The Social Scoreboard indicator shows a wide variety in Member States' performances – see Figure 2.2.17. The gap was the widest in Ireland and Belgium (with 41.3 pps and 38 pps respectively), Poland, Romania and Germany (above 30 pps), and the lowest in Denmark, Italy, Luxemburg, Spain, Portugal, Latvia, Estonia, and Sweden (below 20 pps). The COVID-19 pandemic aggravated pre-existing limitations in access to employment for persons with disabilities.[131] Overall, four countries recorded a 'critical' situation, while seven are in the 'to watch' category (Slovenia, Finland, Greece, Lithuania, France, the Netherlands, and Czechia). No significant change in the disability employment gap has been observed in the EU since the monitoring started in 2014, further underlining the urgent need for policy action in this area. To this end, the Disability Employment Package, announced in the Strategy for the Rights of Persons with Disabilities, has been launched on 20 September 2022 at the Czech Presidency conference[132]. The Package[133], consisting of guidance and practices in six different areas from recruitment to job retention, will be developed jointly with relevant stakeholders by 2024.

[130] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 3.3.2021 on *Union of Equality: Strategy for the Rights of Persons with Disabilities 2021-2030*, COM/2021/101 final.
[131] See: European Commission, *Employment and Social Developments in Europe 2021*, Publications Office of the European Union, 2021.
[132] See: Ministry of Labour and Social Affairs of the Czech Republic (2022), Presidency conference on integration of people with disabilities into the labour market.
[133] See European Commission, *Disability Employment Package to improve labour market outcomes for persons with disabilities*, 2022

Figure 2.2.17: 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), 2021 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: The legend is presented in the Annex. Data for IT and PL are provisional. Break in the series for LU. *Source*: Eurostat [hlth_dlm200], EU-SILC.

While improving, the employment rate of non-EU born people remains lower than for the native. In 2021, for the 20-64 age bracket, the overall employment rate gap between non-EU born and native-born stood at 10.8 pps (the respective rates amounting to 74.2% for the native and 63.4% for the non-EU born), with a slight improvement compared with the gap recorded in 2020 (-0.8 pps). The gap was wider (around or above 20 pps) for countries such as Belgium, the Netherlands and Sweden. On the contrary, it was negative (implying a higher employment rate for non-EU born people than for the native) in Poland, Romania, Slovakia, Czechia, Malta, and Portugal.

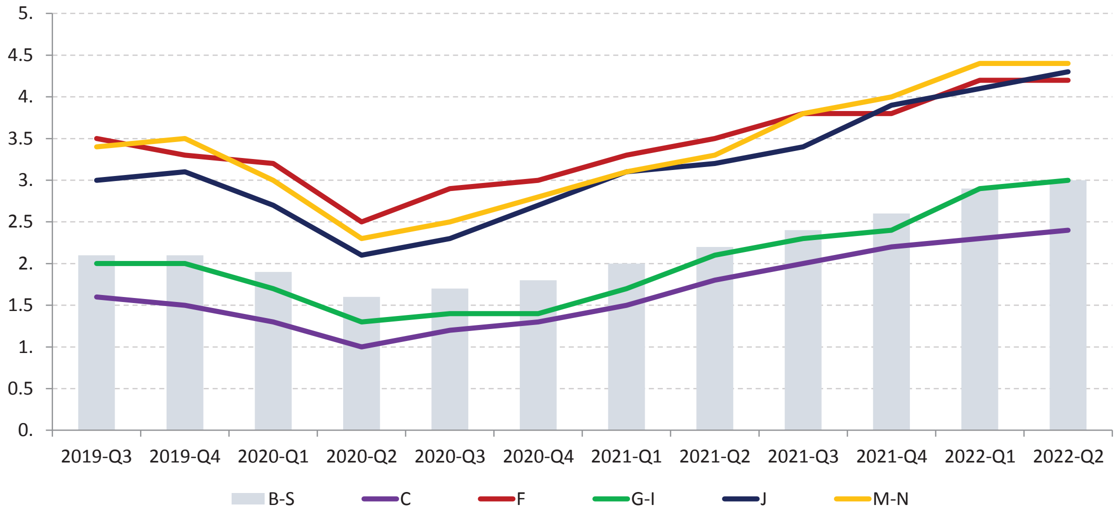
The labour market situation of people born abroad differs depending on their country of origin – EU or non-EU – and their level of education. On average in the EU in 2021, the employment rate of native born aged 25-74 was 79.7% for the sub-group with high level of education and only 39.8% for people with low levels of education. For EU-born people with a high level of education and living abroad, the employment rate was, at 77.6%, trailing that of their native-born peers with only a relatively small (2 pps) difference. Remarkably, the employment rate of the EU-born with a low level of education was, at 54.7%, higher than for the native-born with a similar education level. The situation differs for the non-EU-born from a country with a low or medium human development index (HDI). With an average employment rate of 45.7%, they do only somewhat better than the native-born with low education levels (while people with a high level of education perform close to their native-born peers irrespective of the HDI of their country of origin). Based on LFS data for 2021, the main obstacle most commonly reported by foreign-born people in getting a suitable job in the host country is a lack of skills in the host country language(s).[134]

Pillar Box 4: Labour and skills shortages[135]

Labour and skills shortages refer to situations where potential job creation is hampered by the lack of suitable workers. In particular, labour shortages occur when the demand for labour by employers exceeds the available supply, at the prevalent wages and working conditions, at a particular place and point in time. Skills shortages arise where employers are unable to fill a post due to lack of suitably skilled candidates and at the ongoing rate of pay. As such, skills shortages are one of the determinants of labour shortages, though the latter may have additional drivers (e.g., economic cycle, population ageing and labour mobility patterns contributing to a shrinking workforce, technological change, poor working conditions in certain sectors and/or occupations)[136]. Both labour and skills shortages negatively affect growth potential and may exacerbate challenges in terms of employability and social inclusion.

Persistent labour shortages are often related to the unavailability of appropriate skills on the market. In those cases, increasing the wage level or providing better working conditions do not help fill vacancies in the short to medium run, as people with the required skills are not readily available on the labour market. Addressing skills shortages directly contributes to the implementation of Pillar principles 1 (on education, training, and life-long learning), 3 (on equal opportunities) and 4 (on active support to employment).

Labour shortages have been on the rise since the outbreak of the COVID-19 pandemic
Job vacancy rates in the EU by NACE 2 economic activities (%, quarterly 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, technical and scientific activities).
Source: Eurostat [teilm310]

[134] See Eurostat (2022), *Main obstacles for foreign-born people to enter the labour market*; and Eurostat (2022), *Main characteristics of foreign-born people on the labour market*.

[135] The discussion in this box relies to a great extent on and references (unless stated otherwise) relate to European Commission (2022, forthcoming), *Skills shortages and structural changes in the labour market during COVID-19 and in the context of the digital and green transitions*, European Centre of Expertise (ECE), Synthesis Report.

[136] See Labour Market and Wage Developments in Europe 2022 (forthcoming) for a detailed analysis.

Labour shortages reached or exceeded pre-pandemic levels in several EU countries by the end of 2021. High job vacancy rates (in relation to prevailing labour market conditions), as a proxy of excess labour demand, indicate labour shortages. As evident from the figure above, after a drop in the first quarters of 2020, job vacancy rates started increasing again and exceed the pre-pandemic levels already in the second quarter of 2021. In 2022, job vacancy rates have continued to rise, reaching record levels in the second quarter of the year. They are particularly high in sectors such as ICT, construction, and professional activities, with hospitality and manufacturing also registering substantial increases and above-crisis levels. While labour shortages have been rising, there are no indications that labour market matching has deteriorated in the EU as a whole. While the inflow of displaced persons from Ukraine, along with regular migration from other regions of the world, can, in the medium to long run, help ease shortages (notably in sectors with low barriers to the transfer of skills) it is unlikely to fully address the challenge.

The analysis of wage premia relative to their expected levels provides an indication of sectors where skills shortages have been identified as prevalent. The ECE study, based on 2020 EU-SILC data, identifies skills shortages where the actual wage premium (i.e., the part of wages that remains unexplained after workers' characteristics are taken into account) exceeds the predicted value for a particular skill level and sector. According to the analysis, the largest skills shortages are found for high skills in manufacturing and transport, and for intermediate general skills in finance, health, and public administration. In turn, skills shortages are lower for high-skilled workers in construction and agriculture, and for intermediate specific skills in manufacturing, construction, transport, and finance.

The green and digital transitions have significantly impacted skills needs in the labour market, while improving the performance of education and training systems is key to supporting a correspondingly adequate skills supply. Rapid changes due to digitalisation, decarbonisation, and the introduction of new technologies have increased the demand for qualified workers with certain skillsets. Skills shortages, including in terms of digital skills, are also related to the quality and effectiveness of education and training systems. Increasing the attractiveness of vocational education and training, as well as science, technology, engineering, and mathematics (STEM) fields in tertiary education, are particularly important to address challenges related to skills shortages. Nonetheless, in the entire EU, 65.5% of students have above basic levels of digital skills against only 37.4% of employees, suggesting that the future labour force may be better equipped to meet the demand for digital skills. More general factors, such as population ageing, working conditions, earnings and health and safety at work, also have an impact on labour and skills supply.

Particularly for SMEs, access to skills has become a key challenge across the EU, with labour shortages being reported as being among the most pressing problems faced, according to the SAFE survey. Out of all euro area firms, 67% considered access to labour as a highly pressing challenge in 2022. SMEs struggle to compete with big companies in access to talent due to their more limited resources. Among other actions, the EU is using the Pact for Skills to boost the upskilling and reskilling of the EU labour force, including in SMEs, through concrete actions in the framework ecosystems' large-scale skills partnerships. Each partnership commits to specific objectives in terms of up- and reskilling of their workforce, according to the skills needs in the respective ecosystems.

The Pact for Skills is one of the flagship actions under the European Skills Agenda. It was adopted by the European Commission on 1 July 2020, aiming to mobilise and incentivise private and public stakeholders in Member States to take concrete action for the upskilling and reskilling of people of working age. This is done preferably by pooling efforts in a partnership, addressing the needs of the labour market, supporting local and regional growth strategies as well as green and digital transitions. More than 700 entities have joined the Pact so far, with 12 large-scale skills partnerships for the training of workers in 11 ecosystems (of the 14) of the Industrial Strategy. These entities and partnerships will up- and reskill around 6 million workers over the next years.

Many Member States are addressing skills shortages by rolling out and expanding national education, training and employment strategies (that in some cases were developed over the last decade). Particular attention is paid to mapping and forecasting skills needs. For instance, in countries like **Belgium** and **Estonia**, skills shortages are identified through a process including public authorities, public employment services, employers, social partners, and education experts. Skills intelligence is used in specific channels by the public employment services, notably in designing the training programmes (such as in **Cyprus** and **Luxembourg**). A number of Member States (e.g., **Austria**, **Bulgaria**, **Cyprus, Czechia**, **Germany**, **Estonia**, **Spain**, **Finland**, **France**, **Ireland**, **Italy**, **Lithuania**, **Latvia**, **Portugal**, **Sweden**, **Slovakia** and **Slovenia**) have in place national policies specifically aimed at strengthening digital skills, in some cases also with support from the RRF and other EU funds.

Employers also take action to address labour and skills shortages, via upskilling and reskilling and other strategies. The most prevalent approach is through on-the-job and off-the-job trainings (usually in large companies) and publicly funded training schemes. In many Member States (e.g., **Austria**, **Belgium**, **Germany**, **Estonia**, **Greece**, **Spain**, **Finland**, **Hungary**, **Ireland**, **Lithuania**, **the Netherlands**, **Poland**, **Romania**, **Sweden,** and **Slovakia**) employers were reported to collaborate with education and training institutions, recognising and certifying skills and contributing to the quality of education programmes in line with labour market needs. In several Member States (**Austria**, **Spain**, **Finland**, **Croatia**, **Ireland**, **Lithuania**, **Latvia**, **Luxembourg**, **Malta**, **Portugal**, **Slovakia,** and **Slovenia**) businesses collaborate with public employment services in mapping labour and skills shortages, as well as in designing and delivering upskilling and reskilling programmes. Specific cooperation programmes with social partners are in place in many Member States.

2.2.2. Measures taken by Member States

Member states are gradually increasing policy focus on early childhood education and care (ECEC) to address capacity constraints in certain geographical areas, ensuring access for disadvantaged children, and improving quality, in line with the recommendation on the reinforced European Child Guarantee (ECG) and as reflected in many of the thus far submitted ECG National Action plans. The trend of lowering the age of compulsory education and introducing legal entitlements continues. These measures are often accompanied by others to eliminate or reduce participation fees or support disadvantaged families to improve affordability. The expansion of ECEC capacities in general but also with regard to these latter measures, continues with substantial support from the Recovery and Resilience Facility (RRF). While these investments have the potential to fill existing capacity gaps in certain regions, the large number of children put the sector under additional stress, leading to the adaptation of some technical and quality requirements in some countries. For instance, under its RRP, **Czechia** aims to increase ECEC capacities by 40% by 2025 and to create additional 5,000 places with ESF+, while **Croatia** intends to create 22,500 new places in ECEC to increase participation from the age of 3 to the beginning of compulsory school to 90% by 2026 foreseen under the **Croatian** recovery and resilience plan (RRP). In **Romania,** 110 crèches for up to 4,500 children are planned to be constructed by 2025. In **Italy**, around 264,000 posts are to be created to build, retrain, and secure kindergartens and nursery schools. Funded under the RRP, the investment aims at improving the provision of education from an early age on. With a budget of EUR 10 million for the first year and up to EUR 16 million for the following years, covering the period from 2022-2025, **Cyprus** adopted the Childcare Subsidy Scheme for Children aged 0-4 years in September 2022. For an initial target group of 15,000 children, the scheme is set to subsidise the costs of nursery schools with the aid of ESF+. Moreover, under the RRF, Cyprus envisages to lower the entry age for free compulsory pre-primary education to the age of 4, accompanied by a grant scheme that covers tuition fees in community or private kindergartens for children that cannot be enrolled in public kindergartens. In **Bulgaria**, as outlined in its RRP, the reform of lowering the starting age of compulsory pre-school education from 5 to 4 has been gradually applied across the country and is aimed to be implemented in all municipalities by 2023–2024. In addition, to improve participation in ECEC, a new law approved in spring 2022 allows parents to enrol their children to nurseries and kindergartens without any fees. 57 kindergartens are set to be renovated and 8 new to be built under the Bulgarian RRP. **Slovakia** already made pre-primary education compulsory for 5-year-olds in September 2021, while a legal entitlement to a place in kindergartens or another establishment providing pre-primary education will be introduced for 4-year-olds in 2024 and for 3-year-olds in 2025. The reform is accompanied by investments in newly created places for children aged 3-5. In addition, a pilot grant scheme was launched under the RRP to enhance access to ECEC focused on children with poor socio-economic background, including from Roma communities. Under its RRP and with an overall value exceeding EUR 381 million, **Poland** plans to invest in the creation of new care places in the form of nurseries and children's clubs for up to 47,500 children. These include those adapted to the needs of children with disabilities or requiring special care, complementing places created with ESF+ funding, which will also cover the operation of the places created under both funds for 36 months. In November 2021, **Poland** also adopted a measure to directly subsidise the financing of childcare. For the second and every next child between 12-36 months, parents can receive subsidies up to a maximum of PLN 12,000. In **Estonia**, the ongoing reforms aim to define learning outcomes and identify learning support needs for children under 7 years (compulsory school age). **Lithuania** revised ECEC curricula in 2022 under its RRP and piloted a methodology for self- and external evaluation of the quality of its services in 2021. In **Ireland**, a package of measures was introduced, taking effect from September 2022, to improve pay and conditions in the sector, improve the quality of provision, and reduce costs for parents. **Greece** will use its RRF resources to create more than 53,000 new childcare places for children aged from 2 months until 2.5 years through the creation or expansion of 1 000 childcare units in various municipalities and the creation of 120 childcare units in large companies.

Displaced families and children from Ukraine have benefitted from the extension of social assistance to their families in several Member States that granted them access to childcare, for example in **Belgium, Portugal, Estonia, Hungary, Lithuania, Spain,** and **Slovakia**. In most Member States, displaced children from Ukraine have access to childcare equal to that of country nationals or legally residing migrants, regardless of their legal status, while in some others, equal access is granted following registration for temporary protection. Availability of childcare services to guarantee actual equal access to all children, however, remains a challenge in several Member States, especially those hosting a high number of children fleeing from Ukraine. In **Denmark**, exemptions from previous rules set out in the Danish Daycare and Primary School Act are now possible, allowing Ukrainian children to maintain a link with their language and culture whilst integrating into the Danish society and education system. In **Poland**, changes in service regulations enable increases in the total number of children that avail of an ECEC service. Local authorities may also establish more ECEC centres to meet the needs of Ukrainian children.

Several Member States invested in the quality and inclusiveness of primary and secondary education, in line with Pillar principle 1 (on education, training and life-long learning). In **Bulgaria**, more than 11,000 children participated in the national programme 'Together in care of each student', which aims to smoothen transitions between kindergarten, primary and lower secondary education. **Czechia** set to increase support to schools in structurally disadvantaged regions, through provision of training and increasing teachers' competences. This pilot measure will be scaled up after 2022, funded under the RRP and partly supported by the ESF+. **Romania's** RRP sets to invest in supporting schools with high-risk of drop-out through a grant scheme, based on the recently developed early warning mechanism, as well as time-bound, evidence-based, and cost-effective targets. **Estonia** raised the minimum remuneration of teachers by 7%. In Flanders (**Belgium**), so-called KOALA tests were introduced for 5-year-old children to assess their language skills, under the Belgian RRP. In case of shortcomings, corrective measures are undertaken to bridge the gap prior to entering primary school. In the French speaking community, personalised support to pupils will be gradually rolled out to reduce school failure and inequalities.

A number of Member States pursue efforts to address inequalities by providing targeted support to disadvantaged schools and pupils, but challenges persist. In line with Pillar principle 1 (on education, training, and life-long learning), Member States aim to address inequalities by providing additional funding to disadvantaged schools, training of teachers and increasing the availability of support staff. Inclusive education reforms are implemented in some cases with the support of methodological centres that can guide and support principals and educational staff. Using RRF funding, **Spain** is setting up at least 1 000 support service units in school districts targeting vulnerable pupils, providing guidance and psychoeducational support. Also, as part of its RRP, **Romania** has selected the first batch of schools with high risk of dropouts (1391) to receive grants to support pupils in vulnerable situations. In **Austria,** the pilot project '100 schools and 1 000 chances' tests how increased resources for particularly challenged schools in primary and secondary education could improve educational outcomes. In **Greece,** a framework for inclusive education and related implementation guidelines with good practices from other European countries have been established and a pilot project of 50 experimental accessible schools focused on the inclusion of persons with disabilities. The project will be extended at national level with the support of EU financing. Additional language support is also among the key measures aimed at integrating students with a migrant background for example in **Belgium**, **Austria**, **the Netherlands,** and **Sweden**. Separate bridging classes for newly arrived migrants is a practice in place in various countries but should be applied with caution to avoid the risk of segregation. To compensate for learning losses amongst disadvantaged children caused by the pandemic, several countries have launched targeted programmes. These are often accompanied by psycho-social support to mitigate the negative impact of school closures on pupils' mental health. As part of its RRP, **Czechia** is implementing a large-scale national mentoring programme, providing funding to 400 disadvantaged schools for support measures (e.g., support specialists, training for teachers to work with heterogeneous groups). Some countries have adopted measures to remove structural barriers to inclusion. The reorganization of school networks in **Latvia** and **Lithuania** (in the RRP) also aims to improve educational opportunities for pupils in rural areas. To improve educational outcomes of disadvantaged pupils across the Union, further efforts are needed. For example, early tracking must be made less prevalent or improved and school segregation tackled, as these areas represent significant challenges in several countries.

Some Member States adopted measures to improve the inclusiveness of their education systems for learners with special educational needs, **including by removing physical barriers**, in line with Pillar principle 3 (equal opportunities). In June 2022, **Slovakia** adopted its first 'Action Plan for the Implementation of the Strategy for an Inclusive Approach to Education 2022-2024' as a pilot for a new support system in classrooms for children with special needs. Children will be supported based on their actual individual needs instead of the diagnosis of their disability and, under its RRP, Slovakia also plans to remove architectural barriers in 252 large secondary schools. In **Croatia**, under the framework of its National Plan for the Development of the Education System 2021-2027, the implementation of measures related to the development of a support system for children and students with disabilities, as well as students from vulnerable groups is foreseen. In cooperation with the European Agency for Special Needs and Inclusive Education, **Poland** has presented plans for a reform to increase the inclusiveness of its education system for students with disabilities. The draft law on inclusive education aims to develop a cross-disciplinary support system for children, students and families, a new three-level system of early development support, and a new special needs diagnostics system, including monitoring and evaluation of individual support measures. The role of special education institutions will be expanded to support inclusive mainstream education. New supervisory measures are proposed to ensure the quality of and support for developing teaching staff's skills in inclusive education. In **Spain**, an RRP reform has sought to reinforce the inclusion of students with special needs in ordinary schools, while also committing to maintain special education centres for those students whose needs can be better met in them and in order to support ordinary centres in their inclusion efforts. With support from the RRF, **Greece** will apply special early childhood intervention programmes on a pilot basis to more than 1 400 children with disabilities and developmental disorders aged 0-6 years.

Integrating large numbers of displaced children from Ukraine in national education systems poses challenges in some Member States. Almost two million children are estimated to have arrived in the EU following the Russian aggression against Ukraine. Yet, with great variation among Member States, only a minority of them is enrolled in national education systems during the 2021-22 school year. This can partly be explained by high levels of uncertainty about the expected duration of the stay in host countries. As a result, many choose to follow online education offered by Ukrainian schools. With the prolongation of Russia's aggression, inclusion of Ukrainian children in host countries' mainstream education from the 2022-23 school year will be a priority. At the same time, activities to allow children to keep a strong connection to Ukraine help prepare children for all possible future developments, including to return to their home country when the situation allows. To tackle existing challenges, most Member States have already undertaken measures to support the education of Ukrainian children, such as offering language classes, psycho-social support, and guidance. National authorities have been active in developing guidance to schools, teachers, and families. For instance, in **Croatia**, the Association of ECEC teachers developed a communication book using symbols with translations to Ukrainian and Croatian, to support the integration of displaced children from Ukraine in ECEC. Moreover, many schools across Member States employ Ukrainian teachers to help bridge the language barrier and to simultaneously help addressing the teacher shortage.

Member States ease entry requirements and provide funding to facilitate the integration of displaced students from Ukraine in secondary and tertiary education. Some Member States allow access to upper secondary and vocational schools without any documents proving completion of previous education cycles, for example **Bulgaria, Cyprus, Czechia, Estonia, Spain, Lithuania, Latvia**. Several others also show flexibility regarding the required documents and skills. In **Czechia**, students may be allowed to replace a missing document educational qualifications by a sworn statement (an *affidavit*), while in **Italy,** the state offers an alternative assessment procedure. Conditional on successfully completing all but three subjects at the end of the school year, **Bulgaria** provides an alternative path for students to be admitted to the next one. In **Romania**, Ukrainian pupils enrolled in the Romanian education system have the right to enrol in the ninth grade, without taking the national final exam. To bridge the gap between a field-specific secondary education taken up in Ukraine and higher education in the EU, **Luxembourg** offers specific bridging courses allowing students to obtain an EU-wide accreditation of this existing education. Although admission conditions are usually set by higher education institutions themselves and can vary within and between Member States, a number of actions have been taken to allow displaced persons to pursue higher education. For example, in **Austria, Croatia, Czechia, Estonia, Finland**, and **Malta**, tuition fees or international student fees are temporarily waived to allow easy accessibility to tertiary education. Other Member States, for instance, **Cyprus**, **Italy**, and **Lithuania** offer funding to students to continue their higher education.

Member States continue to take steps to strengthen the teaching profession and address worsening teacher shortages. Member States are increasingly faced with emerging teacher shortages, largely due to the ageing of teacher workforce and the low attractiveness of the profession. The challenges are generally more severe in certain subjects, such as STEM and ICT and in remote or disadvantaged areas. Even in countries with overall good performance, for example in **Estonia**, **Denmark,** or **Sweden,** teacher shortages pose a risk to the quality of education in the medium term. In recent years, to improve the attractiveness of the profession, salaries have been raised significantly in several countries. For instance, in September 2022, the **Estonian** government decided to further increase the salaries of teachers by 24% in 2023 (pending the adoption of the budget). Member States also aim to attract more candidates to initial teacher education, support novice teachers, improve working conditions and offer alternative pathways to the profession. For example, **Lithuania** is offering scholarships to students in the final year who sign three-year employment contracts with a school or a municipality. In the **Netherlands**, unqualified teachers can apply for a Teacher Scholarship programme to obtain a bachelor's or master's degree and **Spain** has passed legislation since July 2021, which, among other things, aims to reduce the number of temporary contracts for teachers in the public sector. Some countries adopted more comprehensive reforms, involving changes in initial and continuous teacher education programmes. For example, **Estonia** adopted an 'Action Plan for the New Generation of Teachers' focused on the quality of management and organisational culture in schools; initial and in-service training for teachers; career and development opportunities; support throughout the career cycle and the attractiveness of the teaching profession. A recent reform in **France** obliges all teachers to participate in continuous training and from January 2022, new training centres for education staff opened. **Cyprus**, as part of its RRP, and **Poland** are developing teacher evaluation systems and introducing quality of teaching standards. Similarly, **Greece** has recently introduced an evaluation framework for teachers and, with support from the RRF, will further invest in strengthening their competencies. In **Belgium** (Flanders), lateral entrants in the teaching profession can benefit from 10 years of recognition of previous work experience, which is relevant to determine their remuneration.

Following the disruption caused by the pandemic, modernisation efforts aimed at improving basic skills and equipping young people with the competences needed in the 21st century resume, in line with Pillar principle 1 (on education, training and life-long learning). Comprehensive curricular reforms are being rolled out for example in **Belgium, Slovakia, Czechia**, **Spain**, **Greece**, and **Romania** to reinforce the acquisition of key competences, often focusing on digital and STEM skills as well as competences on environmental sustainability. In **Slovakia**, the reform will be underpinned by the creation of 40 regional centres that help schools in mentoring, counselling and consultation activities supported under the RRP. In **Slovenia**, the **Netherlands**, **Hungary,** and **Luxembourg** digital skills are being reinforced in the curricula across educational levels. In **Bulgaria**, a new national platform for e-lessons had been launched with ESF support in 2022 and will be operational for the 2022/2023 school year. The platform will enable teachers to create digital learning content, such as lessons, exercises, or tests, by using different electronic resources. In **Romania,** standardised tests are being introduced to improve the monitoring of education outcomes. In **Greece** for the first time a programme of system-level evaluation for 12,000 pupils in Greek language and mathematics has been organised. It aims to assess the implementation of the new curricula and the learning outcomes of pupils at various levels. Moreover, the digital education action plan in **Greece's** Digital Transformation Strategy for 2020-2025 includes the revision of curricula, the introduction of a certificate for basic IT skills aimed at 15-year-olds, and the provision of digital education resources for primary and secondary education. In **Portugal,** the '*Ciência Viva'* school network, supported by the RRF, aims to reinforce experimental teaching of sciences and to strengthen the scientific culture in primary and secondary education.

The digital transformation of education and training will receive a significant boost from the Recovery and Resilience Facility. Member States will undertake major reforms and investments in digital education, with more than EUR 28 billion to be invested in digital education and training[137] Most countries will invest in the digital infrastructure and connectivity often with a focus on closing the digital divide. These investments will go hand in hand with measures to develop the digital competences of students and teachers. For example, as part of its RRP, **Germany** envisages the setting up of competence centres for digital education based on a system of collaboration between teacher education and in-service training institutions, universities, and research institutes. **Bulgaria,** under its RRP, will invest in STEM laboratories in schools, including high-tech classrooms, aiming to promote digital literacy and enhance teaching methods of STEM subjects. One national and three regional STEM centres that will organise trainings for teachers and develop teaching materials will be established. With support from the RRF, **Greece** envisages investments in the digital and laboratory infrastructure of its broader education system, and it has already provided digital equipment (including laptops and tablets) to more than half a million pupils and students in low-income families and to more than 150,000 teachers of primary and secondary schools. By the end of 2024, **Spain** aims to support the digital transformation of vocational training by investing in the digital and green training of vocational training teachers, the conversion of classrooms into applied technology spaces, the creation of 'entrepreneurship' classrooms, and the creation of a network of 50 centres of excellence stimulating research and innovation. Following new measures adopted in July 2021 under its RRP, Spain will provide portable devices to at least 300,000 students from vulnerable groups in public or publicly subsidised schools by 2025. It will also install, update, and maintain interactive digital systems (IDS) in at least 240,000 classrooms in public schools to enable blended learning and will provide digital training to 700,000 teachers. In January 2022, **Portugal** signed contracts for the purchase of 600,000 new laptops to lend to teachers and pupils funded under the RRF. As part of its RRP, **Ireland** plans to introduce broadband internet to some 1 100 primary

[137] The figure is based on the pillar tagging methodology for the Recovery and Resilience Scoreboard. It corresponds to the estimated cost of measures allocated to '*Human capital in digitalisation*' as primary or secondary policy area. The calculation is based on the 26 recovery and resilience plans endorsed by the Commission and Council by November 2022 (all Member States except Hungary). These are estimated costs; actual funding will be based on the fulfilled milestones and targets. The Commission assessed the cost estimates when the initial plans were submitted and approved. Member States are not required to submit spending receipts and the Commission will not verify the actual costs of measures supported by the RRF.

schools, and to provide funding for ICT infrastructure, including devices and software, to more than 3,100 primary and post-primary schools.

While access to tertiary education, in particular for vulnerable young people, is still a challenge, policy focus in some Member States is shifting to 'future-proofing' higher education in the light of the twin transition. Most Member States focus on the quality of the academic offering, addressing skills mismatches and labour market access of graduates as well as the international competitiveness of higher education institutions. Some countries are also undertaking major governance reforms, including reinforcing performance-based funding. In **Cyprus**, a national working group was formed to exploit the new opportunities of the European Universities initiative, which enhances the cooperation among higher education institutions in Europe. In **Bulgaria,** a package of measures is aimed at raising requirements for teaching staff, improving the accreditation system, changing the teaching staff attestation, and introducing measures against plagiarism. To meet the skills needs in fast-growing sectors, in some Member States, for example in **Czechia**, **Sweden,** and **Finland,** new study programmes and places will be created under the RRF. In **Finland**, higher education institutions shall expand their intake with at least 600 study places in 2022 on the 1st cycle degree programmes. In **Italy,** the creation of three Digital Education Hubs (DEH) targeting the digital transformation of higher education is planned. In **Slovakia,** performance contracts between schools and the government will be introduced to support the profiling and diversification of universities based on their specific strengths and potential for development. Only a handful of countries have targeted strategies to enhance inclusiveness and accessibility of higher education. In **Ireland**, the 'Funding the Future' framework increases funding for student support, sets out options for sustainable higher education funding and plans for improving the quality of higher education. It addresses skills gaps and fosters participation of under-represented groups, gradually reducing student fees and increasing student grants, while phasing out student loans. Similarly, **Spain** and **Italy** are increasing the number of scholarships and investing in student accommodation.

Several Member States have introduced encompassing reforms of their vocational education and training (VET) system. In **Portugal**, in line with the reform included in its RRP, the government and social partners concluded a tripartite agreement on vocational training and qualifications in July 2021. The agreement aims to create a more responsive and flexible governance system emphasising digital learning and developing post-secondary and intermediate levels of VET. In March 2022, under its RRP, **Spain** introduced a law incorporating two pre-existing VET systems (one linked to education, the other to the labour market) into a single framework, aimed at applying a lifelong learning perspective. The law was followed by an agreement covering the innovation, internationalisation in VET, as well as digital and green transition. In **Bulgaria,** an update of the lists of VET occupations and standards will be piloted under an ESF+ strategic operation adopted in 2022. As part of the RRP, new amendments to the regulatory framework for VET are envisaged, introducing changes to the list of professions for VET and their programmes, in accordance with the labour market needs. In addition, 24 VET Centres of Excellence will be renovated through the RRP, while the ESF+ will provide support to their activities. In **Latvia,** amendments to the Professional Education Law were introduced in March 2022, broadening the possibilities to gain qualifications outside a particular school, e.g., in mobility, other educational institutions, or work environments, as well as non-formal learning as well as introducing a modular approach. The reform also clarifies the conditions of apprenticeships and work-based learning, introduces accident insurance for students, improves graduate tracking, and categorises certain VET schools as centres of excellence. In 2022**,** a series of VET-related reforms have been or will be introduced in **Lithuania** covering apprenticeships, assessments of competences, consolidation of the VET network as well as Centres for Vocational Excellence, following commitments in the national RRP.

Member States have widened the options for secondary level VET graduates to access post-secondary and tertiary education, in line with Pillar principle 1 (education, training, and life-long learning). For example**, Hungary** amended its system of higher education admission scoring to also allow the calculation of admission points based on VET results starting in the 2021/2022 academic year. In **Sweden,** requirements for national vocational programmes in upper secondary education were amended to allow students to achieve basic eligibility for higher education, for example regarding Swedish and English language requirements. **Italy** is increasing the number of tertiary vocational training bodies through the creation of networks consisting of companies, universities and research centres, local authorities, and education/training systems. By modifying the regime of 'technological specialization courses', **Portugal** reinforced the role of such courses as post-secondary non-tertiary dual certification training that provides qualification based on specialised technical training. **Romania** is developing**,** under its RRP, a full professional route for higher technical education, by ensuring a complete educational pathway for students enrolled in dual secondary education, so that they may go up to tertiary education programmes. This reform, accompanied by several investments supported by the RRP, aims to increase the quality, attractiveness, and labour market relevance of dual education, with an expected increase in the rate of high school students in this route from 17% to 40% by 2026.

Skills for the green and digital transitions feature prominently in several Member States' broader skills strategies or employment measures. Under its RRP and in complementary with the upcoming European Social Fund Plus (ESF+), **Spain** is planning to finance the reskilling of workers at risk of displacement for the acquisition of new skills for the digital, green, and productive transformations. In addition, a survey will be conducted to detect the respective skills needs in at least 23 productive sectors. Under the **Lithuanian** RRP**,** a pilot programme to increase the scope and diversity of its employment measures was launched. It aimed at contributing to the goals of the digital and green transformation and promoting the circular economy. Putting a particular emphasis on digital and green skills, **Greece** has reformed its national lifelong learning system, and from late 2022 on, it will offer specific training programmes to around half a million of people to improve their digital and green skills. In **Cyprus,** the National Lifelong Learning Strategy 2021-2027 includes a specific pillar on green transition and sustainability. To meet the constantly changing demand in skills, some Member States measure and forecast skills needs to inform policies. For example, **Estonia** and **Ireland** are identifying future skill shortages through a participatory process, usually including representatives of the public authorities, public employment services, employers, social partners, universities, and different experts.

In light of the digital transformation, numerous Member States are pursuing encompassing strategies to improve the digital skills of their adult population. Most often, policy measures focus on providing direct training and up-skilling in digital skills. For example, in the context of its RRP, **Spain** aims to improve the level of digital skills of the population. One measure envisages a network of support centres for training in basic and advanced digital skills that includes actions to empower the elderly or facilitate training for vulnerable children and various awareness-raising campaigns. It also envisages activities to increase the digital capabilities of the general population through collaborations with the private sector, such as the free access training platform '*Digitalizate Plus'*, as well as the development of digital resources for the dissemination and teaching of the Spanish language by the end of 2025. Some Member States, for example **Czechia** and **Estonia,** are making significant investments into direct digital upskilling programmes aimed at the general population. These also include training programmes for digital skills aimed at specific target groups such as jobseekers, key specialists, and employers, especially SMEs. In September 2021**,** the Walloon government in **Belgium** adopted a new draft decree on strengthening basic digital skills in September 2021. This decree plans an increase in the hours of training, a standardised pedagogy, coordination with the employment services and more stable and enhanced funding for the structures that provide this training. In **Luxembourg,** a National Digital Inclusion Action Plan containing a prominent section on digital skills was adopted in October 2021. The plan offers digital literacy in formal and non-formal education for all levels and all age groups, with dedicated initiatives to enable citizens to acquire digital autonomy. To develop digital education and promote digital competences of citizens and employees of various sectors, **Poland** developed, under its RRP, a Digital Competence Development Plan 2023-2030. **Malta** is in the process of developing a 'Digital Skills Census' of its workforce whose results should be made available by the end of 2022. In **Finland**, as part of the extensive continuous learning reform featured in the RRP, the first call for applications for the provision of training to strengthen digital skills and/or green skills were published in in spring 2022. **Bulgaria** is investing in setting-up of a platform for adult learning under its RRP, aimed at training 500,000 people in digital skills. Under a RRP investment, **Romania** plans to convert several libraries into digital skills hubs where 100,000 people from disadvantaged communities will receive training in basic digital skills. **Ireland's** Adult literacy, numeracy and digital literacy strategy provides free support for adults to acquire basic digital skills needed to participate in the society. As part of its RRP, Cyprus adopted its National e-skills Action Plan strengthening digital skills across society.

Vocational education and training can play a key role in promoting digital skills. Spain is investing in the digital transformation of VET under its RRP containing key actions on digital and green training of vocational training teachers and the conversion of classrooms into applied spaces recreating technological working environments. In **Lithuania**, the RRP related legislation on the apprenticeship scheme contains a specific target on the digital transformation, stating that at least 40% of apprenticeships shall focus on digital skills. To meet the increasing need for digital skills, **Portugal** is reviewing the vocational and educational training content included in the National Qualifications Catalogue in this field. This notably includes training modules related to technologies and tools, to develop the skills mostly needed in the professional context based on skills anticipation diagnosis.

In the context of the European Green Deal and the need for an accelerated transition to clean energy in light of Russia's war of aggression on Ukraine, Member States are implementing different measures to foster and develop skills for the green transition. For example, in **Estonia,** the RRP includes investments in green skills, aimed at upskilling and retraining to prepare a workforce with wider knowledge and skills in the green economy. The measure encourages the uptake of green technologies through knowledge transfer, the modernisation of the content and the organisation of proficiency training programmes in higher education and VET, as well as the provision of upskilling and retraining. New professional standards will be updated and, where appropriate, developed, specifying the learning outcomes of green skills, and selecting specific areas and skills with the greatest impact on the green transition. Furthermore, the Territorial Just Transition Plan for Estonia's oil-shale dependent Ida-Viru region includes measures focusing on the upskilling and reskilling of workers and jobseekers as well as offering job-search assistance and the active inclusion of jobseekers. In **Sweden**, the government proposed to invest SEK 100 million in 2022 to boost skills for the climate (*kompetenslyft för klimatet*). The Swedish Innovation Agency, Vinnova, is currently working on a proposal on how this action should be designed, e.g., which programmes are to be considered eligible, how funds are to be distributed and which authority is to be responsible for the administration. In **Denmark**, a package of

DKK 100 million for green training and upskilling was adopted in April 2022. The funding will be used, among other things, for investments in equipment and skills development for trainers, mainly in the areas of agriculture, food, technology, construction, and transport. More generally, all business and labour market training providers can apply for funding to develop and test education pathways in climate adaptation and green transition in the period 2022-2025.

Training provision is an important policy area to meet the skills needs of the green transition. In some Member States, for example, **Ireland, and Spain,** specific training programmes for specialists for sectors and occupations where green jobs are in great demand are provided. As part of its RRP, **Malta** intends to introduce a training and certification programme in the building and construction industry with a focus on renovation. In **Austria**, *klimaaktiv*, the climate protection initiative of the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology introduces innovative content into existing educational programmes and currently offers qualifications for specialists in the areas of building and renovation, energy and building technology, green IT, power saving, energy management, energy advice and mobility. There are also initiatives to incentivise the take up of green skills training by the unemployed. In **Denmark**, unskilled workers and workers with outdated skills are granted the right to higher unemployment benefits (110% of the base level) if they begin vocational education in an occupation facing shortages, including training for green jobs.

To increase participation in adult learning, particularly among low qualified workers, Member States introduce measures for more effective outreach in line with Pillar principles 1 and 4 (education, training and lifelong learning and active support to employment, respectively). For example, in **Belgium**, partly funded under the RRF, the Flemish Community has launched a strategy based on targeting specific segments of the adult population, coordinated with the development of an individual learning account scheme and measures supporting adult learning providers and enhancing partnerships on lifelong learning. This complements the individual right to 5 days of training per employee and year (in full time equivalents) that is implemented in 2024 at the federal level in the context of the RRP. In **Greece**, individual learning accounts are at the core of a significant reform of adult learning provision that is enacted in the context of the country's RRP, aimed at better responding to labour market needs through an enhanced skills anticipation mechanism. The implementation of individual learning accounts, supported through the ESF+, is referenced in **Cyprus's** comprehensive lifelong learning strategy 2021-2027. The Strategy seeks to ensure, among other, that lifelong learning is accessible and relevant to all adults. Under its RRP, in **Lithuania**, a new IT system based on the model of individual learning accounts shall be developed for adults who want to continue learning, while also giving access to related services, such as professional guidance and the recognition of skills and competences. To improve the match of adult learning programmes and labour market needs, **Croatia** aligned adult learning programmes with the Croatian Qualifications Framework (CROQF) and improved the recognition of informal and non-formal learning. In **Denmark**, a job rotation initiative is aimed at allowing workers to engage in learning and benefit from continuous learning by providing replacement schemes for those suffering from time constrains. In September 2021, **Hungary** introduced a programme (EUR 175 million) for the upskilling of 70 thousand employees until 2025, with incentives to involve disadvantaged groups such as low-skilled workers, young people, employees above 50 or those living with a disability.

Member States seek to ensure the quality, recognition and understanding of micro-credentials that are increasingly being used across education, training, and labour market systems in line with Pillar principles 1 and 4 (on education, training and lifelong learning, and active support to employment, respectively). As an instrument that holds significant potential in offering quick and targeted upskilling and reskilling for workers, learners, and jobseekers in light of the twin transition, some Member States institutionalize the usage and recognition of micro-credentials. In **Ireland**, certificates on micro-credentials are included in the National Framework of Qualifications of Ireland since its establishment in 2003. In 2022, they are awarded by a variety of providers, including higher education institutions, VET, and non-formal providers. They are increasingly appreciated by labour market actors, as they provide targeted, flexible and verifiable upskilling opportunities. In the **Netherlands**, micro-credentials (*edubadges*) can be issued online, and their recipients can store and share them with employers or education providers to make adult learning more flexible and accessible. Following the adoption of the new Adult Education Act under its RRP, 'micro-qualifications' have become part of formal adult education in **Croatia** in 2021. Croatia's national qualification framework will include units of learning outcomes related to short training courses, that can lead to partial or full qualifications. In **Spain**, recently, the new VET Law (Organic Law 3/2022) has integrated micro-credentials in formal VET with a pathway to accumulate and aggregate single credentials to a formal VET certificate. Similarly, in **Latvia**, the new VET law of March 2022 allows micro-credentials to be accumulated towards a full qualification or to be used as stand-alone qualifications respectively. In revising (in progress) its Adult Education Act, **Estonia** aims to regulate content, provision, the quality, and duration of learning experiences that lead to the award of micro-credentials. In some other member states, for example **Poland, Slovenia** and **Finland**, consultations, and discussions on legal initiatives regarding micro-credentials are ongoing. In Poland, the implementation of micro-credentials will be supported by the ESF+.

The reinforced Youth Guarantee continues to be the policy cornerstone for fostering structural reforms and measures that support employability of youth. Under the reinforced Youth Guarantee, in line with Pillar principle 4 (on active support to employment) as well as in the context of measures supported by EU funds (ESF+, RRF), some Member States have launched new initiatives for the implementation of the reinforced Youth Guarantee. In late 2021, **Portugal** adopted a 'Reinforced National Plan for the Implementation of the Youth Guarantee', and in June 2021, **Spain** introduced the 'Youth Guarantee Plus Plan 2021-2027' along the 'Youth Strategy 2030'. **Lithuania**, **Sweden**, and **Estonia** (the latter as part of its RRP) have recently adopted new Youth Guarantee implementation plans. Other Member States, for example **Croatia and Greece**, are updating their Youth Guarantee implementation plans, while **Bulgaria** is working on a national framework agreement for the implementation of the Youth Guarantee.

A significant number of Member States, also supported by RRF funding, pursue reforms and new programmes, including hiring incentives and accompanying schemes targeting young people. They aim to improve youth employability in line with Pillar principles 1 and 3 (on education, training, and lifelong learning, and on equal opportunities, respectively). In **Estonia,** the RRP covers several measures to support young people, such as a skills reform in support of the digital transition, including new career opportunities for both employed and unemployed people through upskilling and retraining in ICT. Another measure, called 'My first job', aims to reduce youth unemployment by encouraging the recruitment of young people with little work experience by combining wage subsidies and training opportunities. In **Greece,** the programme '*Proto Ensimo*' (First Stamp) facilitates the first entry of young people into the labour market and to create new jobs in the private sector by providing subsidies of EUR 600 (or EUR 300 for part-time) to both the young employees and the employers. **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 conjunction 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 related skills; and finally, the '*Investigo'* programme, which provides work linked to the development of a research project. In **Cyprus**, as part of the RRP, mobile PES units are planned to be established to improve outreach to young people not in education, employment, or training (NEETs). Moreover, the Cypriot RRP also covers a scheme that provides subsidies to private sector employers as an incentive to employ young unemployed and NEETs (aged 15-29) and provide 2 months of training,. Cyprus also intends to address skills mismatches between education and labour market by extending its pilot graduate tracking mechanism to all higher education institutions by 2023. Finally, under ESF+ funding, Cyprus also plans to implement the '*Aim-Learn-Master-Achieve*' (ALMA) initiative, which targets NEETs, and in particular disadvantaged young people. ALMA will be promoted through cooperation/partnership between the PES, employers/businesses as well as other potential partner organisations. **Slovakia** plans to update the 'Graduate practice', which aims to increase of employability of disadvantaged jobseekers (e.g., NEETs, school leavers) through the acquisition and strengthening of work skills by gaining practical experience in a company.

Some Member States have launched initiatives to improve the integration of older workers in labour markets and their employability, which will also help meet the challenge of demographic change, in line with Pillar principles 3 and 4 (on equal opportunities and on active support to employment, respectively). In the context of the pandemic, **Luxembourg** temporarily relaxed rules restricting paid employment for persons who have gone into early retirement to cover the need for staff in different sectors, particularly the health care sector.

Member States are increasingly adopting measures granting permanent family leave and special leaves of absence for people with caring responsibilities to support higher women labour market participation in line with Pillar principles 2 and 9 (on gender equality and on work life balance, respectively). In **Belgium**, as of 1 September 2021, the maximum duration of leave for informal care for person in need of care was increased to three months of full time or six months of 1/5th or half-time reduction in full-time work. In **Denmark,** as of August 2022, new measures entered into force, whereby the post-birth allowance will be divided equally between the parents amounting to 24 weeks of maternity/paternity pay after the childbirth. Some of the leave can be transferred from one parent to the other. In August 2022, the government of **Ireland** approved the General Scheme of the planned Work-Life Balance and Miscellaneous Provisions Bill which aims to introduce a right to five days of leave per year for medical care related to serious illness and the extension of current entitlement to breastfeeding breaks under the Maternity Protection Acts from six months to two years. Additionally, the Irish Parent's Leave Act of 2019 was updated in October 2021, extending the paid parental leave from five to seven weeks to be used flexibly until the child turns two. In **Italy**, a reform from June 2022 aims to promote the work-life balance of workers with care duties as parents and/or carers, to achieve a more equal sharing of care responsibilities between men and women and promote gender equality both in the workplace and in the family. As of 2022, legislation was updated to establish a compulsory and optional paternity leave of 10 days and one day (if transferred from the mother), respectively. Additionally, a law adopted in April 2022 aims to support families with children and encourage the reconciliation of work and family life, by establishing a monthly universal allowance for all dependent children, reform various types of family leaves, introduce incentives for women with care responsibilities to enter the workforce, and develop policies that support families with educational and school expenses. In November 2021, **Cyprus** introduced a reform that increases the maternity leave from 18 to 22 weeks in case of a second child or a second child by adoption or by a surrogate mother, and to 26 weeks in case of a third child. The duration of paternity leave is two weeks, which must be enjoyed within 16 weeks from the birth or adoption of the child. By the end of 2022, Cyprus also plans to introduce the right to paid parental leave, the right to take parental leave in a flexible manner and the right to carers' leave. In 2022, **Lithuania** took measures to introduce additional leave days for parents, taking the number of children as well as disability status of the children into account (see Section 2.3.2). **Finland**, as of 4 September 2022, under the family leave reform, aimed to increase equality between the working life of parents and, respecting different forms of family, both parents will receive a quota of 160 parental allowance days. Of this, a maximum of 63 parental allowance days can be transferred to another parent or guardian, spouse, or spouse of the other parent. The rest of the pregnancy is protected by a pregnancy allowance period of 40 days of daily allowance. The leave can be used in many periods until the child reached two years of age. As of 2 August 2022, **the Netherlands** introduced a right to paid parental leave of 9 weeks at a rate of 70% of daily pay. In November 2021, **France** increased the number of days of leave (310 days to be taken over three years, renewable once), and financial support to which parents are entitled in case of serious illness of a child. In addition, parents are entitled to two days of leave if their child is diagnosed with a chronic disease. In 2022, in **Malta**, free childcare services have been extended to employees working in the evenings, weekends, or in shifts. Moreover, a new law from July 2022 introduces and extends paid paternity leave of 10 days at the birth or adoption for fathers and second parents. In addition, the right for 4 months paid parental leave for each parent of a child under 8, the right to unpaid carers' leave of 5 working days per year, and the right to flexible working arrangements for workers with children under 8 and carers are granted. As of August 2022, in **Bulgaria,** the father or male legal guardian has the right to 2 months paid care leave (BGN 710, approx. EUR 363) for children up to the age of 8 conditional on not having benefited from similar schemes.

Member States are introducing measures on shared and flexible work arrangements for families and people with caring responsibilities in line with Pillar principles 2 and 9 (on gender equality and work life balance, respectively). In January 2021, **Czechia** introduced an amendment of the law allowing employees working part-time to share one job position. This measure aims at expanding flexible working arrangements and is co-funded by the ESF with financial incentives covering a part of the salary, supporting family policy coordinators in the regions, as well as methodological guides, analysis of policies, and best practices. In **Ireland**, the planned Work-Life Balance and Miscellaneous Provisions Bill sets out to introduce a right for carers to request flexible working arrangements, including compressed or reduced working hours. By the end of 2022, **Cyprus** plans to grant working parents with children up to the age of 8 and carers the right to request flexible working arrangements. In 2022, measures were taken in **Lithuania** to introduce the possibility to work less than a full day and to arrange telework and flexible work schedule for pregnant or breastfeeding women or single parents raising children up to 14 years of age (or up to 18, in case of children with disabilities), and to parents raising children up to 8 years of age.

Several Member States took action to promote activation, support female employment and tackle the gender pay gap, in line with Pillar principles 2 and 4 (on gender equality and on active support to employment, respectively). In **Ireland,** the Gender Pay Gap Information Act was updated in July 2021 and will require organisations to report on the gender pay differentials setting out pay differences between female and male employees, including bonuses. The requirement will initially apply to organisations with 250 or more employees but will extend over time to organisations with 50 or more employees. The Act also requires employers to set out the reasons for the differences and the measures to eliminate them, which must be (proposed, but are not mandatory). In **Italy**, the Budget Law 2022 envisages an increase of EUR 50 million per year starting in 2023 for the fund supporting gender pay equity

The resources are intended for interventions aimed at supporting and recognizing the social value to the economic development of the gender wage equality and equal opportunities in the workplace. In addition, the adopted National Strategic Plan aims to identify good practices to combat gender stereotypes, close the gender employment gap, achieve parity in participation in different economic sectors, address the pay and pension gap and achieve gender balance in decision making. In addition, the Italian RRP envisages investments promoting female entrepreneurship, supporting the implementation of innovative business projects for companies set up and run by women or predominantly women and investments in a certification system for firms supporting gender equality in their practices. In **France**, the law of December 2021 introduced a number of measures aimed at fostering economic and professional equality between women and men. From 1 March 2022, employers with at least 1,000 employees are required to annually publish any gaps in representation between women and men among senior executives and members of governing bodies. This information will be made public on the website of the Ministry of Labour, from 1 March 2023 on. It also includes the creation of a 30% quota in firms' management positions from 1 March 2026, with further increases onwards (40% from 1 March 2029). In October 2021, **Greece** adopted the framework for the provision of childcare services for children between two months and two and a half years old and for the implementation of the 'Neighbourhood Nannies' which supports women's access to the labour market and promotes the work-life balance. Nationwide implementation will be preceded by a pilot phase in 33 municipalities.

Member States introduced new initiatives and enacted reforms to improve the recruitment and employability of people with disabilities, in line with Pillar principle 17 (on inclusion of people with disabilities). In **Belgium**, the Talents–Impulsion–Mobilisation reform of PES Wallonia is funded under the Belgian RRP and aims to provide more personalised services and individual pathways for vulnerable jobseekers, including people with disabilities. **Bulgaria** plans to roll out a programme that supports the sustainable employment of vulnerable groups, including people with disabilities, with an EUR 51.1 million budget funded by the ESF+. The operation will target 3,600 members of vulnerable groups, including people with disabilities, supporting them with subsidised employment, mentoring, adapting the work environment and transport. In October 2022, **Czechia** increased the hiring incentives for the employment of persons with disabilities. To increase the employment services offered by PES to people with disabilities, in July 2021, **Ireland** adopted an early engagement approach. Under this approach, which is expected to be fully utilized by the end of 2022, the Irish PES will be actively offering and providing employment services and support to jobseekers with disabilities at the earliest possible opportunity. Engagement will be voluntary and will be focused on the needs of the person and address the barriers faced by people with disabilities. In February 2022, **Croatia** adopted the Law on Amendments to the Labour Market Law, improving the conditions for awarding financial assistance to unemployed persons with disability and determining cash assistance to be in the amount of 10% of the minimum salary in the net amount. As part of implementing its RRP, **Latvia** adopted a plan to promote equal opportunities for people with disabilities in August 2021. The plan adjusts the rules determining disability status, introduces measures for inclusion in the labour market as well as infrastructure accessibility for the built environment. In **Lithuania**, an amendment expanding the applicability of active labour market policies (ALMPs) to persons with disabilities has been adopted. The new initiative is aimed at facilitating the entry of person with disabilities into the open labour market where they can apply for the job of their choice as opposed to their employment in special social enterprises where such choice is limited. In 2022, **Portugal** introduced a programme which supports the hiring and employability process of people with disabilities, through support to contracting, insertion, integration, and entrepreneurship, including those relating to professional rehabilitation. To boost the stabilisation and integration into the labour market, the programme aims to adjust, strengthen, and revitalise employability incentives of a contributory nature and of employment policy programmes. In **Finland**, under the RRP, a new state-owned intermediate labour market operator will start operations in 2022 to promote the adaptation and placement of persons who have a significant risk of being permanently excluded from the labour market including persons with impaired capacity to work. After the operations have been established, the company aims to have approximately 1 000 persons in an employment relationship.

Member States took action to support and facilitate the labour market integration of third-country nationals. In 2022, **Estonia** amended the 'Settle in Estonia' programme, a programme by the Estonian government consisting of an adaptation course and language tuition for newly arrived migrants, to better meet participants' needs by splitting the previously combined Work and Entrepreneurship module into two separate modules. In addition, next to A1-level training, the programme includes A2-level language courses, and the teaching methodology was adapted. Furthermore, Estonia has approved the Global Convention on Recognition of Qualifications concerning Higher Education of UNESCO (Global Convention) which establishes the rights of individuals to have their foreign qualifications assessed in a transparent and non-discriminatory manner. Language courses have a prominent role among member states. In **Finland**, for example, additional funds were allocated to teaching Finnish/Swedish as a second language, literacy, and integration training in non-formal education. More specifically, the Finnish government proposes an increase of EUR 5.5 million for the 2023 budget for the operating expenses of the Service Centre for Continuous Learning and Employment to be used for education and training designed for Ukrainians. In **Germany**, in November 2021, the Ministry of Labour and Social Affairs granted asylum seekers from Afghanistan early access to labour market integration measures, such as vocational language courses. In December 2021, **Ireland** published new guidelines and toolkits to assist migrant learners to improve their English language skills and progress through further education under its Adult Literacy for Life (ALL) strategy. In March 2022, **France** implemented its comprehensive and individualised support programme for the integration of refugees ('AGIR'). The programme offers, among others, a tailored support scheme which facilitates the recognition of prior experiences of newly arrived foreign nationals, simplifies their vocational integration, and improves access to work for those furthest away from employment according to their characteristics. In **Italy**, a memorandum of understanding to promote the integration of refugees and asylum seekers into the labour market through a series of joint activities was signed by Italian authorities and UNHCR. The agreement aims to increase the involvement of the private sector, providing companies with information and tools to receive refugees and enhancing the skills of the network of employment services and civil society actors that support inclusion processes. In March 2022 and funded under its RRP, **Slovakia** adopted a law to improve the integration of migrant workers including returnees, highly qualified employees from third countries and their family members, and foreign university students studying in Slovakia. Its aim is to create a legal framework for a 'one-stop shop' providing comprehensive counselling and services.

Member States have adopted measures to accelerate the recognition of qualifications for displaced persons from Ukraine. Cooperating in the ENIC-NARIC network, **Austria**, **Estonia**, **France**, and **Slovenia**, for example, work together on providing advice and common standards for the recognition of diplomas. In **Portugal** as well as **Austria**, applications for recognition of diplomas by displaced persons from Ukraine are prioritised. Some Member States in turn simplified and shortened the recognition procedures. For instance, **Germany**, **Lithuania**, **Portugal**, and **Latvia**, are accepting digital copies of documents and waive the requirement of a certified translation. In **Italy**, authorities provided a database with an extensive list and explanations of Ukrainian qualifications to higher education institutions and displaced persons in the social and healthcare sectors can be recruited upon the presentation of the European Refugee Qualifications Passport. Similarly, in **Czechia**, a manual to harmonise and accelerate recognition was issued by authorities. In **Finland**, officials responsible for the recognition of formal qualifications received a specific training to better understand the Ukrainian education system. By suspending the apostille requirement for the certification of foreign public documents, **Slovakia** facilitates the recognition of prior skills.

Several Member States have taken measures to facilitate the labour market integration of displaced persons from Ukraine through training and measures to ease entry hurdles. Specific language courses for displaced persons from Ukraine have been the predominant type of programme newly developed by Member States. For example, in **Germany** more than half of the total number of displaced persons from Ukraine participated in language courses. **Slovakia** developed an education project that gives theoretical and practical knowledge to displaced persons together with a financial allowance, which is received after the completion of the course, covering the course fee and part of the related expenses. In **Czechia**, Ukrainian displaced health workers receive a temporary professional practice permit (for a fixed period of 12 months) which allows them to improve their language skills and familiarise with the national healthcare system. This internship regime enables them to acquire the necessary knowledge to pass the recognition examination. In **Slovakia**, the displaced workers must pass a supplementary exam at a university or secondary school and provide a recognised certificate of education to be allowed to work in the healthcare sector. In **Hungary**, displaced Ukrainians with a Ukrainian state-recognized qualification in healthcare may start working in their profession in parallel to the qualification recognition procedure.

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 the labour market 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, and ensuring the effectiveness of active labour market policies. These goals are in line with the European Pillar of Social Rights principles 4 (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). 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

Addressing labour market segmentation is key to improve job quality and the functioning of labour markets and contributes to the implementation of Pillar principles 5 (on secure and adaptable employment) and 7 (on information about employment conditions and protection in case of dismissals). Labour market segmentation implies persistent differences in the working conditions of individuals in the labour market that cannot be attributed to differences in their skills, occupation, and experience.[138] A strong indication of labour market segmentation is the combination of a high share of temporary contracts for specific groups of workers and low transition rates towards permanent jobs. High shares of 'bogus' self-employment may also be related to it.

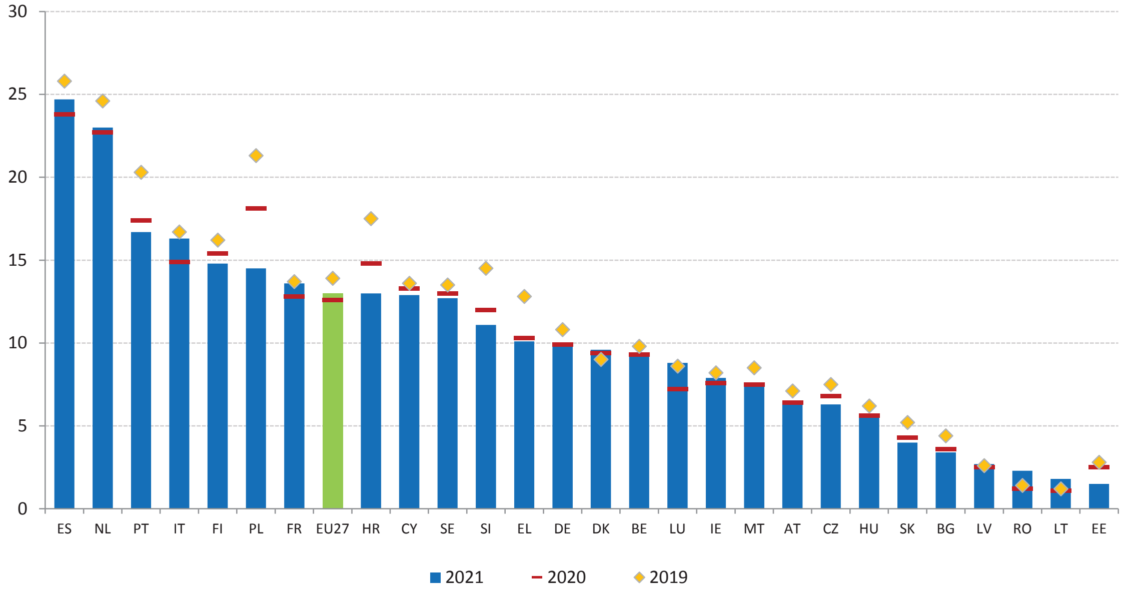
The share of temporary employment out of total employment increased only slightly in 2021 in most Member States, on the back of more favourable economic conditions. The share of people on temporary contracts[139] among all employees (aged 20-64) increased slightly on average in the EU from 10.9% in 2020 to 11.2% in 2021, still 0.8 pps below the pre-pandemic level. Yet, in quarterly terms, the share of temporary employees (20-64; seasonally adjusted) stood at 13.1% in Q2-2022, 0.1 pps higher than in Q1-2021 and 1.1 pps above the Q2-2020 low. The variation across Member States is substantial. While Spain, the Netherlands, Portugal, and Italy record figures over 15%, the share is below 4% in Estonia, Lithuania, Romania, Latvia, and Bulgaria – see Figure 2.3.1. Overall, Member States with the largest shares of temporary contracts before the COVID pandemic experienced the largest drops, while those with relatively low levels have seen slight increases since then.[140] Significant reductions have been recorded in Poland (6.8 pps), Croatia (4.5 pps), Portugal (3.6 pps), Slovenia (3.4 pps) and Greece (2.7 pps) between 2019 and 2021, while increases have been observed in Romania (0.9 pps), Lithuania and Denmark (0.6 pps) and Luxembourg (0.2 pps).

[138] See International Labour Organisation (ILO) and Eurofound. In practical terms, this means that the labour market is separated into submarkets or segments, distinguished by different characteristics and behavioural rules such as contractual arrangements (i.e. open-ended versus fixed-term contracts), the nature and variety of employment protection legislation in Member States (i.e. rules governing individual and collective hiring and dismissals of employees on fixed-term contracts) or types of workers concerned (e.g. involuntary temporary and part-time workers, among others).

[139] This term refers to both non-standard working arrangements (such as flexible, fixed-term, on call and zero hours contracts) and temporary agency work contracts, while excluding part-time work and self-employed without employees. Source: Eurostat indicators [lfsi_pt_a] and [lfsi_pt_q] for yearly and quarterly data, respectively.

[140] European Commission, *Labour Market and Wage Developments in Europe, Annual review 2022*, Publications Office of the European Union, 2022 (forthcoming).

Figure 2.3.1: Temporary employment is still slightly below pre-crisis levels, albeit with significant differences across Member States
Share of temporary employees among all employees (20-64,%, annual data)

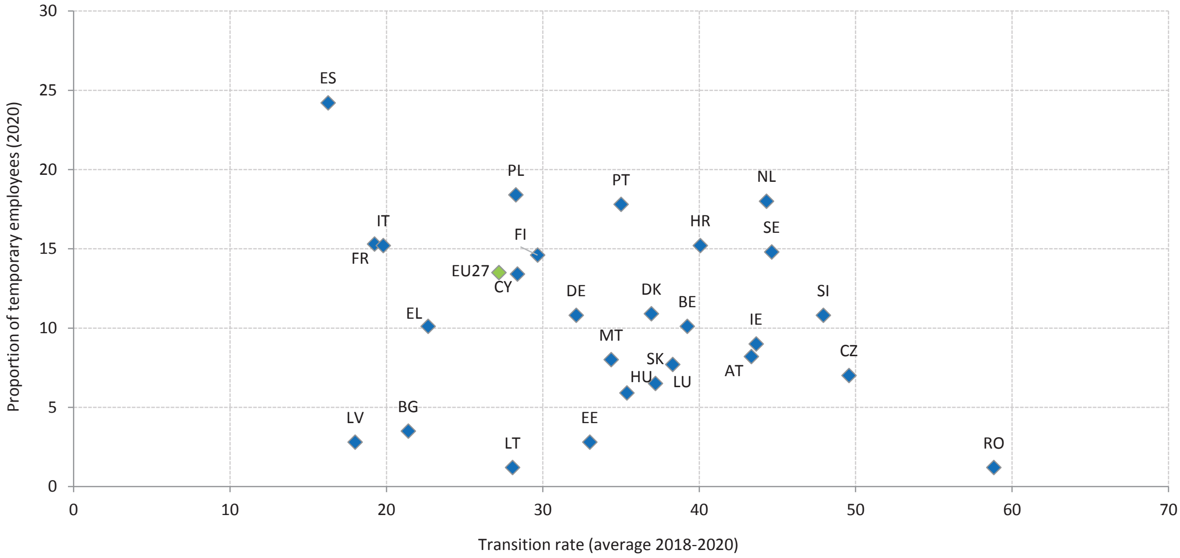


Note: Definition differs in ES and FR in 2021 (see metadata).
Source: Eurostat, [lfsi_pt_a], EU LFS.

Some Member States face high shares of temporary contracts coupled with low transition rates into permanent employment. Figure 2.3.2 shows the number of temporary employees (aged 20-64) as a percentage of the total plotted against the 3-year average transition rates from temporary to open-ended contracts (i.e. between 2018 and 2020). In 2020, the most critical situation characterised by high rates of temporary contracts (above 15%) combined with relatively low transition rates (below 30%) was found in Spain, Poland, France and Italy. Other Member States such as the Netherlands, Portugal, Croatia and Sweden had rates of temporary employment above the EU average (13.5% in 2020), but coupled with high transition rates (above 35%). Conversely, Lithuania, Latvia and Bulgaria show very low shares of temporary contracts (below 4%), with low transition rates to permanent contracts. Romania, Hungary, Slovakia, Czechia, Luxembourg and Estonia display rates of temporary contracts below 8% with transition rates above 30%.

Figure 2.3.2: Significant differences are observed between Member States in the share of temporary contracts and their conversion rate to permanent jobs

Temporary employees as a percentage of the total number of employees (20-64) in 2020 and transition rate to permanent jobs (average value for 2018, 2019 and 2020).



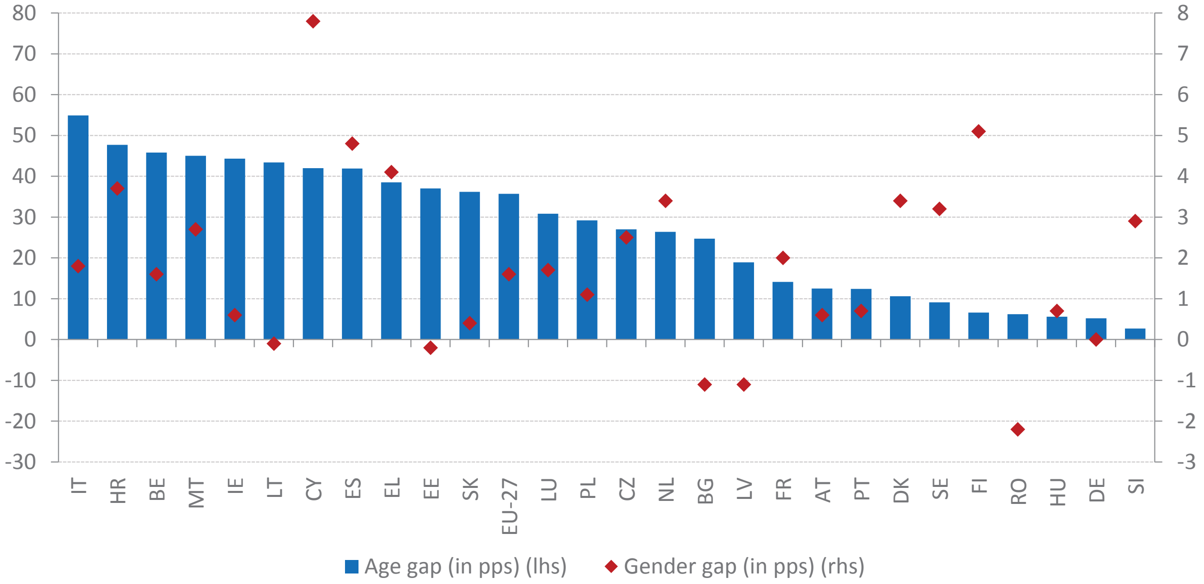
Note: Break in time series in 2020 for DE. Labour transition rate for LV refers to 2017; value for SK is the average of 2019 and 2020 only.

Source: Eurostat, [lfsa_etpgan] EU LFS and [ilc_lvhl32] EU-SILC.

The share of people on involuntary temporary employment differs substantially across Member States with particular challenges faced by some of them. The percentage of employees (aged 20-64) involuntarily in temporary contracts stood at 7.8% in the EU in 2021. Nevertheless, the gap between the highest and the lowest values across Member States remains significant (15.4 pps in 2021), and unchanged since 2020. Member States such as Spain (19.5%), Italy (13.4%), Portugal (12.2%) and Cyprus (11.9%) face a particular challenge in this respect, reporting the highest shares of involuntary temporary employees. On the contrary, the percentage is below 2% in Latvia, Romania, Lithuania and Estonia. In general terms, female employees are more affected by involuntary temporary employment than men, albeit these differences are relatively low (below 1.5 pps), except for Cyprus (7.5 pps), Greece (5 pps), Croatia (3.3 pps) and Finland (3.2 pps).

Temporary contracts continue to be more widespread among youth and women. The share of temporary employees was as high as 48.9% in 2021 in the EU for young people (aged 15-24), meaning 37 pps higher than for those aged 25-54 and 42.7 pps above those aged 55-64. In 2021, the highest shares were reported for Spain (69.1%), the Netherlands (68.2%), Slovenia (63.5%) and Italy (61.7%), while the lowest were in Estonia (6.8%), Lithuania (6.7%) and Latvia (5.3%). In 2021, the share of female employees (aged 20-64) in temporary contracts in the EU was 13.8%, 0.4 pps higher than in 2020. The gender gap in temporary employment increased slightly from 1.4 pps on average in 2020 to 1.6 pps in 2021, with significant differences across Member States – see Figure 2.3.3. In 2021, the largest gender differences in the prevalence of temporary contracts were observed in Cyprus (7.8 pps) and Finland (5.1 pps). In Romania, Bulgaria and Latvia, more men than women were on temporary contracts, leading to reversed gender differences.

Figure 2.3.3: The incidence of temporary contracts is significantly higher for young people (age group 15-24) and for women (with some exceptions)
Difference in the share of temporary employees among the total number of employees between the 15-24 age cohort and the 25-54 year-olds – 'age gap' (pps, 2021, left axis). Difference in the share of temporary employees among the total between women and men– 'gender gap' (pps, 2021, right axis).



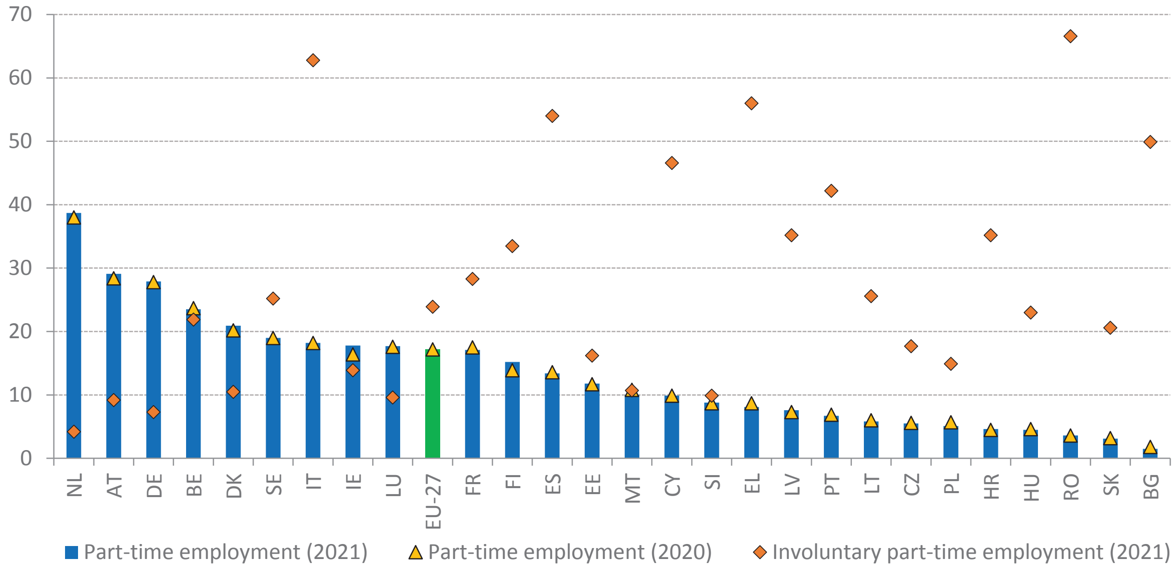
Source: Eurostat, [lfsi_pt_a], EU LFS.

The share of part-time employment in the EU remained broadly stable; in several Member States a significant part of it is involuntary. At 17.2% in 2021, the share of employed persons (aged 20-64) working part-time in the EU remained unchanged compared to 2020 and is still 1.5 pps lower than in 2019. Five Member States (the Netherlands, Austria, Germany, Belgium, and Denmark) recorded figures above 20%, while five others (Bulgaria, Slovakia, Romania, Hungary, and Croatia) were below 5% – see Figure 2.3.4. Some Member States have seen small decreases (below 1 pp) in the proportion of employed persons working part-time between 2020 and 2021 (namely, Malta, Poland, Greece, France, and Bulgaria). Conversely, increases were observed in Ireland (1.4 pps), Finland (1.3 pps), the Netherlands, Denmark, and Austria (0.7 pps). The share of involuntary part-time work in total employment stood at 23.9% in 2021 in the EU, again with significant differences across Member States.[141] Romania, Italy, Greece, Spain, and Bulgaria report figures around or above 50%, while the Netherlands, Germany, Austria, Luxembourg, and Slovenia show values at or below 10%.

[141] Eurostat indicator [lfsa_eppgai]. Comparison with values before 2021 of this indicator is not made as there is a break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics.

Figure 2.3.4: The share of part-time work has been broadly stable over the past year, but with a significant involuntary component in many of them

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 (see metadata).
Source: Eurostat, [lfsi_pt_a] and [lfsa_eppgai], EU LFS.

The share of self-employed workers without employees tends to be high, but with considerable differences across Member States. While self-employment is usually voluntary and a positive sign of entrepreneurial spirit, it sometimes conceals dependent employment relationships, or so called 'bogus' self-employment. In 2021, self-employed workers without employees (so-called 'own-account workers', which can be used as a proxy to assess the risk of 'bogus' self-employment) accounted for 9% of total employment in the EU (20-64 age cohort).[142] Greece, Poland, and Italy showed the highest rates (above 14%), followed by Czechia, the Netherlands and Slovakia with figures above 10%. Conversely, the lowest shares (below 6%) were observed in Germany, Denmark, Luxembourg, Sweden, and Croatia.

Pillar Box 5: Digital labour platforms and employment relationships

Preventing the abuse of employment relationships that lead to precarious working conditions, including in relation to platform work, contribute to implementing the European Pillar of Social Rights. Principle 5 (on secure and adaptable employment) stipulates that workers have the right to fair and equal treatment regarding working conditions, access to social protection and training, regardless of the type and duration of their employment relationship. Innovative forms of work, including through entrepreneurship and self-employment, can importantly contribute to improving working conditions. At the same time, precarious forms of work, including in the context of some digital labour platforms, should be identified and addressed, and the abuse of atypical contracts should be prevented, in order to support quality employment.

[142] Source: Eurostat [lfsa_esgais] and [lfsa_egaps], EU LFS. Note: Percentage of self-employed persons without employees among the total number of persons employed. Comparison with values before 2021 of this indicator is not made as there is a break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics.

Digital labour platforms have become an important part of EU economies, with a diverse set of people working through them. Digital labour platforms have expanded in size, with revenues estimated to have grown in the EU-27 from EUR 3 billion in 2016 to about EUR 14 billion in 2020. The aggregate earnings of people working through platforms active in the EU-27 have grown from EUR 2.6 billion in 2016 to EUR 6.3 billion in 2020.[143] Today, over 28 million people have worked, at least at some point in their career, through platforms in the Union.[144] Digital labour platforms are present in a variety of economic sectors, some offering 'on-location' services such as ride-hailing, delivery of goods, cleaning or care services while others operating solely online, providing services such as data encoding, translation or design (see Figure). People working through platforms are most often young, male and with higher qualifications, although the profile of the workers is strongly influenced by the type of platform work considered.[145] Women, for example, are more widely represented in personal and household services, as well as in the care sector.

Platform work may lead to false labelling of de-facto employees as self-employed, and conceal subordinate working relationships, sometimes in connection with the use of algorithmic management. Nine out of ten platforms active in the EU currently classify people working through them as self-employed. Most of those people are genuinely self-employed in their work and can use platforms to develop their entrepreneurial activities, thus making a positive contribution to business development, innovation, and digitalisation in the EU. However, it is estimated that up to 5.5 million people working through digital labour platforms find themselves falsely labelled as self-employed, and not entitled to employee rights and protections that apply to others. In these situations, they often experience poor working conditions and/ or inadequate access to social protection.[143] There are also people who experience subordination to, and varying degrees of control by, the digital labour platforms they operate through, for instance the assignation of work, pay or working conditions. This may also be related to the functioning of algorithmic management used by platforms to match supply and demand for work, but also to assign tasks, monitor, evaluate and take decisions for the people working through them.[146]

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[143] De Groen W., Kilhoffer Z., *et al*., *Digital Labour Platforms in the EU: Mapping and Business Models*. Final Report. Publications Office of the European Union, 2021.

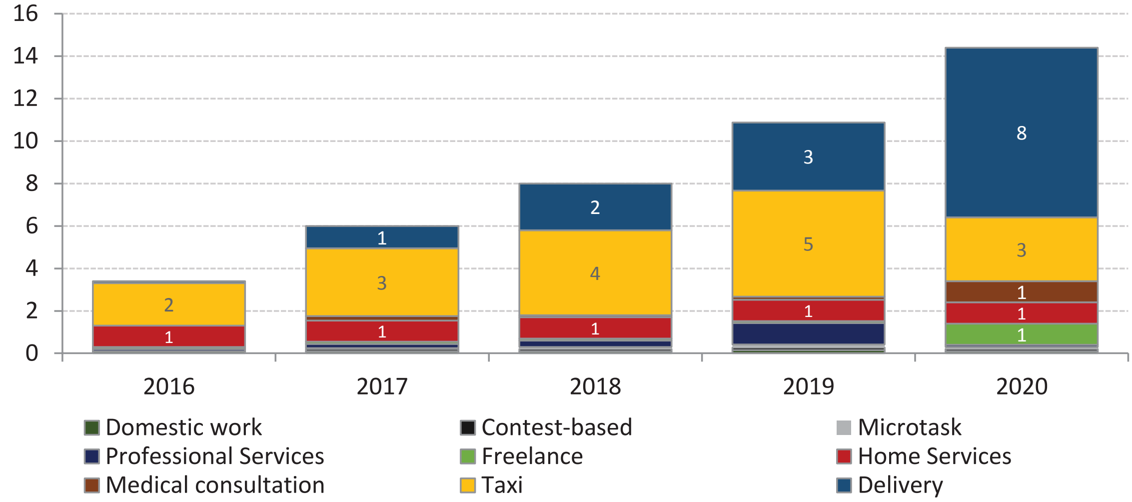
[144] European Commission, Barcevičius, E., Gineikytė-Kanclerė, V., Klimavičiūtė, L., et al., *Study to support the impact assessment of an EU initiative on improving working conditions in platform work*. Final Report. Publications Office of the European Union, 2021.

[145] European Commission, *European Centre for Expertise (ECE) in the field of labour law, employment and labour market policy: thematic review 2021 on platform work*, Publications Office, 2021.

[146] The literature defines algorithmic management as a set of practices of supervision, governance and control driven by algorithms. These practices are also implemented through technological tools and techniques that structure working conditions and the remote management of workers. For more information, see Mateescu A. and Nguyen A. (2019), *Algorithmic management in the workplace*, Data & Society Research Institute.

The inicidence of digital labour platforms has increased significantly in recent years and covers a wide range of activities

Size of digital labour platforms in the EU-27 by economic activity (EUR billion)



Source: European Commission, Barcevičius, E., Gineikytė-Kanclerė, V., Klimavičiūtė, L., et al., *Study to support the impact assessment of an EU initiative on improving working conditions in platform work*. Publications Office of the European Union, 2021

Laying down rules under the EU legal framework can help minimise the risks of unfair working conditions. At EU level, the Transparent and Predictable Working Conditions Directive (TPWCD) helps to ensure the provision of transparent information and the predictability of work schedules for all workers. Moreover, the implementation of the 2019 Council Recommendation on access to social protection supports the formal and effective coverage for non-standard workers and self-employed as well transparency and simplification of the rules. Presented in December 2021, a new EU package seeks to improve the working conditions in platform work and support the sustainable growth of digital labour platforms in the EU.[147] The proposal for a Directive includes measures on algorithmic management, misclassification of the employment status and cross-border transparency. The set of initiatives also includes draft guidelines on the application of EU competition law to collective agreements on the working conditions of the solo self-employed (including those working on platforms) and a Communication accompanying the legislative proposal.

Following its strong growth, a number of Member States put forward measures to improve working conditions in platform work. Some Member States (**Belgium**, **Greece**, **Spain**, **France**, and **Italy**) have adopted national legislation targeting the improvement of working conditions and/or access to social protection in platform work, opting in most cases for sectoral legislation, focusing generally on transport and delivery platforms. In **Belgium**, the government agreed in June 2022 to define the social status of platform workers, setting eight criteria to determine whether a worker can be considered as a self-employed or an employee, to be used by the labour courts. In June 2021, **Greece** adopted a new law on labour relations that will introduce measures for people working through platforms, recognising dependent employment contracts or independent services/ work contracts. In **Spain,** a new law from 2021 introduced the legal presumption that those engaged in distribution activities to third parties using technological means have an employment relationship with the

[147] See: Commission proposal for a Directive on improving working conditions in platform work COM(2021) 762 final and Commission Communication COM(2021) 323 on harnessing the full benefits of digitalisation for the future of work.

company, calling on platform operators to prove that they do not. It also established the right of workers' representatives to be informed about algorithms' parameters having an impact on working conditions. In 2021, **France** adopted an order allowing freelance workers of ride-hailing and delivery platforms to appoint their representatives in 2022. The Decree set up the Platform Workers' Social Relations Authority (ARPE), as a new public regulator of social dialogue between platforms and self-employed workers. In 2019, **Italy** adopted national legislation with a view to increase the protection of the working conditions of self-employed food delivery riders. Regional legislation in Piedmont and Lazio directly addresses the working conditions and social protection of all people working through platforms. In **Denmark**, the United Federation of Workers '3F' and the employers' organisation *'Dansk Erhverv'* reached a national sectoral agreement for delivery riders in 2021. Similarly in **Austria,** social partners have concluded a sectoral collective agreement for employed bicycle couriers, who from January 2020 could benefit from a minimum wage and paid leave. In **Sweden**, the delivery platform '*Foodora'* and the Swedish Transport Workers Union reached in 2021 a collective agreement for delivery riders. As part of the **Portugal** recovery and resilience plan (RRP), new labour legislation for digital courier platforms should be implemented by the end of March 2023.

Labour inspectorates have a key role to play in detecting and preventing poor working conditions and fighting undeclared work. The increased use of information and communication technologies (ICT) and the development of the platform economy (see Pillar Box 5) have brought about new challenges for labour inspectorates in performing their tasks. As past experience shows, a high and sustained increase in energy prices and strong inflationary pressures can lead to a further increase in undeclared work as they impact the ability of certain firms and workers, including the self-employed, to pay social security contributions and taxes (see also Section 2.1 and Pillar Box 7). Providing appropriate resources for labour inspectorates and putting in place comprehensive strategies to support formal work in this specific crisis context will be particularly important to support inclusive and fair labour markets and adequate social protection for all. The European Platform tackling undeclared work is preparing a report on Member States' progress towards comprehensive approaches in tackling undeclared work. In March 2022, a focus group was also established to encourage the integration of undeclared third-country nationals into regular employment.[148]

Following the pandemic, telework has become an established form of work in the Union, sometimes requiring adaptation of regulations, policies and work culture. A recent Eurofound study maps out telework in legislation and in collective bargaining in the 27 Member States plus Norway, including changes to national frameworks. In 2022, 23 countries have put in place statutory definitions and specific legislation on telework.[149] In most of them, statutory legislation is complemented with cross-sectoral or company collective bargaining agreements, albeit with different levels of intensity. Only in Croatia, Latvia and Poland is statutory legislation the sole source of regulation (developed mostly through individual agreements between employers and employees). Only a minority of Member States have no statutory definitions or specific legislation in place addressing telework. In this group, telework

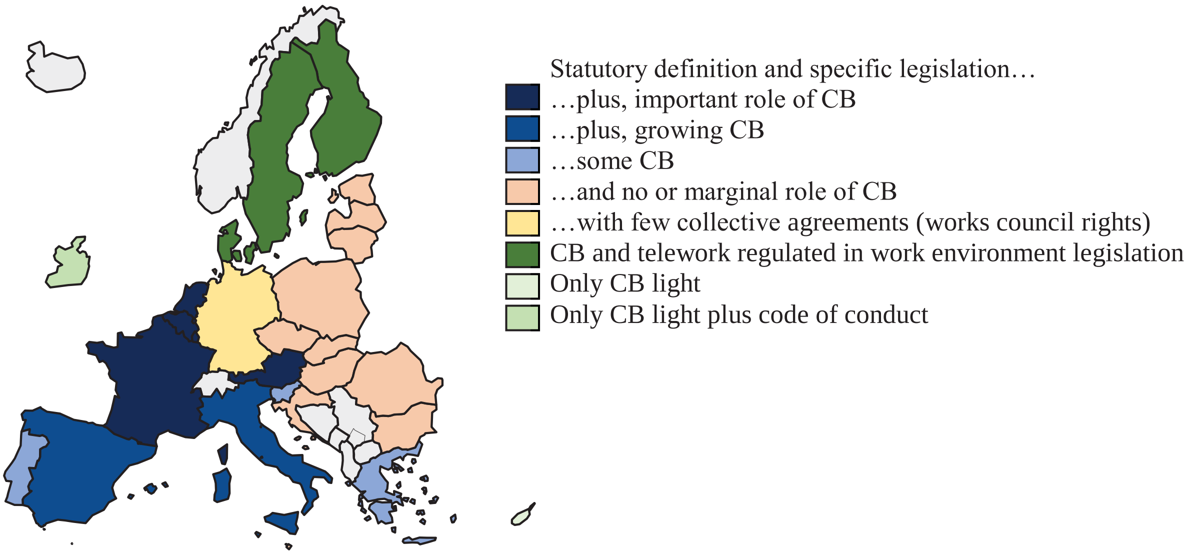
[148] For details, see the European Labour Authority (ELA) website: www.ela.europa.eu

[149] Source: Eurofound, Vargas Llave, O., Rodríguez Contreras, R., Sanz de Miguel, P., et al., *Telework in the EU : regulatory frameworks and recent updates*, Publications Office of the European Union, 2022. Note: The Member States that fall under the first group are: AT, BE, BG, CZ, DE, EE, EL, ES, FR, HR, HU, IT, LT, LU, LV, MT, NL, PL, PT, RO, SI and SK. Conversely, CY, DK, FI, IE and SE fall under the second category.

arrangements are however covered across different laws, regarding for instance health and safety, working time, or general labour law. Telework is thus often regulated through sectoral collective bargaining (e.g., in Finland) or through sectoral and company collective agreements (e.g., in Denmark and Sweden). Depending on the role of collective bargaining, clusters of Member States can be identified as in Figure 2.3.5.

Figure 2.3.5: Significant differences exist between Member States as regards the regulation of telework

Regulation of telework in the EU-27 and Norway. (CB stands for collective bargaining.)

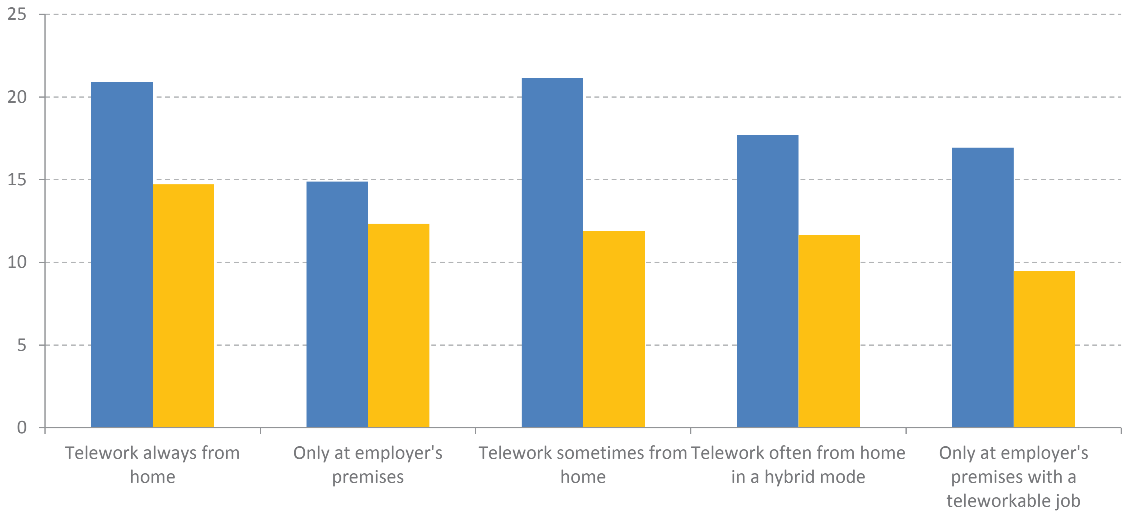


Note: National contributions by the Network of Eurofound Correspondents.
Source: Eurofound, *Telework in the EU: Regulatory frameworks and recent updates*, Publications Office of the European Union, 2022.

Teleworking appears to be leading to some improvements in work-life balance, but also entails risks that warrant monitoring; hybrid work methods, which gained ground, seem to mitigate some of those risks. The 2022 JER presented an extensive analysis of the risks associated with telework (such as working outside working hours, work-isolation, or psychosocial risks), based on Eurofound research. More recent analysis (also from Eurofound) confirms that during the COVID-19 pandemic, working long hours was often an issue for those that did full-time telework only, compared to those working at the employer's premises.[150] Based on most recent findings, people teleworking in a hybrid working pattern (i.e., combining working from home with working from the employer's premises) were less likely to report working long hours compared to other telework arrangements – see Figure 2.3.6. At least two thirds of employees teleworking reported having worked more than 40 hours per week. In the EU, employees teleworking are less likely to report a poor work-life balance (13%) compared to those working on the employer's premises only (18%). Country-level figures also point at a lower share of employees reporting poor work-life balance among those who telework compared to national averages (for example in Finland, Estonia, and Bulgaria.) In Romania, Luxembourg, and the Netherlands, however, such differences are small, while in Portugal and Greece teleworkers fare as well as the other workers – see Figure 2.3.7.

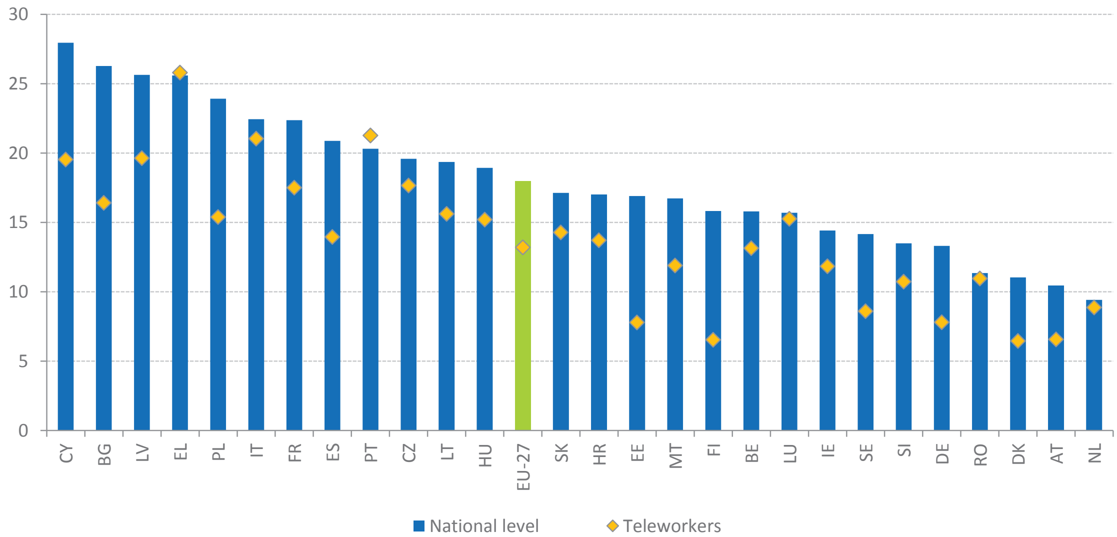
[150] Eurofound (2022), *Telework during the pandemic: Prevalence, Working Conditions and Regulations*. Publications Office of the European Union, Luxembourg (forthcoming). Note: due to the data collection method and sample size, small differences may not be statistically significant.

Figure 2.3.6: Employees that are only teleworking have high chances of working longer or outside working hours, compared to those in hybrid work (2021)
Percentage of employees working longer than 40 hours a week during the COVID-19 pandemic.



Source: Eurofound, European Working Conditions Telephone Survey (EWCTS) 2021.

Figure 2.3.7: Overall, teleworkers reported better work-life balance in most Member States
Poor work-life balance reported for all employees and teleworkers in Member States (%, 2021)



Note: Poor work life balance includes employees responding, *'not very well'* and *'not at all well'* to the question about *'how working hours fit in with their family or social commitments outside work'*.
Source: Eurofound, European Working Conditions Telephone Survey (EWCTS) 2021.

Consultation and cooperation with social partners are instrumental to ensure that regulations on teleworking and working conditions create positive outcomes for both employers and workers. According to a recent Eurofound study,[151] less than half of the

[151] Eurofound, *Telework during the pandemic: Prevalence, Working Conditions and Regulations*, Publications Office of the European Union, 2022 (forthcoming).

Member States made permanent regulatory changes related to telework between 2020 and 2021 (i.e., Austria, Greece, Latvia, Portugal, Romania, Slovakia, Spain adopted legislation; while Belgium, France, and Luxembourg developed national collective agreements). In four countries there are new legislative bills under discussion (i.e., Germany, Ireland, Luxembourg, and the Netherlands). Of these changes, some have been fully fledged telework regulations addressing all or most aspects of telework, while others have been more narrowly focused. In Member States where collective agreements on telework were introduced during the COVID-19 pandemic, most of them took place at sectoral and company levels, particularly in sectors such as finance, manufacturing and information and communication technologies. More recently, agreements were also concluded in the public administration, education, and health and social work sectors. Member States' and the European Commission's efforts in the areas of working time and occupational health and safety (see Pillar Box 6), in close cooperation with the social partners, are key to take recent technological developments and new telework patterns into account in the organisation of work to the benefit of both firms and workers.

Pillar Box 6: Healthy, safe, and well-adapted working environments

Healthy and safe working conditions are a prerequisite for a productive workforce, contributing to the development of a European Health Union and the implementation of the European Pillar of Social Rights (principle 10). In 2018, over 3,300 fatal accidents and 3.1 million non-fatal accidents were recorded in the EU-27. Some 200,000 workers die annually from work-related illnesses between 2017 and 2019. Against this background, the 2021-2027 EU Occupational Safety and Health (OSH) framework sets out the key priorities and actions for improving workers' health and safety in the workplace, including by adapting to the specific needs of an ageing workforce and the green and digital transitions.[152]

The EU-OSH Framework introduces a '*Vision Zero*' approach to work-related deaths in the EU with exchanges of experiences and best practices envisaged in a tripartite working group within the Advisory Committee for Safety and Health at work (ACSH).[153] This initiative will be coupled with an increased awareness of the risks related to work-related accidents through targeted information campaigns. At EU level, other measures to promote health and safety at work include amendments to the Carcinogens, Reprotoxic (since 2022) and Mutagens Directive adopted by the Council in March 2022, the update of the Biological Agents Directive, the proposal to significantly reduce the occupational exposure limit value to asbestos and the promotion of the recognition of COVID-19 as an occupational disease by the end of 2022.

The EU-OSH Strategic Framework attaches a particular focus to preventing psychosocial risks and to ensuring physical and mental health at work. In 2021, exposure to physical risks continued to affect a significant share of workers in the EU. Women were more exposed than men to infectious materials (21% vs 15%), while men are more exposed to the demand of carrying heavy loads than women (40% vs 29%).[154] As regards mental health, recent Eurofound survey results show that mental well-being in the EU remains below the level recorded at the start

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[152] Commission Communication COM(2021) 323. See also: Commission proposal for a Reprotoxic Directive 2004/37/EC and update to the Biological Agents Directive 2000/54/EC.

[153] Council Decision of 22 July 2003 setting up an Advisory Committee on Safety and Health at Work (2003/C 218/01)

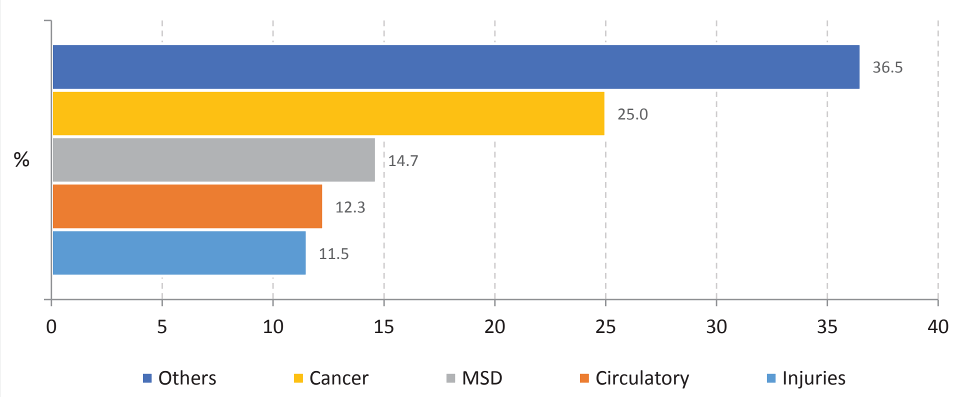
[154] See Eurofound, *Working conditions in the time of COVID-19: Implications for the future*. Publications Office of the European Union, 2022 (forthcoming).

of the pandemic, despite the phasing out of restrictions.[155] In particular, people aged 18-29 years old report the lowest levels of mental well-being since 2020, while those over 60 years old report a deterioration. Overall, 18% of respondents report unmet mental healthcare needs, with higher figures for female respondents (24%). A recent study[156] showed that there is a need to further support measures managing and preventing the psychosocial risks related to the use of digital technologies enabling worker management at the workplace. For instance, having an action plan to prevent work-related stress or awareness-raising initiatives can limit the prevalence of psychosocial risks and substantially improve workers' health in the workplace.

Under EU legislation, strengthening preventive measures and more practical guidelines can help minimise the risks from carcinogens in the workplace. Work-related cancers are the leading cause of most of the loss of life years (DALYs) in the EU (i.e., estimates of disability adjusted life years or DALYs)– see figure below. Carcinogens contributed to around 100,000 work-related mortality and morbidity situations in the workplace every year, as estimated through the DALYs), for the period 2015 to 2017.[157] Besides, the cost of work-related cancers alone amounts to EUR 119.5 billion. Actions to reduce the presence of, and exposure to, dangerous substances in the workplace are key components of the Europe's beating-cancer plan, including preventive actions.[158] To date, risks associated with 29 substances have been prevented through four revisions of the carcinogens, mutagens and reprotoxic substances directive (CMRD), representing more than 100,000 lives that will be saved over 50 years.

Cancer is the leading cause of work-related deaths in the EU

Main causes for work-related mortality and morbidity in the loss of life years in the EU (%, 2017).



Note: The category *'circulatory'* includes muscoskeletal and circulatory system diseases. The category *'others'* groups together the remaining illnesses, such as mental illnesses or communicable diseases. Figures from 2017 include the EU-27 and the UK.
Source: EU-OSHA (2017).

[155] Eurofound, *Fifth round of the Living, working and COVID-19 e-survey: Living in a new era of uncertainty*, Publications Office of the European Union, 2022.

[156] Note: Empirical analysis of 2019 EU-OSHA European Survey of Enterprises on New and Emerging Risks (ESENER) data. The psychosocial risks considered were time pressure, poor communication or cooperation, fear of job loss, dealing with difficult customers, patients, pupils, and working long or irregular hours). Source: Urzí Brancati, C., Curtarelli, M., *Digital tools for worker management and psychosocial risks in the workplace: evidence from the ESENER survey*, Seville: European Commission, 2021, JRC125714.

[157] Note: A carcinogen is a substance or mixture which provokes the development of cancer, meeting the criteria set out in Annex I to Regulation (EC) No 1272/2008. The method is based on estimates of disability-adjusted life years (DALYs), which can be caused by illnesses and injuries. This is compared with the ideal scenario, in which a country would lose no DALYs at all, either through work absences or fatal accidents or illnesses. The figures obtained are based on internationally available data from the ILO, WHO and Eurostat. Source: EU-OSHA, *An international comparison of the cost of work-related accidents and illnesses*. Publications Office of the European Union, 2017.

[158] COM/2021/44 final.

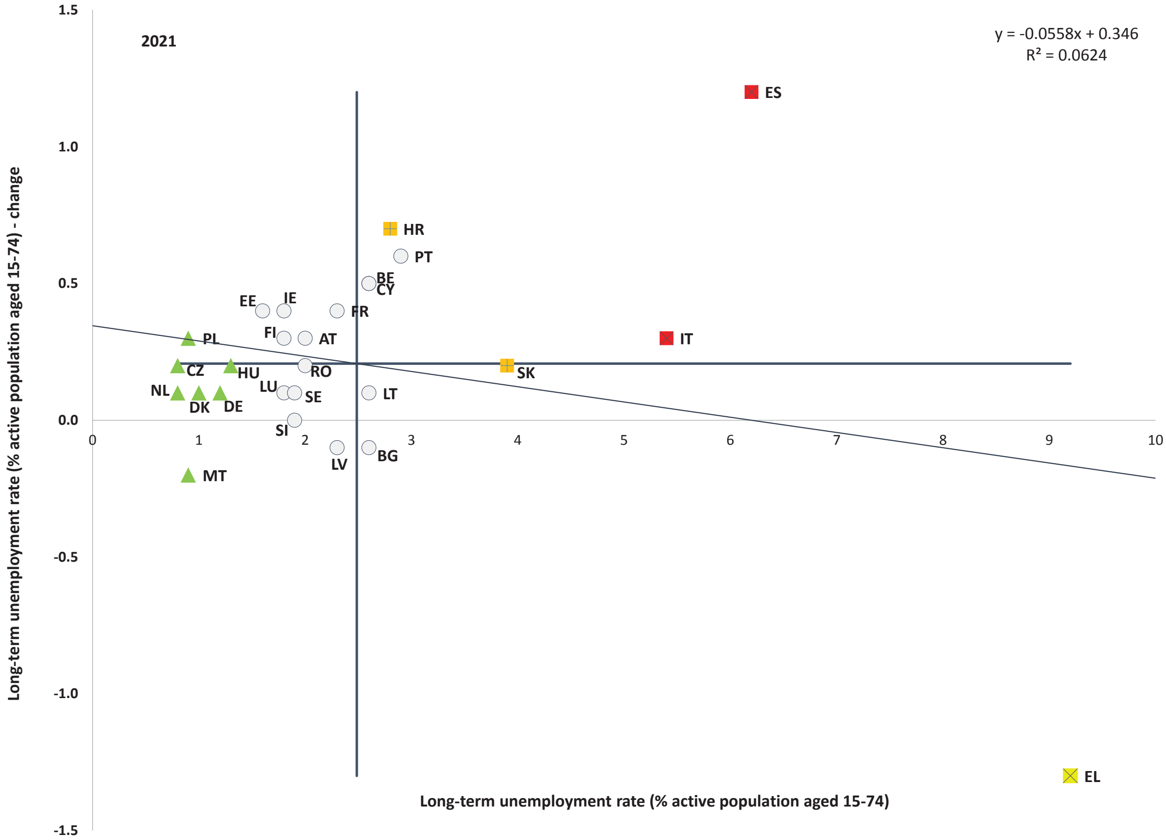
Following the adoption of the EU OSH Framework, many Member States have adopted national OSH strategies or similar documents covering most of its objectives. For instance, the **Belgian** Action Plan 2022-27 sets a *vision zero* approach for workplace accidents and includes measures to reduce the exposure to hazardous chemical agents. The **French** Occupational Health Plan 2021-25 puts a special focus on the prevention of serious and fatal work accidents. Priority is also given to psychosocial risks and exposure to carcinogens. The **Maltese** Strategic Plan 2022-27 defines five areas of occupational health policy to deliver on the EU Strategic Framework. The **Croatian** National Plan 2021-27 aims at raising awareness about the importance of prevention of occupational injuries and diseases, the reduction of fatalities and stress at work. The Joint **German** Occupational Safety and Health Strategy (GDA) aims to modernize the OSH system and to create incentives for companies to strengthen workplace health and safety. The **Finnish** Implementation Plan 2022-23, the **Irish** Health and Safety Authority's Strategy Statement 2022-24, the **Latvian** Social Protection and Labour Market Policy Guidelines 2021-27, and the **Lithuanian** Safety and Health Action Plan 2022-27 are further examples of ongoing work.

Long-term unemployment[159] **has slightly increased, reflecting the impact of COVID-19, but the swift policy response prevented negative labour market patterns from emerging.** The long-term unemployment rate stood at 2.8% in 2021, slightly up from 2020 (by 0.3 pps), after almost a decade-long decreasing trend. As shown in Figure 2.3.8, the long-term unemployment rate in 2021 was higher than in 2020 in almost all Member States, except for Greece (-1.3 pps), Malta (-0.2 pps), Latvia and Bulgaria (both by 0.1 pps). On the other hand, the increase in the long-term unemployment rate over the same period has taken place in Spain (1.2 pps), Croatia (0.7 pps), Portugal (0.6 pps), Belgium and Cyprus (both by 0.5 pps). The Social Scoreboard headline indicator flags a 'critical situation' for Spain and Italy, which combine higher-than-average levels (6.2% and 5.4%, respectively, in 2021) with an increase (by 1.2 pps and by 0.3 pps, respectively) over the last year. Greece is labelled as 'weak but improving' thanks to its positive performance (-1.3 pps in 2021 compared to 2020), though remaining the country with the highest rate in the EU (9.2% in 2021). Slovakia and Croatia are 'to watch', due to the deterioration over the previous year. Conversely, Czechia, Germany, Denmark, Hungary, Malta, the Netherlands, and Poland flag as 'better than average', with low and broadly stable long-term unemployment rates in 2021. Large regional disparities are also observed in long-term unemployment rates (see Annex 3). Continued monitoring and assessment of progress towards the 2016 Council recommendation on the integration of the long-term unemployed can help improve mechanisms and services provided and, in turn, support human capital formation and potential growth in the EU.[160]

[159] Defined as the number of people registered by the public employment services and actively seeking work for more than one year as a share of the active population.

[160] SWD(2019) 154 final, on the evaluation of the Council Recommendation on the integration of the long-term unemployed into the labour market.

Figure 2.3.8: In 2021, the long-term unemployment rate increased slightly in most Member States and its evolution requires close monitoring going forward
Long-term unemployment rate, 2021 levels and changes from previous year (%, Social Scoreboard headline indicator)



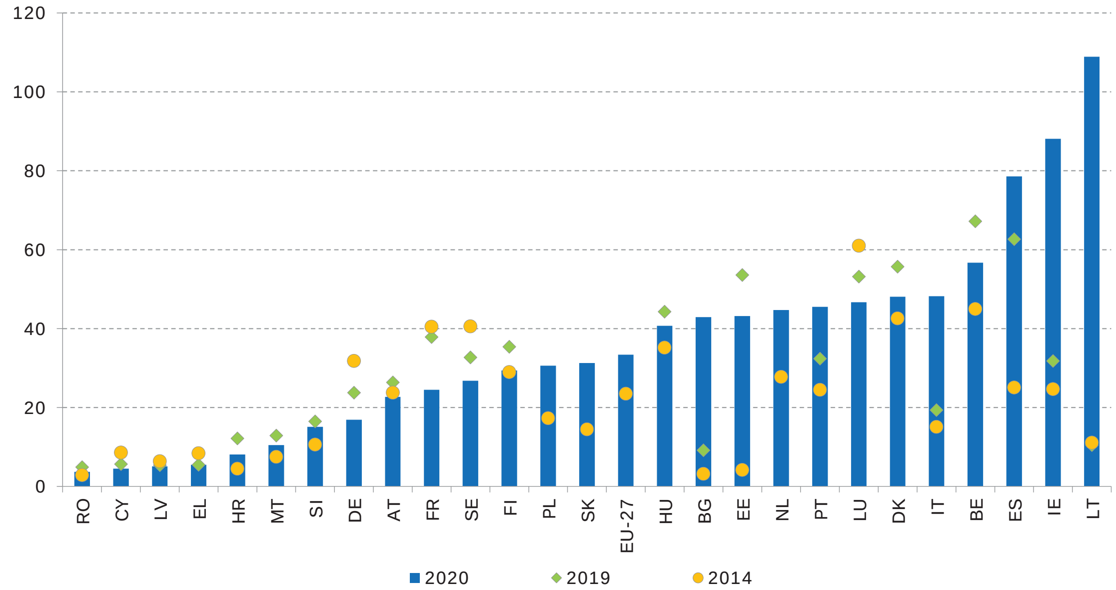
Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.
Source: Eurostat [tesem130], EU LFS.

There are substantial differences across Member States in terms of participation in active labour market policies, which in some cases warrant close monitoring. In 2020, the share of unemployed persons wanting to work who participated in active labour market programmes was less than 10% in five Member States (Romania, Cyprus, Latvia, Greece and Croatia), while it was above 50% in four others (Lithuania, Ireland, Spain and Belgium) – see Figure 2.3.9.[161] Between 2019 and 2020, six Member States reported an increase in participation, while a decrease was observed in 16 others. While these statistics of course reflect Member States' efforts to support participation in ALMP measures, enrolment is also influenced by other institutional factors, such as the functioning of the social protection system. In addition to their coverage, effective ALMPs that are adapted to jobseekers' needs help smoothing labour market transitions and support major transformations in the world of work leaving no one behind.

[161] Eurostat [lmp_ind_actsup], source: DG EMPL. Labour market policy (LMP) measures (categories 2-7) include amongst other 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 to (and not effectiveness of) labour market policies. Estimated values for DK, EL, HR and SE. Low statistical reliability in FR and LT related to the data collection process. Figures for 2020 are not available for CZ, EL, NL, PL, and SK.

Figure 2.3.9: Participation in active labour market measures differs significantly across Member States

Participants in regular labour market policy (LMP) interventions (category 2-7) per 100 unemployed persons wanting to work



Note: Time series not available for CZ. Data for 2020 not available for EL, NL, PL, and SK. Flags: Low reliability for FR and LT. 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.
Source: Eurostat [lmp_ind_actsup], Labour market policy (LMP) database.

Efficient and effective active labour market policies are key for improving labour market performance, outcomes and transitions, also in light of increased labour and skills shortages in the EU. In 2021, Member States such as Spain, Slovakia and Lithuania show relatively high spending in active labour market policy measures (categories 2-7) as a percentage of GDP, while having relatively high long-term unemployment rates – see Figure 2.3.10. In other countries such as the Netherlands, Ireland and Denmark spending in labour market measures stood above 1.3% of GDP in 2020, accompanied by relatively good performances in terms of lower shares of long-term unemployed. In contrast, in countries such as Greece, Italy, Portugal and Croatia, spending on support provided to job-seekers through labour market measures is relatively low (i.e. below or around 0.3% of the GDP), while long-term unemployment challenges above the EU average. In Member States facing greater labour market integration challenges, strengthening the provision of well-designed active labour market policies can help reduce barriers to employment, in particular for those in vulnerable situations.[162] In addition to the support provided by the cohesion policy funding (including the European Social Fund),[163] the implementation of their national recovery and resilience plans (RRPs) is helping many Member States in strengthening their labour market integration efforts. These efforts take into account the digital and green transitions and are

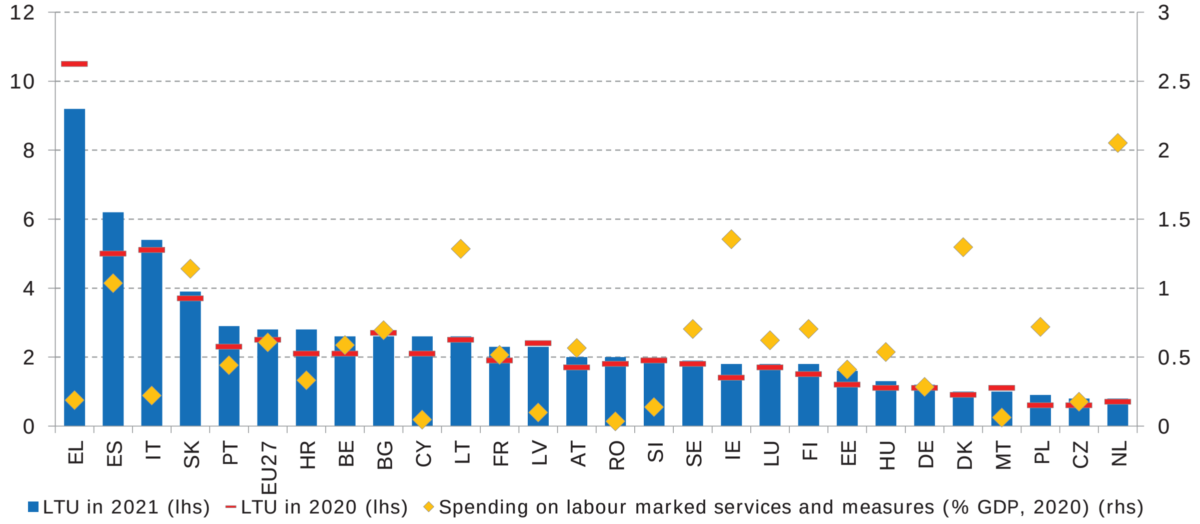
[162] OECD (2021), *Building inclusive labour markets: Active labour market policies for the most vulnerable groups, OECD Policy Responses to Coronavirus (COVID-19)*, OECD Publishing.

[163] A meta-analysis of the available ESF and Youth Employment Initiative (YEI) impact evaluations covering the 2007-2013 and 2014-2020 programming periods was carried out in all EU Member States. The results showed a positive effect of the ESF interventions, with 7.3 pps higher probability of employment for individuals having participated in the actions. The analysis has identified employment subsidies and internships as the most successful ESF intervention categories. Source: European Commission, *Meta-analysis of the ESF counterfactual impact evaluations (VT/2020/052)*, Final Report, Publications Office of the European Union, 2022 (Catalogue no. KE-03-22-139-EN-N)

developed along the lines of the Commission Recommendation on Effective Active Support to Employment.

Figure 2.3.10: Spending on active labour market policy measures differs between Member States

Spending on active labour market policies (categories 2-7, in percentage of GDP, 2020) 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 [une_ltu_a], EU LFS.

Public Employment Services (PES) have a key role in accompanying workers through labour market changes, including in view of the green and digital transitions. PES play a key role when it comes to integrating people into the labour market, providing information to those wanting to work and acting as intermediaries between jobseekers and employers. They have been transforming their internal business processes and further advancing on their path to digitalisation to increase their capacity, including in terms of expertise of their staff, and provide more effective and efficient services.[164] The increased provision of digital services of course needs to go hand in hand with the widespread acquisition of digital skills among the population. In 2021, 18 national PES reported strengthening digital skills amongst jobseekers as one of the aims to prepare for the post-pandemic period.[165] At the same time, PES are building partnerships and implementing sector-specific measures aimed at improved labour market forecasting, skills intelligence, identification and remedy of labour and skills shortages, in particular in relation to the green and digital transitions. Re- and up-skilling programmes for in-work groups at risk of losing their jobs emerge as a new responsibility, with some national PES having already adapted their service delivery and developed comprehensive training programmes and strategies to address future skill needs. Formalising existing collaborations between the PES, vocational and higher education providers, along with social services, may help ensuring appropriate conditions for an efficient supply of skills (see Section 2.2).

[164] Sources: European Commission (2021). *European Network of Public Employment Services, Work programme 2022*. Published in January 2022. OECD (2022), *Harnessing digitalisation in Public Employment Services to connect people with jobs*, *OECD Policy Brief on Active Labour Market Policies*, OECD Publishing.

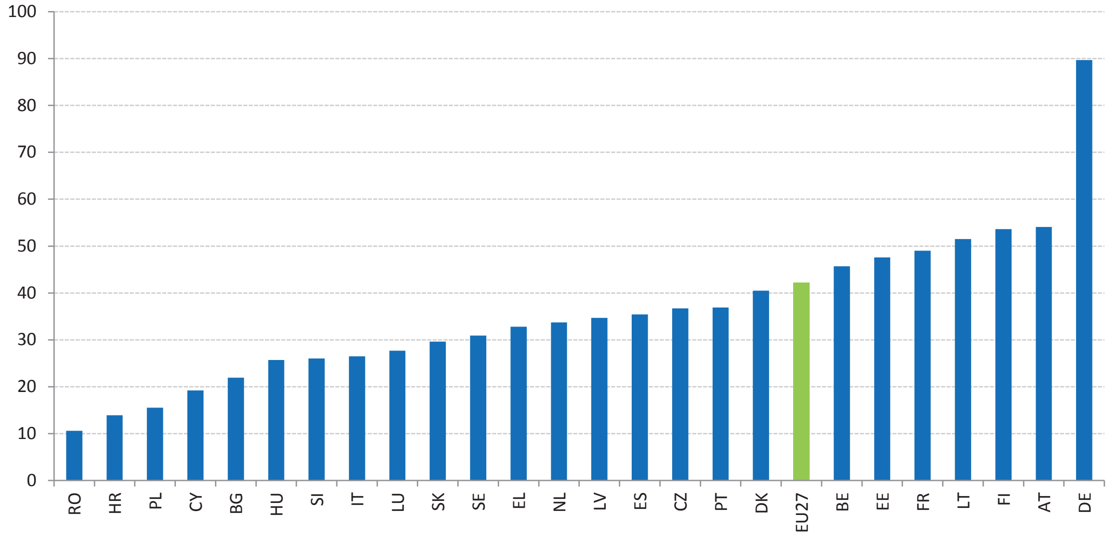
[165] European Commission, Peters, M., *Assessment report on PES capacity: 2021*, Publications Office of the European Union, 2022, (p.39).

Efforts to support the labour market integration for displaced persons from Ukraine has become an important task in the PES agenda.[166] In several Member States (Bulgaria, Denmark, Finland, Hungary, Italy, Lithuania, and Latvia), displaced persons from Ukraine can start working as soon as their request to register for temporary protection is submitted, without having to wait for this to be processed.[167] However, registration with PES were relatively low. As reported by the Public Employment Services (PES) Network, in May 2022 only a total of 150,000 displaced persons from Ukraine had registered among 26 Network members. About half of these registrations were reported from Germany and Poland.[168] While in most Member States, the responsibilities of PES do not go beyond those that they usually assume for other jobseekers, some PES have developed measures targeted at refugees, for which displaced people from Ukraine are eligible (see also Section 2.3.2). Several Member States have also set up coordination groups involving PES, national Ministries and migration authorities to exchange information about current actions and to plan common activities, also in cooperation with employers and local and regional authorities.[169] The legislative amendments to the Common Provisions Regulation for Cohesion Action for Refugees in Europe (CARE) provide access to unspent amounts under the Multiannual Financial Framework 2014-20 to finance fast and flexible solutions to EU countries as needed. Tailor-made support via the Technical Support Instrument is also aimed at helping the EU countries build capacity to welcome refugees and address their integration challenges.[170]

On average, four out of ten short-term unemployed[171] are covered by unemployment benefits in the EU (42.2% in 2021), with significant disparities across Member States – see Figure 2.3.11. In 2021, the highest coverage rates (over 50%) were observed in Germany (89.7%), Austria (54.1%), Finland (53.6%) and Lithuania (51.5%), followed by France, Estonia, Belgium, and Denmark with figures above 40%. On the opposite side, the lowest coverage was recorded in Romania (10.6%), Croatia (13.9%), Poland (15.5%) and Cyprus (19.2%). These cross-country differences may be explained by differences in the design of the unemployment benefit schemes, in particular their maximum duration, eligibility conditions, strictness of job-search requirements or synergies with other social protection schemes. In 2021, only 37.8% of those unemployed registered for less than one year in the EU received benefits or assistance. The benchmarking framework on unemployment benefits identifies all these elements as key policy levers to support job-skeers during their transitions in the labour market.

[166] COM(2022) 4050 final on *Guidance for access to the labour market, vocational education and adult learning of people fleeing Russia's war of aggression against Ukraine*.
[167] Note: Between February and June 2022, there were some 312,000 asylum applicants in the EU. Source: Eurostat [migr_asyappctzm] and European Labour Authority (ELA) country fiches, June 2022.
[168] PES Network survey, May 2022.
[169] For instance, AT, BE (at regional level), BG, EE, FI, HR, LT, NO, PL, RO and SK..
[170] For more details, see Regulation amending Regulations (EU) No 1303/2013 and (EU) No 223/2014 as regards Cohesion's Action for Refugees in Europe (CARE). See also C(2022) 1379 *on the financing decisions and annual work programmes of the Technical Support Instrument*.
[171] Those who have been unemployed for less than 12 months. Analysis for the 15-64 age cohort.

Figure 2.3.11: There are significant differences across Member States as regards the share of short-term unemployed covered by unemployment benefits
Coverage of unemployment benefits for the short-term unemployed (i.e., less than 12 months, 15-64-year-olds, %, 2021)



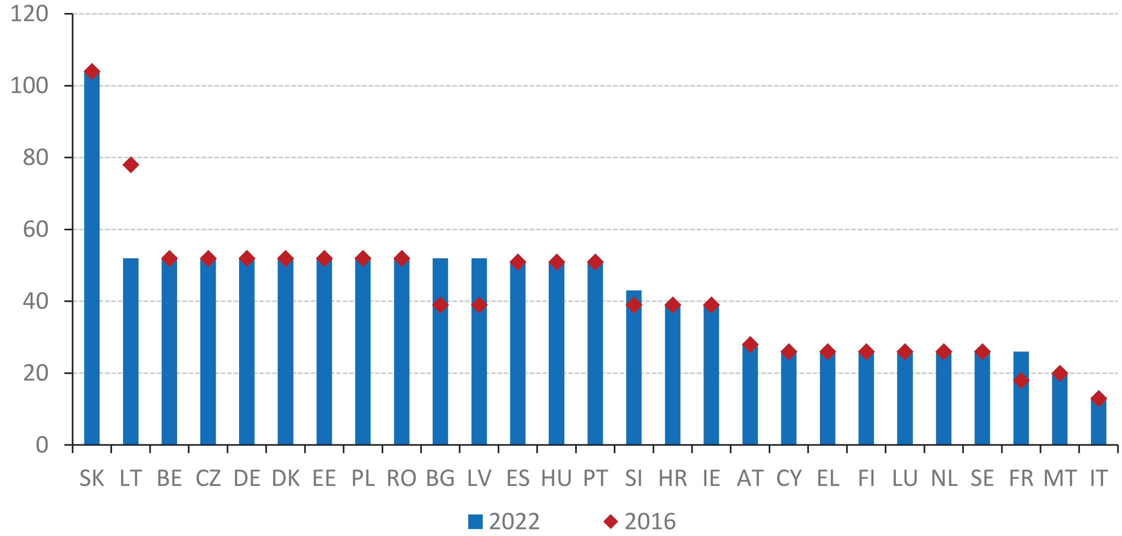
Note: Comparison with values before 2021 of this indicator is not made as there is a break in time series in 2021 for all Member States due to the entering into force of a new regulatory framework for European Social Statistics. Data for 2021 not available for IE and MT.
Source: Eurostat, [lfsa_ugadra], EU LFS.

The length to qualify for unemployment benefits remained broadly stable in 2022, as well as the maximum claim period.[172] The qualifying period remained stable in all Member States, ranging from 13 weeks of insurance contributions in Italy to 104 weeks in Slovakia – see Figure 2.3.12. The maximum duration of benefits (for a worker with a one-year work history) varies across Member States – see Figure 2.3.13. In Latvia, the duration has been reduced from 39 to 35 weeks in 2020, back to the level of 2015. For all other Member States, the period remained unchanged over the last 5 years. In 16 Member States, benefits for unemployed people with a one-year work history can be claimed for at most 6 months (24 weeks). However, in Denmark and Belgium, the duration of the entitlement reaches up to two years or more. In Luxemburg and Greece, the duration is one year and in Lithuania, Latvia, and Ireland the duration is about 8 months.

[172] 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 epidemiological situation linked to COVID-19.

Figure 2.3.12: The contribution period to qualify for unemployment benefits remained stable compared to 2021 with significant differences across Member States

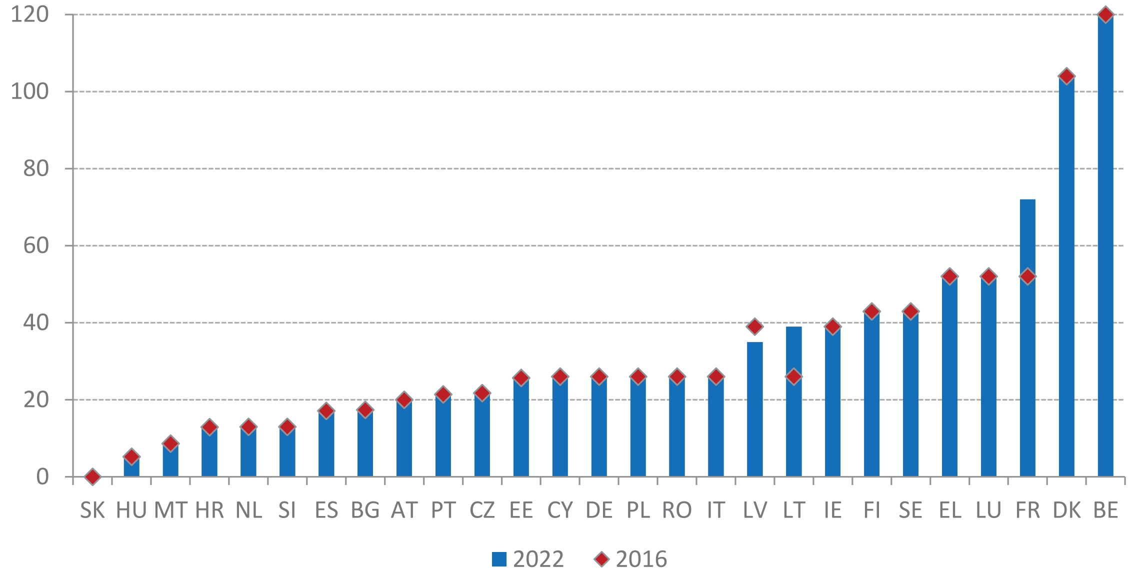
Lengths of the required qualifying period (weeks, 2016 and 2022)



Note: In Malta (2016 and 2022), at least 50 weekly contributions must have been paid since the person first started work; in Ireland (2016 and 2022), at least 104 weekly contributions must have been paid since the person first started work; in Austria (2022), 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 2016 and January 2022).

Figure 2.3.13: 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 (2022 and 2016)

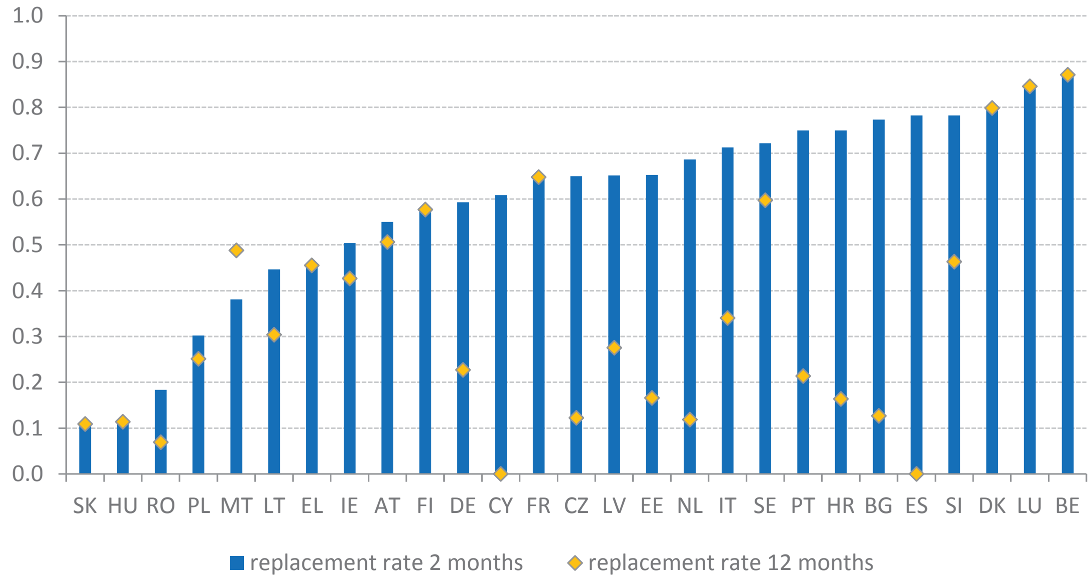


Note: In Belgium, there is no limit on the duration of benefits. In Cyprus, weeks are calculated based on 6 working days per week. In Ireland, benefit is paid for 39 weeks (234 days) only for people with 260 or more weekly PRSI contributions paid. In Slovakia, a person with a one-year record cannot qualify for unemployment benefits (at least 2 years of unemployment insurance contributions during the last 4 years are required). In Poland, duration varies depending on the level of the unemployment rate of the region relative to the national average.
Source: MISSOC database (January 2016 and January 2022) and national legislation.

Income replacement for the unemployed depends on the lengths of the unemployment spell. Figure 2.3.14 compares the net replacement rates for low-wage earners (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 of unemployment range from 10.8% of the previous (net) earnings in Slovakia to more than 90% in Luxembourg or Belgium. In Austria or Belgium, for example, the replacement rate remains the same at the 12th month of the unemployment spell. However, due to the expiry of the benefits or a reduction of benefits generosity over time, the replacements rates decrease in most other Member States. In some countries, the unemployed having exhausted unemployment benefits can benefit from alternative schemes, such as social assistance, generally providing lower levels of benefits – see section 2.4.1 for details on active inclusion, including the Commission proposal for a Council recommendation on adequate minimum income with an active inclusion approach.

Figure 2.3.14: Unemployment benefit replacement rates vary across the EU

Net replacement rate of unemployment benefits at 67% of the average wage, at the second and 12th month of unemployment (2021)



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.

High-quality and effective social dialogue has been instrumental for the sound management of complex socio-economic conditions over the past years. Employment Guideline 7 and principle 8 (social dialogue and involvement of social partners) of the European Pillar of Social Rights call upon Member States to ensure the timely and meaningful involvement of the social partners in the design and implementation of employment, social and, where relevant, economic reforms and investments, including by supporting their increased capacity. During the COVID-19 crisis, sectorial social partner organisations at EU level were highly proactive and moved quickly to lay out their views on possible strategies for the recovery. At the national level, several Member States invited social partners, in line with their national practices and institutional frameworks, to discuss, negotiate and/or implement measures to support working conditions, the functioning of the labour market, equal opportunities, health and safety at the workplace, remote work and the right to disconnect. More recently, European social partners have in a number of cases contributed significantly to initiatives at European and national level to further attract new workers to sectors facing labour shortages, including those supporting the green and digital transitions, through work on talent partnerships and the implementation of the multi-stakeholder European partnership for integration.[173]

Predictable, meaningful, and timely involvement of social partners plays an important role to ensure that reforms are designed and implemented effectively. National ownership lies at the heart of the European Semester and of the implementation of the Recovery and Resilience Facility. The establishment of new tripartite bodies (e.g. in Poland, Romania and Slovakia, amongst others) to monitor the implementation of the RRPs is a positive development which, if managed in an inclusive manner, has the potential to enhance social partners' participation and public accountability.[174] A close cooperation with social partners, including throughout the European Semester cycle, is essential to ensure that their views are taken into account and feed the decision-making process; including when discussing appropriate support policies in favour of the integration of Ukrainian citizens and other displaced persons into the European labour markets. Since 2016 and on an annual basis, the Employment Committee (EMCO) undertakes multilateral surveillance reviews of the involvement of national social partners in in the European Semester to assess these and other challenges and good practices. Differences in the degree of quality and meaningful social partners' involvement continue to be observed across Member States.

Social dialogue has been key for a strong health sector, facing the COVID-19 pandemic and contributing to an increase in the EU's preparedness to potential future health crises. All countries have been faced with the need to scale up health systems' capacity, notably in hospitals, to meet the growing demand for healthcare services within a very short period, due to the COVID pandemic. The pressure on healthcare systems is exerted against the backdrop of other longstanding challenges, such as shortages of health workers. Social dialogue played a prominent role in addressing some of these challenges in Member States with well-established institutions and a long-standing tradition of cooperation between social partners (e.g., Denmark, Germany, Finland and Sweden) and in those counting with strong social partnership clusters (e.g., Austria, Belgium, Luxembourg and the Netherlands). At the same time, countries where social dialogue and collective bargaining are less prominent in the healthcare sector (e.g., Bulgaria, Czechia, Malta and Estonia) have seen a boost in social dialogue in correspondence to the COVID-19 crisis.[175]

The participation of civil society organisations throughout all stages of the European Semester is instrumental to the delivery of quality reforms and policies in Member States. The European Commission has emphasised the importance of timely and meaningful consultations with civil society organisations in previous Joint Employment Reports. Building up on existing national practices, it has also stressed the significance of involving civil society organisations in its regular meetings and exchanges with Member States. The identification of existing challenges – some of them highlighted in a recent resolution by the European Economic and Social Committee[176] – represents an opportunity to further improve

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[173] See the renewal of the European Partnership for Integration following COVID-19 crisis. Source: European Website on Integration (europa.eu)

[174] Source: Eurofound (2022), Rodríguez Contreras, R., Sanz, P., *Involvement of social partners in the national recovery and resilience plans*, Publications Office of the European Union. Note: For details on collective bargaining, see section 2.1 of the present report and European Commission, *Employment and Social Developments in Europe 2022*, Publications Office of the European Union, 2022.

[175] See Eurofound (2022), *Social dialogue and collective bargaining in the hospital sector during the COVID-19 pandemic*. Publications Office of the European Union (forthcoming).

[176] European Economic and Social Committee (2022), *Involvement of Organised Civil Society in the National Recovery and Resilience Plans – How can we improve it?*, Resolution [ECO/592], May 2022.

the quality, transparency, regularity and predictability of the exchanges. Going forward, the engagement of civil society organisations in the employment and social field will contribute to strengthen the granularity and efficiency of the reforms and investments needed to overcome existing socio-economic challenges and to progress on the green and digital transitions.

2.3.2 Measures taken by Member States

Efforts to address the causes of labour market segmentation continue in some Member States, in line with Pillar principle 5 (on secure and adaptable employment). In July 2021, **Spain** (within its RRP) amended the statute of the public employee to reduce temporary employment in the public sector as well as prevent and penalise abuses, including the obligation to publish all calls for stabilisation procedures of temporary staff by 31 December 2022. Amendments on the applicable rules for public employees working in health and education sectors were also adopted. In December 2021, **Spain** (also within its RRP) also adopted a labour market reform package with the aim of reducing the high share of temporary contracts in the private sector, improving the working conditions of certain employees, and fostering transitions towards open-ended employment. The reform redefined the menu of employment contracts by underlining the central role of permanent contracts and by further restricting the use of fixed-term contracts (e.g., reducing the maximum duration of fixed-term contracts, while increasing the sanctions for their fraudulent use). As part of a broader reform under the Decent Work Agenda, **Portugal** is planning to reduce from 6 to 4 the maximum number of renewals of temporary contracts; raise compensation for dismissals of temporary workers and criminalise undeclared work with prison up to 3 years. When adopted, these measures are expected to reduce the share of temporary contracts and promote transitions towards open-ended and formal work. The recovery and resilience plan (RRP) for the **Netherlands** contains several labour market reforms aimed to address challenges related to labour market segmentation. These include the gradual reduction of the tax deduction for self-employed, the introduction of a mandatory disability insurance for self-employed, and measures to tackle bogus self-employed, including a modification of the definition of an employment relationship and increasing public enforcement all by 2026. In addition, in July 2022 the **Netherlands** also announced plans to reduce incentives for the use of flexible or temporary contracts and to introduce a certification system for temporary work agencies.

Various Member States are proposing new or amended regulations on employment protection legislation to respond to identified labour market challenges, in line with Pillar principle 7 (on information about employment conditions and protection in case of dismissals). In November 2021, **Estonia** introduced the possibility for employers and employees in the retail sector to conclude more flexible employment contracts under specific conditions. These agreements may contribute to engage additional workers, thereby increasing employment opportunities while ensuring a higher level of protection. This measure was complemented by the adoption in December 2021 of new amendments to the road transport act. With this measure, **Estonia** expects to support decent working conditions for drivers in the road transport sector. In February 2022, **France** passed a new law creating a unique status for self-employed and protecting their personal assets (until now, only the main residence was protected). Besides, the law extends the conditions to facilitate the reconversion of self-employed workers. Through an allowance worth EUR 800 per month, the Government aims to support those who permanently ceased their activity that became unsustainable. In June 2022, **Italy** adopted new provisions to ensure that all workers, including those under non-standard contracts, benefit from greater transparency on the employment relationship in particular minimum information requirements by employers regarding probationary period and training (if applicable). As part of a broad reform, **Sweden** plans to adopt measures in the second semester of 2022 regarding rules for dismissal for objective reasons and to increase the predictability of working conditions and prevent labour disputes.

Complementary to the analysis presented in Pillar Box 5, several Member States introduced measures to strengthen occupational health and safety at work, in line with Pillar principle 10 (on healthy, safe, and well-adapted work environment). As part of a broader reform, in July 2021 **France** (in its RRP) adopted a set of measures reinforcing health and safety at work. The most relevant actions in terms of impact expected include the possibility for firms to broaden the health services offered at work and the creation of a prevention passport. In addition, **France** has also broadened the definition of sexual harassment at work and in November 2021 it ratified the ILO Violence and Harassment Convention. In December 2021, **Croatia** adopted the national Work, safety at work and employment Plan for 2021-2027. This plan is in line with the 2030 National Development Strategy and represents a continuity and improvement of labour market policies that will support the provision of decent work for all, while taking into account the special needs of vulnerable persons. In July 2022, **Bulgaria** adopted an ESF+ operation to support the well-being of workers and safety at the workplace with a total budget of EUR 51.1 million. Some of the most relevant actions include financial support for firms to prevent burnout, preserve mental health, to purchase attire and equipment for safety at work, to equip corporate places with sports and relaxation areas and to introduce green approaches to organisational behaviour. The measure lasts until the end of 2024 and it is expected to benefit up to 91,000 employees. **Italy** is also planning to adopt targeted policy measures over the course of 2022 and 2023 to enhance health and safety at work.

Some Member States are introducing or amending regulation to better define the conditions of flexible work and the organisation of the working time, in line with Pillar principle 9 (on work-life balance). In July 2021, **Spain** approved legal provisions to regulate telework and distance work in the private and public sectors. In particular, the legislative amendments guarantee the same working conditions to those working remotely and on-site, as well as the voluntary nature of teleworking for both the worker and the employer. This new framework may favour hybrid work, that mixes distance and on-site work. In June 2022, **Belgium** adopted new measures to improve flexibility in working hours and support better work-life balance in the private sector. The main actions include the right to a four-day working week (through increasing the number of hours per day) or to change the work regime (i.e., balancing work hours between weeks). At the same time, **Belgium** adopted the ‘right to disconnect’ for firms with more than 20 employees, which now cannot expect their employees to react to business requests after regular office hours. Both measures are part of a federal agreement on labour market reforms that includes also more flexibility as regards the rules on evening and night work in e-commerce. In addition, pilot projects are foreseen to allow for evening and night work on a voluntary basis without the prior agreement of a union. As part of a broader reform, **Poland** (in its RRP) envisages to introduce labour law provisions to foster better work-life balance and more predictable working conditions. In particular it will provide rules for flexible working arrangements, including breaks and/ or training during working hours, employee’s consent to work overtime or at night, or to carry out intermittent work. There are also plans to amend the provisions regarding the protection of the employment relationship of employees during pregnancy, maternity or parental leave. In April 2022, **Estonia** also updated the existing legal framework to ensure more flexible working conditions (e.g., part-time, teleworking, or flexible working time) to workers or civil servants with caring responsibilities, while fostering effective protection of minors (i.e. under 14 years old). **Luxembourg** plans to adopt provisions to regulate moral harassment. The action is expected to apply to employees, but also to apprentices, trainees and special temporary contracts that may be concluded with students.

A number of Member States have also amended their legislation or are planning to do so to provide more flexible working arrangements to workers, in line with Pillar principle 9 (on work-life balance). **Spain** extended until June 2022 the plan on working time modifications (*'Plan Mecuida'*) adopted in March 2020 to reinforce employees' flexibility in accounting for family responsibilities directly related to the COVID-19 crisis. Under these provisions, the employer, and the employee could reach other reasonable and proportionate changes in the employee's working conditions (e.g., teleworking, shift changes, change of workplace or assignment of different functions, amongst others). In January 2022, **Spain** updated its legal framework on working time to extend the caregiving possibilities for parents of children with cancer or a severe disease. The age limit of the target descendant in need of care was increased from 18 to 23 years. **Cyprus** plans as part of its RRP to conduct a study regarding flexible working arrangements in the public sector. The study is expected to provide recommendations by 2023 that aim at improving the effectiveness of the public service. Once the study's recommendations are available, a decision regarding their implementation will follow. Also benefitting from the support of the Recovery and Resilience Facility, **Cyprus** intends to adopt by 2023 a new law regulating flexible work arrangements, particularly telework. In August 2022, **Lithuania** has amended its legal framework providing more flexibility for certain families as regards their working arrangements. These amendments cover, among others, additional leave days for parents raising children, as well as the possibility to work less than full day and to combine telework and flexible work schedules for pregnant or breastfeeding women, parents raising children up to 8 years of age or single parents raising children up to 14 years of age (or up to 18 years old, in case of children with disabilities) (see Section 2.2.2)

Several Member States strengthened their efforts to tackle undeclared work with additional resources, including increasing the capacity of labour inspectorates. As part of the RRP implementation, **Italy** (in its RRP) is expected to adopt by the end of 2022 a National Plan and roadmap to fight undeclared work across all economic sectors, aiming for a permanent increase in the number of labour inspections by 2025 and a reduction in the cases of undeclared work by 2026. To this end, an inter-institutional working group was set-up in February 2022. In October 2021, **Romania** approved new administrative sanctions to limit undeclared and under-declared work, as well as the practice of paying 'envelope wages'. The action includes the regulation of the concept of 'under-declared work'. Later in April 2022, **Romania** also launched a system of service vouchers (to take effect from 1 January 2024) to bring domestic workers into the formal economy. The domestic worker will be covered by the social security and health insurance system after exchanging 85 vouchers. As part of a broader reform, in February 2022 **Sweden** launched a process to establish regional centres against work-related crime (also dealing with undeclared work). These centres will function as a hub for the authorities' work regarding planning, implementation and follow-up of joint government controls, in consultation with the social partners and national and regional bodies. In March 2022, **Belgium** (Brussels-Capital region) adopted a target measure to increase the number of inspections carried out in firms of a given sector, based on a reasonable suspicion of discrimination. Furthermore, labour inspectors can also visit a firm under a false name to detect differences in treatment. In May 2022, **Spain** approved a new call for 90 new public labour and social security inspectors, doubling the one approved in 2021. In April 2022, **Croatia** introduced a new act on whistleblowers amending previous provisions from 2019. The purpose of this act is to improve the protection of workers who report about firms committing legal breaches, including sanctions for employers initiating proceedings against whistleblowers. As part of a broader reform under the RRP, **Croatia** is also planning to adopt in December 2022 a new law on tackling undeclared work, which would define undeclared work, strengthen labour inspectorates and further regulate the transfer of workers from undeclared to declared work.

Various Member States adopted targeted measures to improve the labour market situation of the long-term unemployed, in line with Pillar principle 4. In October 2021, **Greece** adopted a new law reforming the organisation and functioning of the public employment service (‘*OAED’*). The new provisions include the recruitument of new employment counsellors (540 for a two years period) and a stronger focus on the intermediation between labour supply and demand. In 2021, **Greece** also introduced a work allowance for people receiving unemployment subsidies who find a job and a bonus of EUR 300 for long-term (defined as for more than 5 years) unemployed persons who draw up an individual action plan. Income criteria have been introduced to tackle the abuse of benefits, while three refusals of suitable jobs or participation in training would lead to a removal from the unemployment register. As part of a broad reform in **Ireland**, the Local Area Employment Service (*‘LAES’*) became operational in January 2022. The aim of the service is to deliver high quality and measureable employment services to long-term unemployed and other vulnerable groups. The new service follows a performance-related payment system, with each client receiving individual entitlements based on engagement and completion of a personal progression plan. In February 2022, **Sweden** commissioned its public employment service to strengthen support for long-term unemployed, especially in territories facing strong socio-economic challenges. Actions are also envisaged to strengthen the strategic and operational collaboration between the public employment services and the local authorities regarding vulnerable jobseekers.

A number of Member States amended their existing ALMP frameworks to improve their effectiveness in the recovery from COVID-19 phase, in line with Pillar principle 4 (active support to employment). In 2021, **Czechia** adopted the strategic framework for Employment 2030+. The strategy contributes to the fulfilment of the enabling conditions under cohesion policy and defines priority areas for the upcoming 10 years. Concrete measures are laid out in the action plans detailing this framework. As part of the RRP implementation, **Greece** adopted measures in 2021 and 2022 to develop new digital tools for public employment services, including a digital card, the possibility to register an individual action plan, as well as the set-up for the delivery of individual learning accounts. **Croatia** has put forward measures, as part of a broader reform under the RRP, to improve the quality of support provided to vulnerable groups, in particular processes related to profiling, segmentation, integration, and activation of vulnerable groups in the public employment services. Besides, efforts continue to develop tools for matching unemployed persons with job vacancies and better operationalise the monitoring and evaluation system of active labour market policies. These actions, together with planned outreach activities, are expected to connect 5,000 new users with the public employment services. In April 2022, a voucher system for adult upskilling and re-skilling was put in place, as a basis for possible introduction of individual learning accounts under ESF+. In December 2021, **Italy** approved new structural investment to promote the development of regional labour market observatories and the support to strengthen the interoperability of regional and national information systems, thus improving the capacity of public employment services to support labour market matching. This measure is complemented with the allocation of additional EUR 4.4 billion for the implementation of the National Programme for the Employees’ Guarantee (‘GOL’) during the 2021-2023 period. In August 2022, **Lithuania** adopted a new career guidance system under its RRP, which lays down the framework, basic competency requirements, management and quality assurance of the career counselling throughout one’s career as of first school grade (see also Section 2.2.2). With the involvement of social partners, it will also set out the governance process of the institutions involved. In April 2022, **Luxembourg** adopted a new targeted and temporary measure to provide temporary work assignments for unemployed persons under 50 during a 6-month period. The law is applied retroactively from October 2021, and it ceased to be effective on 30 June 2022. By the end of 2022, **Poland** (in its RRP) is expected to adopt two key legal acts to promote labour market participation. Firstly, the Act on employment of third-country nationals is expected to reduce the administrative barriers to employment of third country nationals and simplify the process of concluding certain job contracts. Secondly, the new Act on Labour Activity will among others take measures to make it easier for parents to return to the labour market after leave.

In addition, there are examples of targeted measures put forward by Member States to facilitate labour transitions and reinforce their activation component, in line with Pillar principle 4 (on active support to employment). In June 2022, **Belgium** introduced a process called ‘transition trajectories’ to allow employees having received a notice of termination to work for another employer in order to make the transition smoother. This is coordinated by the regional employment service and based on an agreement between two firms as its users. During the transition, the labour cost is passed on (fully or partially) to the new employer and, at the end of the process, the employee must be recruited with an indefinite contract. **Belgium** also adopted a measure to support employees who have been dismissed with a notice period of at least 30 weeks. The dismissed employees fulfilling the criteria have the right to devote one third of the notice period (i.e., 10 weeks) to activities that increase their employability. This measure comes in addition to the severance pay to which the employees are entitled.

The existing or newly developed ALMP systems also contribute to support labour market integration of displaced persons from Ukraine. Most Member States rely either on existing active labour market policies (ALMPs) available to country nationals, or on programmes developed following the migration and refugee crisis (2015-2016) to support people fleeing the war in Ukraine. As part of the existing ALMP systems, a large majority of EU countries have offered counselling and career guidance, while others coupled these actions with financial incentives to employers to hire displaced persons, provide on-the-job training or launch projects fostering entrepreneurship (see also Sections 2.1.2).[177] However, the number of displaced persons from Ukraine that have participated in training (excluding language trainings) has been low. This can be explained by the low number of registrations with the public employment services. For example, in **Austria** and **France** only 1 216 and 1 700 out of, respectively, 6,300 and 3,200 Ukrainians registered at national public employment services participated in trainings (see also Section 2.3.1). Other examples of targeted ALMPs for displaced persons from Ukraine were seen in **Estonia**, which deployed special job-counselling services for displaced persons from Ukraine, while **Poland** introduced specific support through in-kind and financial benefits for Ukrainian artists and authors pursuing their activities in **Poland** (see Section 2.2.2).[178]

Member States updated the regulatory framework of public employment services to ensure their capacity and effectiveness, including in their cooperation with social services and stakeholders. In July 2021, **Belgium** (Flanders region) launched an action plan to improve the cooperation between regional public employment services and private

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[177] European Labour Authority (2022), *Overview of national measures adopted to respond to the Ukrainian crisis with regard to employment and social security having a potential impact on the EU labour mobility*, Country Fiches. ELA/2022/RS/047/ELA.323/June 2022

[178] Eurofound (2022): *In-kind support and financial support for Ukrainian artists, measure PL-2022-9/2327 (measures in Poland)*, EU PolicyWatch, Dublin.

partners. The plan aims to strengthen transparency as regards outsourcing, to improve planning and to better monitor the quality of the services provided through enhanced evaluations and data management practices. In July 2021, **Ireland** updated its Pathways to Work strategy for 2021-2025. The new framework seeks to enhance the Irish Public Employment Services (*Intreo*) by developing its budget, capacity, and its customer-focused approach. With the support of the RRF, it includes a work placement programme, while the ESF supports the Jobsplus and back-to-work allowances. In November 2021, **Belgium** (Wallonia region) adopted a new reform of the public employment services (*TIM*) to provide more personalised and integrated support to vulnerable jobseekers and develop specific pathways to employment for persons with disabilities or in vulnerable situations (in its RRP). The new reform also sets the ground for optimising the collaboration between the Walloon public employment service (*Forem*) and supporting partners. In December 2021, **Spain** (as part of its RRP) adopted the 2021-2024 Employment Activation Strategy. This new framework aims at modernising the delivery of active labour market policies by PES, including the development of individual pathways, the set up a one-stop shop for young people, and enhanced coordination between employment, social services, regional administrations, and the private sector. At the same time, as part of the RRP implementation, **Spain** is planning to reform before the end of 2022 the employment law to update the active labour market policies, including its governance structure and coordination mechanisms at national, regional, and local level. In December 2021, **Sweden** adopted a new measure aiming to strengthen the provision of activation policies in the area of skills by public employment services (see also Section 2.2.2), mapping competency needs in connection with the private sector. In April 2022, **Belgium** (Flanders region) adopted a new measure to strengthen the coordination role of local authorities in the activation of jobseekers and inactive persons, including in the social economy (see Section 2.1.2). In April 2022, **Greece** adopted a new law to restructure the public employment service (*OAED* to *DYPA*), including the creation of a social partners Council and a vocational training account set up by the social partners and managed by a legal entity. The new arrangements are expected to lead to faster and more flexible provision of activation support. In May 2022, as part of its RRP commitment, **Lithuania** adopted new measures to better operationalise the existing employment services through digital tools and ensure a more systematic orientation to the customer. This measure includes a revision of working methods and the automation of key processes to support more individualised and integrated services to jobseekers. In May 2022, the law on public employment and business services regulating the Nordic model of employment service for jobseekers entered into force in **Finland**. The objective is to enhance the provision of more personalised and integrated services for jobseekers. The reform is expected to support some 10,000 persons into employment. The employment effects are expected to realize fully after 2025.

A number of Member States have increased the generosity of their unemployment benefits, also as a reaction to current inflationary pressures. In view of limiting the impact of rising prices, **Austria** seeks to adapt its unemployment benefits on a yearly basis. In **Estonia**, both the unemployment insurance benefits, and the unemployment allowance increased in 2022. Similarly, **Italy** extended the generosity and the time horizon of the unemployment benefits system. In **Spain**, a reform to address the coverage gaps in unemployment protection and the fragmentation of unemployment protection is due, under its RRP, by the end of 2022. In addition, the transition to social protection has been facilitated for beneficiaries that do not return to work and are in a vulnerable situation. In **Denmark**, both generosity and eligibility requirements have increased, resulting in higher unemployment benefits during the first three months of unemployment. At the same time, the requirements for receiving benefits became stricter for recent graduates. In this case, the maximum benefit period of graduates will be reduced from two to one year and in case they have not found a job within three months of graduating, their benefits will be reduced. In July 2021, **France** adopted a temporary measure to prolongate the right to unemployment benefit of temporary workers in the field of culture (i.e., those having the legal status of *'intermittents du spectacle'*) and particularly affected by the COVID-19 crisis. The measure remained valid until December 2021. **Malta's** RRP includes a study assessing the adequacy and coverage of unemployment benefits and recommending policy options to achieve better adequacy and coverage of benefits, both in terms of duration and effective access, whilst enhancing the incentives to work. In April 2022, **Greece** introduced new job search requirements encouraging the unemployed to actively search for a job and to accept job offers if they are presented to them.

Several Member States adopted measures to strengthen social dialogue and support the involvement of social partners in policymaking, in line with Pillar principle 8. For example, in July 2021, social partners and the Government in **Portugal** signed a tripartite agreement to improve the vocational education and training systems, including a regulation on governance (see also Section 2.2.2). In **Spain**, social partners were involved in the design of the major labour market reforms taken since 2020. In May 2022, the social partners and the Government in **Estonia** signed a goodwill agreement to reform preferential pensions. On this basis, new regulation on old-age and retirement pensions is being prepared. As part of the RRP implementation, **Romania** plans to adopt by the end of 2022 a new law on social dialogue discussed and agreed with the social partners.

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

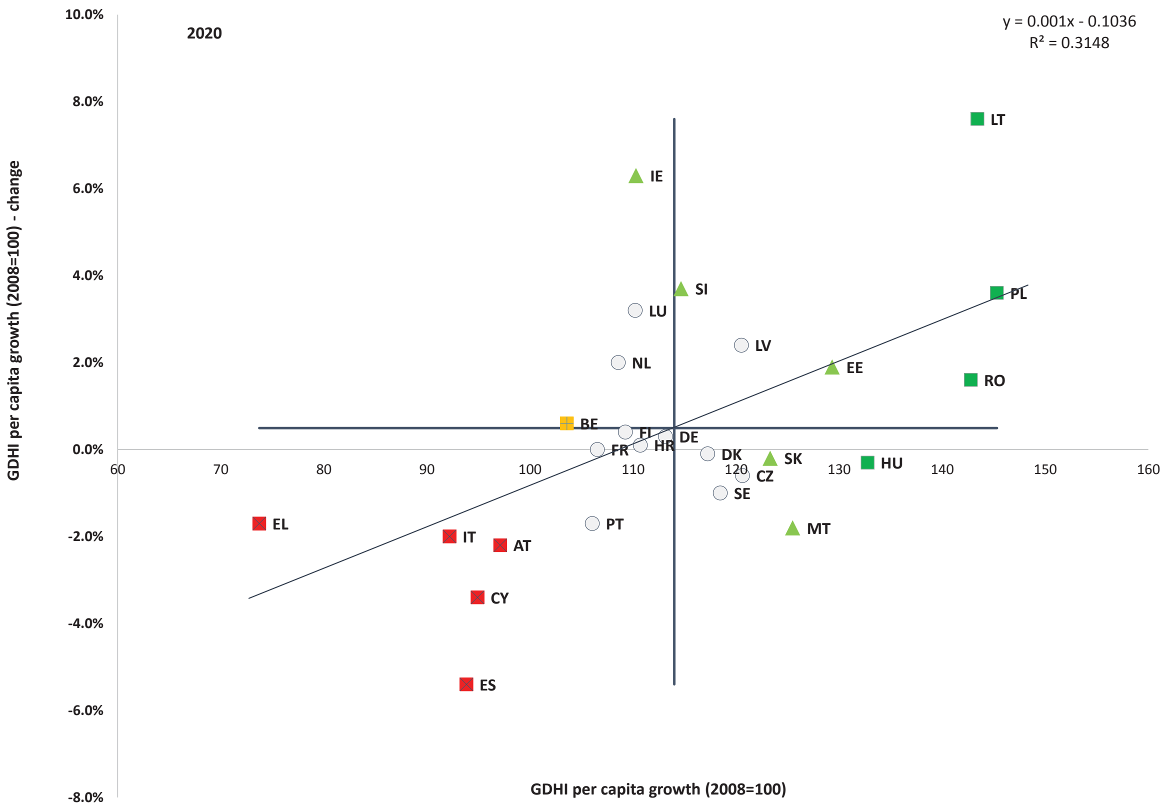
This section looks at the implementation of the employment guideline no. 8, which recommends that Member States promote equal opportunities for all, foster social inclusion and fight poverty, in line with Pillar principles 2 (on gender equality), 3 (on equal opportunities), 11 (on childcare and support 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 by Member States

2.4.1 Key indicators

Gross disposable household income (GDHI) per capita increased overall at EU level and in most Member States in 2021 on the back of the post-COVID-19 recovery. The greatest increase was observed in Latvia and Hungary, while smaller ones in Malta, Czechia, Estonia, and Slovenia. Denmark witnessed the largest decrease, followed only by Germany and Lithuania. As discussed in section 1.2 and 2.1.1, these changes reflect the combined effect of wage growth as well as other components of GDHI, such as the gradual phase out of temporary income support measures following the pandemic and during the recovery. Based on performance in 2020 and 2019, 'critical situations' are flagged for Greece, Italy, Spain, Austria, and Cyprus.[179] In Belgium, the increase was marginal, with the indicator value remaining close to its 2008 levels and flagging the country as 'to watch'.

[179] At the data cut-off, data were available only for 13 Member States, to which applying the JER methodology would be misleading. Until a further data update categorisation from the previous year is used.

Figure 2.4.1: Gross disposable household incomes (GDHI) per capita remained broadly stable across Member States in 2021 [Placeholder until new data fully arrive]
Real gross disposable household income (GDHI) per capita growth (2008=100), 2020 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. At the cutoff date, data for 14 MS were missing, therefore the chart reflects 2020 levels and changes from 2019 to 2020.
Source: Eurostat [tepsr_wc310].

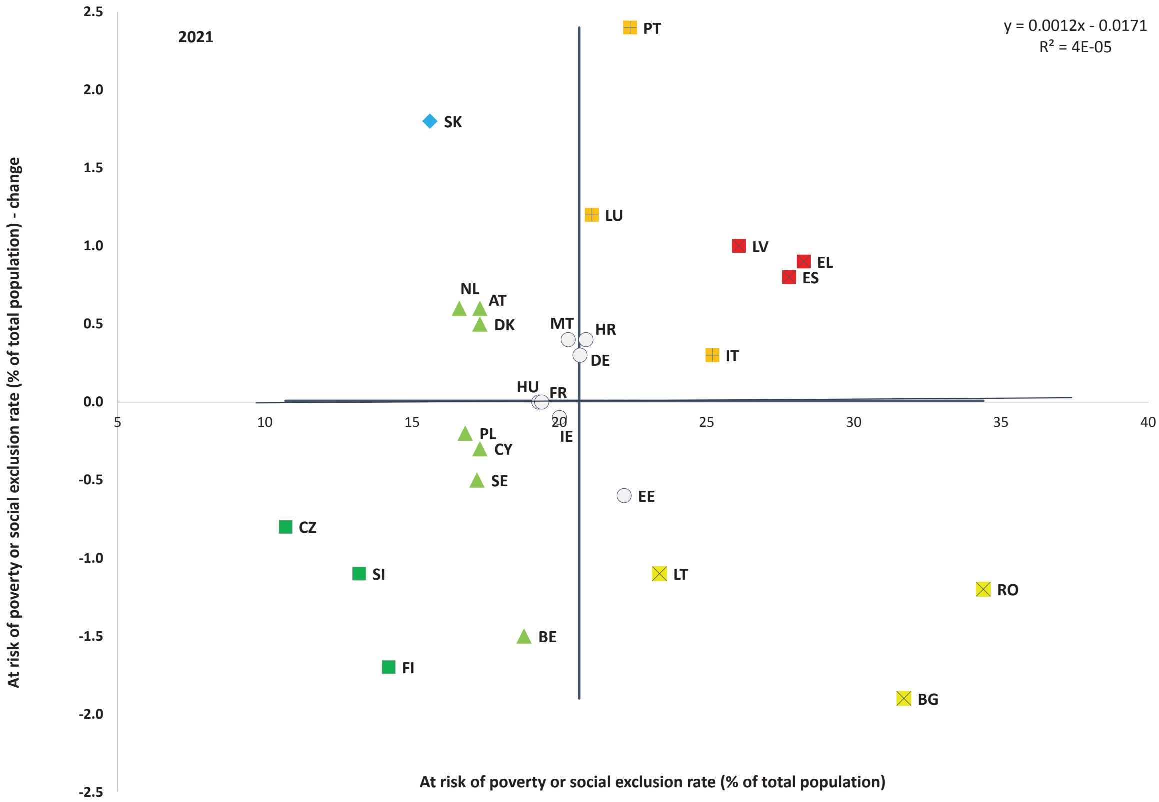
The share of people at risk of poverty or social exclusion (AROPE) remained broadly stable or decreased in most Member States in 2021, although with large differences across countries. In 2021, Romania, Bulgaria, Greece, Spain, and Latvia had the highest AROPE rates (at 34.4%, 31.7%, 28.3%, 27.8% and 26.1% respectively). The situation is flagged as 'critical' for Greece, Spain, and Latvia, for which the relatively high values are compounded by a greater increase by 2021 than for the EU average (by 0.9, 0.8 and 1 pp, respectively) – see Figure 2.4.2. Among the Member States with higher levels, Romania and Bulgaria registered a decline (1.2 and 1.9 pps, respectively). Portugal, Luxembourg, and Italy are flagged as 'to watch' due to a relatively substantial worsening of the indicator (by 2.4, 1.8 and 1.2 pps, respectively), despite levels being around or closer to the EU average.[180] Among the Member States with lowest AROPE rates, Slovakia has a relatively low level but experienced a relatively large increase in 2021, flagging as 'good but to monitor'. Czechia, Slovenia and Finland continued to register an improvement along with lowest levels, which qualify them as 'best performers'. Differences in AROPE rates are large across European regions, with a wider range than between Member States. Such disparities may appear within a single Member State, such as Italy, Hungary, or Poland – see Figure 8 in Annex 3. Overall, these changes in AROPE rates do not appear to show either convergence or divergence patterns. Continued assessment of the distributional impact of policy reforms going forward

[180] There is break in the time series for this indicator for Luxembourg in 2021.

will be crucial to make sure that new measures and reforms help further reduce poverty, thereby contributing to the achievement of the EU headline target of lifting at least 15 million people out of poverty by 2030.[181]

Figure 2.4.2: The share of people at risk of poverty or social exclusion remained overall stable in 2021 and even decreased in several Member States, but important differences remain

Share of the population at risk of poverty or social exclusion (%), 2021 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. Data for IT and PL are provisional. Break in the series for LU.
Source: Eurostat [ilc_peps01n], EU-SILC.

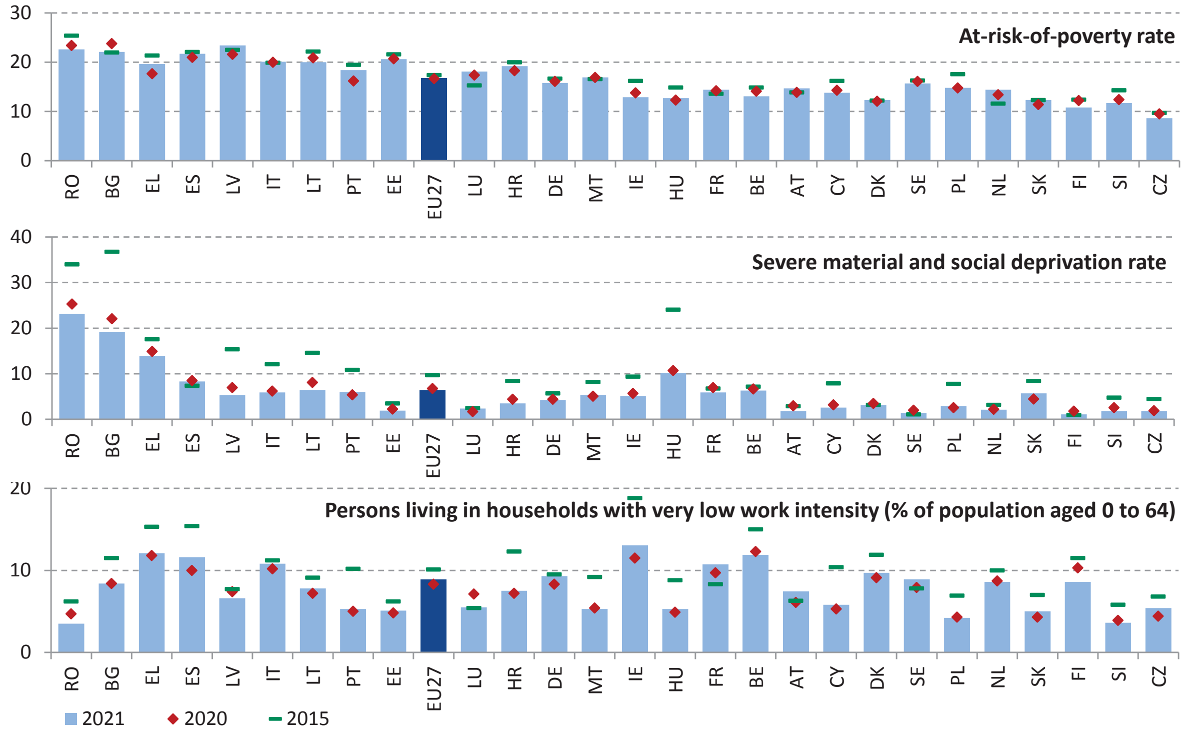
Despite the strain that the COVID-19 crisis has put on many throughout the EU, effective action at Member States and EU level, also supported by EU funding tools, allowed to prevent an overall increase of poverty, severe material and social deprivation, and the share of people living in (quasi)-jobless households. The share of people at risk of poverty (AROP) remained stable or decreased in most Member States in 2021 (referring to 2020 incomes). Czechia had the lowest rate, followed by Finland and Slovenia, all registering decreases of the indicator (by 0.9, 1.4 and 0.7 pps, to 8.6%, 10.8% and 11.7% in 2021, respectively) – see top panel of Figure 2.4.3. The highest rates were registered for Latvia, Romania and Bulgaria (23.4%, 22.6% and 22.1% in 2021, respectively). According to Eurostat's flash estimates referring to 2021 incomes, the AROP rate remained stable for the majority of the Member States in comparison to 2020. Increases, in comparison to the 2020 income year were indicated for Czechia, Slovenia and Croatia, while the indicator was estimated to have declined in Spain, Sweden and Austria as well as,

[181] To this end, the Commission has issued a Communication on Better assessing the distributional impact of Member States' policies (COM(2022)494 final).

to a larger extent, in Greece and Bulgaria.[182] The share of the population in severe material and social deprivation in 2021 varied considerably across the EU, from 1.1% in Finland to 23.1% in Romania. Indicator values have decreased from the previous year in all but five Member States (Slovakia, Luxembourg, Portugal, Malta, and Poland with increases by 1.2 pps, 0.7 pps, 0.6 pps, and 0.3 pps in the last two). Despite large decreases, high values are observed for Romania, Bulgaria, Greece, and Hungary (at 23.1%, 19.1%, 13.9% and 10.2%) – see the middle panel of Figure 2.4.3. The share of persons living in (quasi)-jobless households in 2021 (referring to the situation in the previous calendar year) in part reflected the negative effect of the COVID-19 crisis on employment, increasing by at least 1 pp or more in seven Member States (Spain, Ireland, Austria, Czechia, Germany, France, and Sweden) – see bottom panel of Figure 2.4.3. Member States with significant challenges (rates above 10%) included countries like Ireland, Greece, Belgium, Spain, Italy, and France. Nevertheless, most Member States' values remained stable or even modestly decreased, reflecting policy efforts to prevent job losses in the pandemic context. Noticeable positive developments were observed in particular in Finland, Luxembourg[183] and Romania (with a decline of 1.7, 1.6 and 1.2 pps, respectively), yielding levels below or around the EU average.

Figure 2.4.3: Improvements since 2015 in the AROPE components were sustained also during the COVID-19 crisis for almost all Member States

Components of the at-risk-of-poverty or social exclusion rate headline indicator (%, 2015, 2020, 2021)



Note: Indicators are ranked by AROPE rates in 2021. Data for IT and PL are provisional. Break in series for LU.
Source: Eurostat [tessi010], [tepsr_lm420], [tepsr_lm430], EU-SILC.

[182] Flash estimates were released in August 2022, available on Eurostat website. Accessed on 29 August 2022. Only statistically significant changes are discussed. Estimates are not available for Belgium, France, Ireland and Portugal, and breakdowns by age groups are missing for a larger set of countries.

[183] There is a break in time series in the data 2021 of Luxembourg.

The at-risk-of-poverty or social exclusion rate for children remained broadly stable in 2021, with still large variations and signs of divergence across Member States. By 2021, the EU average increased only marginally (by 0.4 pps to 24.4%). Slovenia, Finland, Czechia, Denmark, and the Netherlands had the lowest rates, after a decrease or a slight increase compared to 2020. On the other hand, Romania, Spain, Bulgaria, Greece, Italy, and Luxembourg had the highest rates of at-risk-of poverty or social exclusion for children in 2021, all (but Bulgaria, thanks to the recorded large improvement) flagging as in 'critical situations' with worsening values.[184] Relatively large increases, despite relative lower levels in 2020, were registered in Hungary, Slovakia, Germany, and Portugal (1.5 pps, 1.3 pps, 1.2 pps, and 1 pp, respectively). The largest decreases in the AROP rate for children between 2020 and 2021 (referring to 2019 and 2020 incomes, respectively) were recorded in Bulgaria, Lithuania, and Finland (4.1, 2.8 and 2.5 pps respectively), while at the other end of the spectrum, Luxembourg[185] recorded an increase by 4.7 pps, followed by Greece (2.8 pps), and Hungary (2.4 pps).[186] Eurostat flash estimates (referring to 2021 incomes) indicate an overall stability of the indicator in comparison to 2020 for the majority of countries and a decline for Greece, Spain, and Italy, and, to a larger extent, in Latvia and Sweden.[187] The share of children in severe material and social deprivation has decreased in 19 Member States, more sharply in six of them, and notably in Bulgaria (by 4.8 pps), which however remains among those with the highest rates, together with Romania (20% and 28.2%, respectively)[188]. The share of children living in (quasi)-jobless households increased by over a half (by 2.3 pps from 4.1%) in Czechia, while it nearly halved (by 2.5 pps from 5.7%) in Romania, with both countries remaining below the EU average.[189] Ireland, France, Germany, and Bulgaria had the highest rates (above 10%), and all of them (except from Bulgaria) also showed a slight increase.

Children growing up in poverty or social exclusion are less likely to do well in school, enjoy good health, and realise their full potential later in life, including the participation in labour markets and society. The benchmarking framework for childcare and support to children relies on several indicators to assess the situation of children across Member States.[190] In 2021, the persistent poverty rate has remained overall stable and higher among children than for the rest of the population (at 11.9% vs 10.7%).[191] According to 2021 data (referring to income levels 2020), the impact of social transfers on child poverty remained significantly lower than the EU average in some Member States, such as Greece, Portugal, Spain, Malta, Bulgaria, Romania, and Hungary, during the first year of the pandemic.[192]

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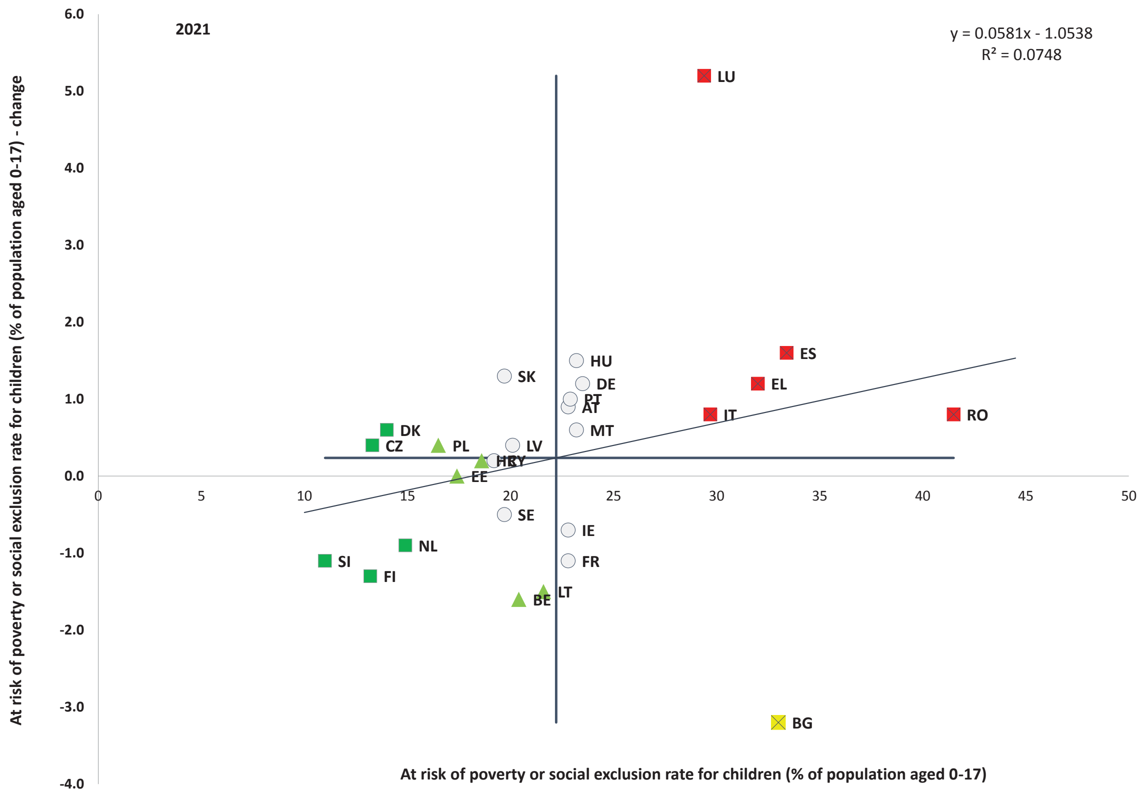
[184] There is a break in time series in the data 2021 of Luxembourg.
[185] There is a break in time series in the data 2021 of Luxembourg.
[186] See Eurostat table [ilc_li02].
[187] See Eurostat calculations available online.
[188] See Eurostat table [ilc_mdsd11].
[189] See Eurostat table [ilc_lvhl11n].
[190] The related information note for the SPC Indicator Subgroup is available at this link.
[191] Eurostat [ilc_li21], EU-SILC.
[192] Not available as an official Eurostat indicator, but it can be calculated from the AROP rate for children after and before transfers. Social transfers in kind, including, among others, free early childhood education and care, education, and health care, are not considered in this analysis.

Figure 2.4.4: The share of children at risk of poverty or social exclusion was overall stable in spite of the COVID-19 crisis, with some divergence between Member States
Share of children (persons aged 17 or less) at risk of poverty or social exclusion (%), 2021 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. Data for IT and PL are provisional. Break in the series for LU.
Source: Eurostat [tepsr_lm412], EU-SILC.

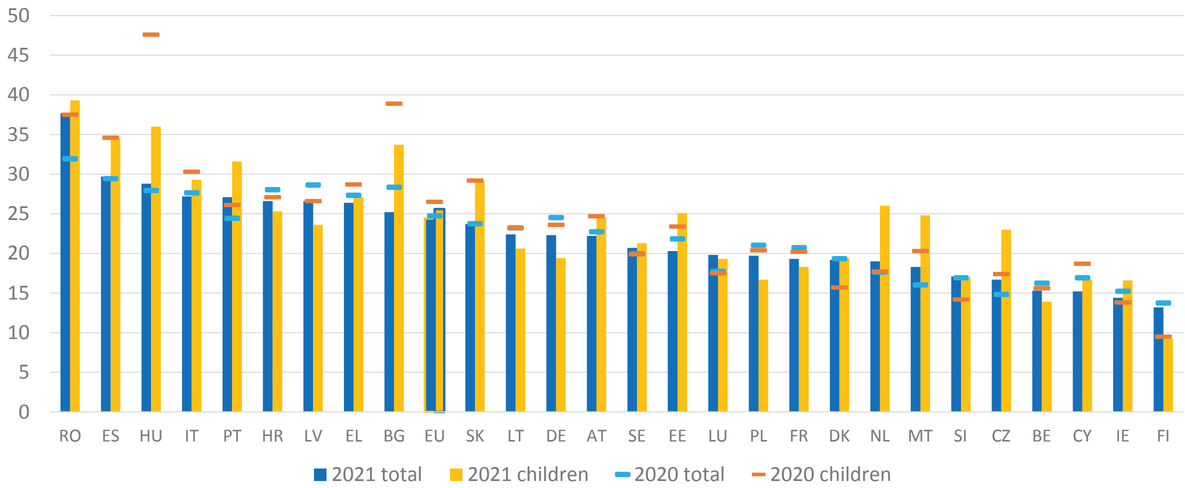
The depth of poverty[193] remained overall stable or decreased in the large majority of Member States in 2021, for the total population as well as for children. The relative at-risk-of poverty gap in 2021 (referring to 2020 incomes) was on average 24.4% in the EU. The gap was wider in Spain, Hungary, Italy, Latvia, Croatia, Greece (i.e., Member States where it remained broadly stable or slightly decreased), Portugal (where it slightly increased), and in Bulgaria (which is the Member State with the highest decline - 3.1 pps) – see Figure 2.4.5. The gap was the widest in Romania (37.7%), which is also the only Member State that registered a large increase (by 5.8 pps) during the COVID-19 outbreak. The situation across Member States is broadly similar when looking at children only, although with a few differences and overall larger variations across Member States between 2020 and 2021. For example, the poverty gap for children remained broadly stable in Romania, although still remaining the highest in the EU at 39.3%, while it increased significantly in the Netherlands (8.3 pps) and decreased substantially in Hungary (11.6 pps). Poverty is deeper among people living in (quasi)-jobless households[194], at around 36% in the EU according to 2021 data

[193] 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). Source: Glossary: Relative median at-risk-of-poverty gap.
[194] The indicator 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

(referring to 2020 incomes) for the 18-64-year-old population, although slightly decreasing (about 1 pp) from the previous year (2020 data referring to 2019 incomes). For this group, Romania, Italy and Latvia has the widest, yet decreasing, poverty gaps (all above 50%), followed closely by Lithuania and Bulgaria that however registered a large decrease (around 12 pps). The poverty gap for this group showed the largest increase in Malta (7.5 pps), although remaining around the EU average. High rates also hint at challenges with the adequacy and coverage of benefits. The indicator is lower than 20% in Finland, the Netherlands and Belgium.

Figure 2.4.5: The depth of poverty remained overall stable or decreased across Member States, but with larger variations for children

Relative median at risk of poverty gap for the total population and for children (%, 2020, 2021)



Note: Indicators are ranked by levels in 2021. Data are provisional for IT and PL and not available for SK for 2021 (2020 level reported for both 2020 and 2021). Break in the series for LU.
Source: Eurostat, [ilc_li11], EU-SILC.

Despite improvements, persons with disabilities, especially women and those of working age, were still much more likely to be at risk of poverty or social exclusion than the rest of the population in 2021 in all Member States.[195] In most Member States the share of persons with disability that are at risk of poverty or social exclusion decreased in comparison to 2020. The most substantial improvement was observed in Bulgaria, where the rate nonetheless remained the highest in the EU (44.1%, after a decline of 8.2 pps from 2020). Latvia, Lithuania, and Ireland followed with rates as high as 40.8%, 39.6%, and 38.9%, respectively, even registering some increase (up to 4.9 pps in Ireland). The lowest rates in 2021 were registered in Czechia (18.3%, after a decline of 5.1 pps), Finland (20.7%) and Denmark (21.9%). Among persons with disabilities, in almost all Member States, women tended to be more at risk than men (EU average at 29.6% and 28.1%, respectively), as did people aged 16-64 (EU average at 34.6% vs 28.9% for the total population older than 16 years). Already before the COVID crisis, many persons with disabilities were in a vulnerable economic situation. In some countries, such as Croatia and Romania, the pandemic has exacerbated their poverty risks. There are also

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.

[195] Eurostat [hlth_dpe010], EU-SILC, covering people aged 16 and over. Based on the global activity limitation indicator (GALI) concept, people are considered to be with disability if they have some or severe activity limitations. Data for SK are not available.

concerns, that the economic fallout from the pandemic have entrenched and deepened disability-related poverty and inequality, for instance in Portugal and Croatia.[196]

The share of people with a migrant background and Roma at risk of poverty or social exclusion remained higher than for country nationals in 2021. AROPE rates for non-EU-born people stayed much higher (in most cases more than twice as large) compared to those for the native born in certain Member States (56.4% vs 22.2% in Spain, 51.1% vs 31.3% in Bulgaria, 51% vs 25.9% in Greece, 44.7% vs 21.9% in Italy, 39.7% vs 11.3% in Sweden, and 39.1% vs 15.4% in Belgium).[197] Among these countries with the highest rates, AROPE rates for non-EU born people decreased only in Belgium (by 7.4 pps) in comparison to 2020. The largest increase (by 11.2 pps) was registered in Bulgaria. The lowest rates in 2021 were observed in Czechia (11.2%) and Hungary (13.2%), where the difference with the rates for native-born is also much smaller (i.e. less than 10 pps). The risk of monetary poverty for Roma did not change in 2021, with as many as four out of five Roma (80%) in the EU as a whole experiencing poverty risks.[198] A smaller but still very significant proportion of Roma lived in severe material deprivation in 2021 (48%). The situation was even worse for Roma children, with some 83% of them being at risk of poverty and 54% in severe material deprivation. Pre-existing challenges, in particular in terms of access to healthcare, education, social protection, and essential services, aggravated the vulnerability of marginalised Roma during the COVID-19 outbreak and the subsequent economic crisis.[199]

Pillar Box 7: The effect of energy price increases and energy poverty risks

High and increasing energy prices, as observed since 2021 during the rebound from the COVID-19 crisis and even more following Russia's war of aggression against Ukraine, risk generating increases in energy poverty and negatively affecting purchasing power, in particular for vulnerable households. Higher overall residential energy costs, mainly related to heating and cooling, and transport costs, imply an increased risk for households of falling into energy poverty or experiencing higher levels of it. With price pressures broadening, also beyond energy, it becomes increasingly important that temporary support measures are well targeted to vulnerable households. Member States have put in place measures aiming to support access to energy for low-income households, in order to prevent and alleviate these risks and foster access to affordable energy services as detailed further down in this box (thus contributing to supporting the implementation of principle 20 of the European Pillar of Social Rights on access to essential services).

Energy poverty affects people at risk of poverty particularly hard, even though the declining trend in energy poverty continued in 2021. The share of those who are unable to keep home adequately warm declined by 0.6 pps, reaching 6.9%, in 2021 in the EU.[200] It

[196] Due to lag in detailed data provision, such details are not fully certain yet. See: *COVID-19 and people with disabilities in Europe Assessing the impact of the crisis and informing disability-inclusive next steps*, European Disability Expertise, September 2021.

[197] As shown by 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 not available for 2021 for France, Lithuania, Poland, Romania and Slovakia. Break in series in data for 2021 for Luxembourg and Portugal.

[198] Data concerning Roma are from the FRA Roma Survey 2021.

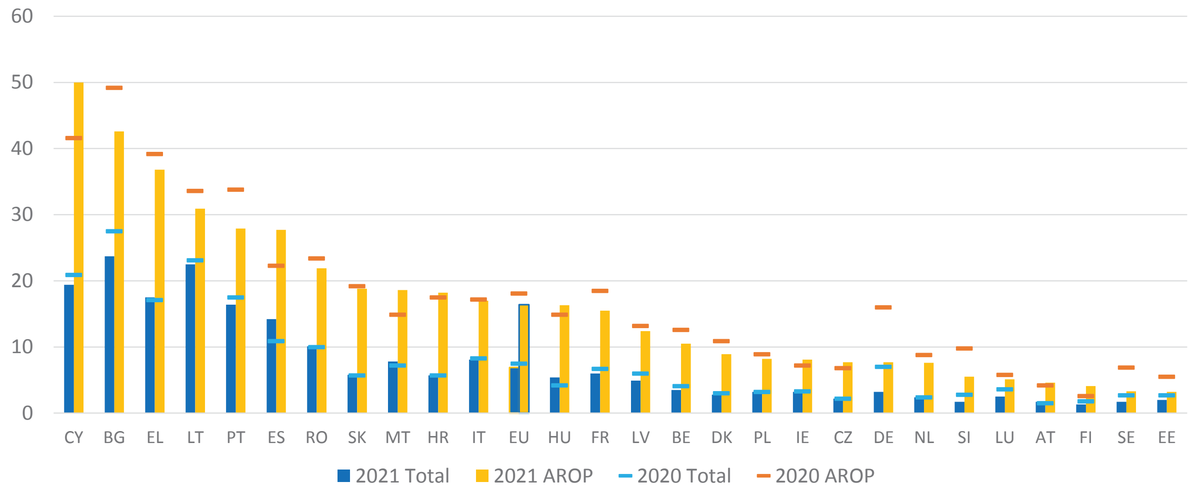
[199] See Commission overview and FRA Bulletin on Covid-19 impact on Roma.

[200] There is no single official indicator in the EU of energy poverty. This indicator is based on the state of enforced inability and data collected on material deprivation. on a particular economic strain. The related question in the EU SILC survey refers to one of the items included to build the indicator Severe Material and Social Deprivation, already discussed among the AROPE components. See more details on this indicator at the

increased considerably in 2021 in Spain and Hungary (by 3.3 and 1.2 pps, respectively), while it declined substantially, by 3.8 pps, in Germany and Bulgaria, the latter remaining the Member State with the highest share (23.7%) – see the figure below. The highest shares for the total population (about a fifth) were recorded in Bulgaria, Lithuania, Cyprus, and Greece (23.7%, 22.5%, 19.4% and 17.5%, respectively), while values below a tenth were registered for Finland, Sweden, Slovenia, and Austria (1.3% for Finland and 1.7% for the latter ones). Although the decline was also stronger, this share was more than twice as high for people at risk of poverty (AROP, below 60% of the median income) than for the total population, at 16.4% in 2021.[201] For people at risk of poverty, the highest shares were reported for Cyprus and Bulgaria (50% and 42.6%, respectively), followed by Greece and Lithuania (36.8% and 30.9%, respectively). Estonia, Sweden, Finland, and Austria have the lowest shares in the AROP population (3.2%, 3.3%, 4.1% and 4.6%, respectively).

Energy poverty was overall stable or decreased before the energy crisis, but higher for persons at risk of poverty

Inability to keep home adequately warm for the total and the AROP population (%, 2020, 2021)



Note: Indicators are ranked by levels in 2021 for the AROP population. Data are provisional for IT and PL. Break in series for LU and PT.
Source: Eurostat [ilc_mdes01], EU-SILC.

At the same time, the exposure of households to the recent price increase, that are mostly due to the rise in energy prices are eroding their purchasing power, with the impact being felt particularly by low-income and also some middle-income households. Out of the considerable increase in living costs recorded at EU-level between May 2021 and September 2022 (11.7%), almost half was due to energy prices increases (4.9%).[202] This

related Eurostat Glossary webpage. See also the ISG Note: Fiche on available energy poverty indicators at EU level for more details.

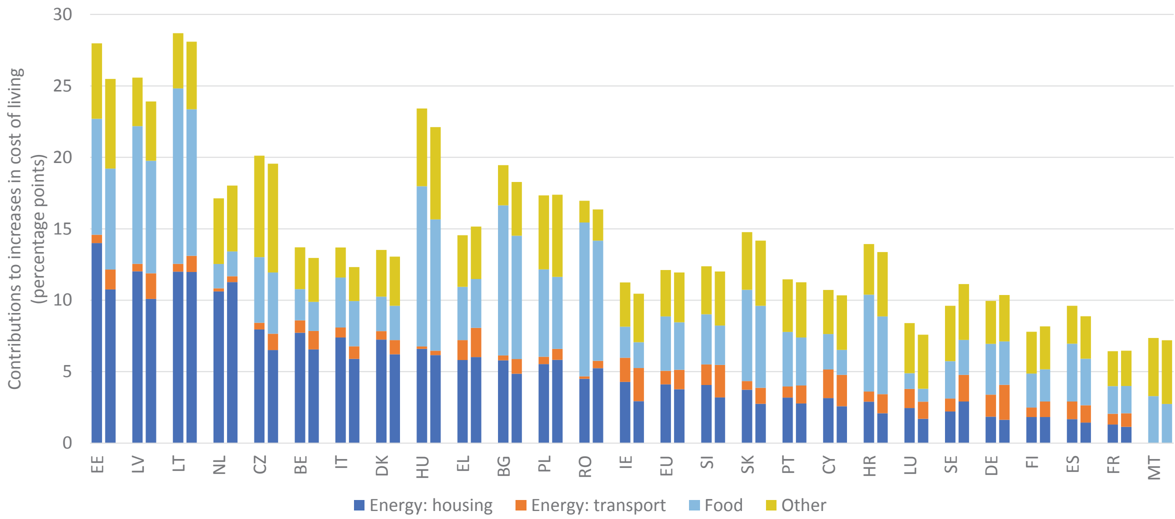
[201] Eurostat indicator [ilc_mdes01]. At the moment, there is no single official EU indicator of energy poverty. An additional EU-SILC-based indicator is the share of population having arrears on utility bills, Eurostat indicator [ilc_mdes07]. Note that for 2021, these indicators yield qualitatively similar conclusions at a high level, hence only one is discussed. Besides these, the EU Energy Poverty Observatory proposes two additional expenditure-based primary indicators in its recommended set.

[202] Calculations based on Eurostat [prc_hicp_manr] and expenditure data at the household-level. For details and methods, see Menyhért, Bálint, *The effect of rising energy and consumer prices on household finances, poverty and social exclusion in the EU - A preliminary empirical analysis*, JRC science for policy report, 2022. Note that the analysis relies on consumption structures adjusted only by price increases, excludes full adaptation of households to them and that prices include the effect of price cap policies. Also note that the breakdown of energy to housing- and transport-related components are proportional to the relative contribution of these sub-components to living cost

tends to apply also to individual Member States, with considerable differences though – see figure below. While the contribution of energy price increases is about two-thirds for the Netherlands and Belgium, it is about half of it for Denmark, Italy, Greece, Ireland, Latvia and Estonia, and around or under a third for Finland, Romania, Bulgaria, France, Spain and Hungary.[203] Over the same period, increases in housing-related energy prices contributed to the increase in the costs of living almost three times as much than did those related to transport (3.6 pps and 1.3 pps, respectively). The contribution of housing-related energy price increases was larger in all Member States, except for Germany, and at or above 90% in the Netherlands, Hungary, Lithuania, and Estonia. Low- and middle-income households (the first and third fifths of the population, when ordered by income) fared similarly on average at the EU-level, facing an approximately 12% increase in their living costs.[204] The gap between increases in living costs faced by low- and middle-income households in Member States ranges from 2.5 pps and 1.6 pps for Estonia and Latvia, where low-income households fare worse, to -1.5 and -0.9 in Sweden and the Netherlands, respectively, where middle-income households fare worse than those with low-incomes.

The increase in energy prices, especially in relation to housing, plays a major part in changes in the overall living costs experienced by both low- and middle-income households in half of the Member States

Contribution of expenditure types to increases in living costs for the first and the third fifth of the population (first and second bar by Member State, respectively), when ordered by income (first and third quintiles, %)



Note: Cost of living increases are computed for expenditure shares at the average within the first and third quintile of the equivalised disposable household income distribution. Member States sorted by contribution of housing-related energy price changes for the first quintile.
Source: JRC calculations based on HICP inflation data from Eurostat indicator [prc_hicp_manr] as of May 2022 and microdata from the 2015 wave of the EU-HBS. Data for AT are missing.

Price increases for housing- and transport-related energy have the potential to generate a strong negative impact on the labour market and social outcomes especially for vulnerable households, if not adequately mitigated, as they propagate through the economy. Simulations show that, in the absence of protection for households and behavioural

adjustments when calculated separately using the relevant HBS-based expenditure shares and disaggregated HICP data by Eurostat. Therefore, results presented are estimates.

[203] At the data cut-off date, energy prices have not changed yet in Malta compared to May 2022. An important reason behind the discussed impact of price changes are the high and varying shares of energy in households' expenditures. On average, European households devote 13.0% of their total spending to energy.

[204] See in particular the discussion on page 196 in European Commission, *Employment and social developments in Europe 2019*, Publications Office of the European Union, 2019.

adjustments, the effects triggered by price increases between June 2021 and June 2022 can be substantial.[205] [206] Among individuals who live in households with an income at most as high as the median income in their country, the fraction with a residential energy budget share of at least 10% of their total household expenditures could (all other things equal) increase by around 21 pps, as a result of price developments. This implies the number of persons affected growing from about 83.1 million to about 126.6 million.[207] [208] Among those with an income of at most 60% of the median income (i.e., who are at risk of poverty), the increase is estimated to be at about 19 pps in the EU. This amounts to over 10 million persons, raising the number of those affected from about 31.7 million before the price change to about 43.4 million after it. Direct and indirect effects of energy price increases on individuals living in households with an income below the median income and with a budget share for fuel for personal transport equipment larger than 6% is estimated to be 7.4 pps. Their number would increase from about 79.8 million before the price change to about 95.2 million after it. Finally, for individuals living in households with an income at most as high as 60% of the median income, the increase in the fraction whose budget share for fuel for personal transport equipment is at least 6% is over 4 pps in the EU. Their number would increase from about 20.7 million before the price change to about 23.3 million after it. Beyond the simulations discussed here, gas and electricity price increases may impact employers' ability to hire, maintain employment and increase or maintain pay levels, beyond the direct impact on households' purchasing power.

The evolution of energy prices and their distributional effects need to be carefully monitored. Temporary and targeted support to vulnerable households to help them cope with the impact of increasing energy prices is particularly important in the current context. Targeting helps keeping the depth of energy poverty from increasing and helps retaining incentives to reduce energy consumption and promoting energy efficiency. In October 2021, the Commission presented a Communication on energy prices, including a toolbox, outlining what Member States can do under existing EU rules to help vulnerable consumers and businesses to face high prices.[209] Importantly, the Council regulation of 6 October 2022 on an emergency intervention to address high energy prices extended the toolbox and is also expected to yield additional public revenues from the unexpected profits from infra-marginal technologies. These revenues from the solidarity contributions on fossil fuel companies, for distribution to households and businesses that increasingly risk not being able to pay their energy bills, are expected to help prevent the risk of poverty including energy poverty and inequalities from

[205] While targeted support measures are not taken into account, these calculations consider general market interventions that affect the end user (such as prices caps and VAT reductions).

[206] Welfare effects are measured by applying observed changes in prices on household consumption pattern from Household Budget Survey, allowing to calculate theoretical changes in expenses for goods and budget shares. Calculations based on EMPL-JRC project GD-AMEDI. To be noted that results refer 23 EU countries, omitting data for Austria, Malta, Portugal and Slovenia.

[207] When applying the price changes observed on 2015 HBS data on expenditure patterns. The criterion formally is the increase in the proportion of those with residential energy budget share (REBS) over 10%. REBS includes heating and cooling expenses under the ECOICOP classification of electricity (CP0451), gas (CP0452), and liquid fuels/(heating) oil (CP0453). This proxy for energy poverty was chosen for the purpose of the underlying study. It does not reflect the definition proposed by the Commission under the Energy Efficiency Directive recast and should not preempt ongoing negotiations on such a definition, notably under the EED recast.

[208] An alternative approach based on the inability to keep home adequately warm indicator, used in ESDE Quarterly Review, October 2022, shows effects that point to the same direction, but are smaller. The indicator is estimated to have increased by 1.8 pp in the EU between January 2022 and August 2022. The estimated impact varies across countries and is significantly higher for AROP households (6.9 pp), tenants (3.7 pp), single parent households (4.0 pp) and one person households (3.8 pp). Thus, the estimates strongly depend on the indicator used to measure energy poverty.

[209] See online.

rising.[210] Agreement on a **common approach to replace broad-based price measures with a an appropriately calibrated and targeted two-tier energy pricing system**, with a lower price applied on a pre-defined consumption, would improve the protection of vulnerable households and companies, preserve incentives to reduce energy consumption and be more fiscally sustainable. Targeted income support and support to undertake energy efficiency actions and increase renewables can still complement such an energy pricing system.

Member States have adopted temporary public support measures to deal with the ongoing energy crisis, although the bulk of such emergency measures are not targeted at people on low incomes but rather aim at reducing the costs for all end-users in the economy. As part of these, VAT-reduction measures on electricity or fuels for domestic heating were introduced in **Belgium, Cyprus, Slovenia, Poland,** and **Lithuania**. Other tax reductions (excise duties, contributions to green transition and other specific taxes/duties/levies) were reported in **Austria, Cyprus, Germany, Italy, the Netherlands, Poland, Slovenia,** and **Spain**. New temporary income support schemes were put in place in **Belgium, Bulgaria, Luxembourg, Poland, France, Denmark**, **Sweden**, **Latvia, Ireland, Romania, Germany, Slovenia, Austria,** and **Estonia**, while the coverage and/or the amount of existing ones were extended in **Lithuania, Greece, Czechia, Netherlands,** and **Italy**. Information and advice available to consumers were strengthened in **Romania, Germany, Greece,** and **Croatia**. Price caps were introduced in **Bulgaria, Greece, Czechia and Slovenia** and a temporary cap will be introduced in the **Netherlands** as of 1 January 2023.[211] Network and distribution costs were reduced in **Luxembourg, Poland, Estonia, Slovenia,** and **Latvia**. Measures were taken to secure basic uninterrupted supply in **Romania** and **Portugal**. In 2022, some Member States implemented reductions of the price of public transport use, sometimes specifically aimed at reducing commuting costs (e.g., Spain) or more generally (e.g., Ireland).[212]

Member States have taken measures to reduce household expenditure for energy, including by mobilising investments into energy efficiency and renewable energy, which also contributes to protecting households' purchasing power in light of rising energy prices. In addition to advice to energy consumers, Member States have launched information campaigns to stimulate voluntary energy savings, while some of them put in place energy savings requirements for specific activities. Also, to facilitate the green transition, schemes to improve energy efficiency of existing houses were introduced in **Ireland, France, Austria, Portugal, Cyprus, Estonia,** and **Lithuania**. In addition, **Slovakia, Portugal, Croatia, Lithuania, Cyprus, Romania,** and **Netherlands** introduced measures aimed at improving energy efficiency, while various other forms of incentives and support, including tax cuts, were put in place in **Sweden** and **Denmark**. Through financing from the RRF, Member States (for the 26 national plans adopted as of November2022) invest a total of around EUR 72 billion into improving energy

[210] See Council formally adopts emergency measures to reduce energy prices - Consilium (europa.eu). Note that inframarginal technologies include but are not restricted to most renewable energy sources.
[211] Belgium, Romania, Italy, Spain, France, Lithuania, Poland, Portugal, Slovakia and Hungary already had in place a price cap on energy prices for the population before the crisis, which has been extended.
[212] The measures indicated in this paragraph are the result of a mapping conducted for the European Commission by Eurofound and cover the period 2021 – late spring 2022. More info can be found in Eurofound, *Access to essential services for people on low incomes: Energy, public transport and digital communications*, Eurofound, Dublin, 2022.

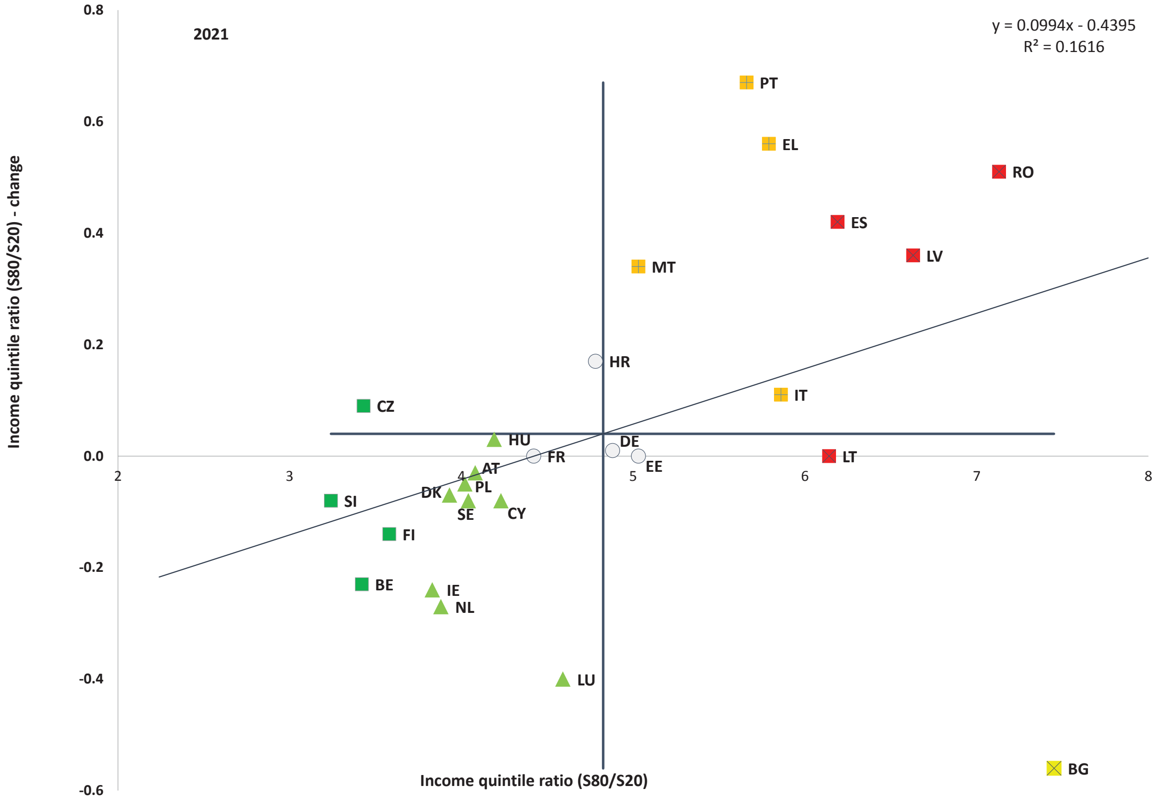
efficiency[213], for instance through investments in the energy-efficiency of private and public buildings in **Belgium**, and the renovation and rehabilitation of private and social housing in **Greece** and **France**.[214] In the long term, such investments are the best solution to address increases in energy prices by reducing energy consumption, to the benefit of households and the environment.

Income inequality remained broadly stable following the COVID-19 crisis but with signs of divergence between Member States. The EU average income quintile share ratio increased only slightly (from 4.89 to 4.97) in 2021 (income year 2020). Income inequality declined relatively strongly in Bulgaria and Luxemburg (-0.5 pps and -0.4 pps), but also in the Netherlands, Belgium, Ireland, which typically register lower levels of income inequality – see Figure 2.4.6. Substantial increases (over 0.2 pps) were observed in Portugal, Greece, Romania, Spain, Latvia, and Malta, which generally show higher-than-average levels. Latvia, Lithuania, Romania, and Spain are in 'critical situations' due to both high levels and either increases or a comparatively small decrease in the case of Lithuania. The overall stability of income inequality resulted from the functioning of the automatic stabilisers as well as the emergency measures adopted in response to the COVID-19 crisis, in particular short-time work and other job retention schemes. According to Eurostat's flash estimates, income inequalities are estimated to have remained largely stable in most countries also in 2021 (except for an improvement in Italy), reflecting the impact of the increased households' real income, balanced along the income distribution.

[213] The figure is based on the pillar tagging methodology for the Recovery and Resilience Scoreboard. It corresponds to the estimated cost of measures allocated to 'Energy efficiency' as primary or secondary policy area. The calculation is based on the 26 recovery and resilience plans endorsed by the Commission and Council by November 2022. These are estimated costs; actual funding will be based on the fulfilled milestones and targets. The Commission assessed the cost estimates when the initial plans were submitted and approved. Member States are not required to submit spending receipts and the Commission will not verify the actual costs of measures supported by the RRF.

[214] Review report on the implementation of the Recovery and Resilience Facility, COM(2022) 383 final.

Figure 2.4.6: Income inequality decreased or remained overall stable in the EU during the COVID-19 pandemic though with some signs of divergence between Member States
Income quintile share ratio (S80/S20), 2021 levels and changes from previous year (Social Scoreboard headline indicator)

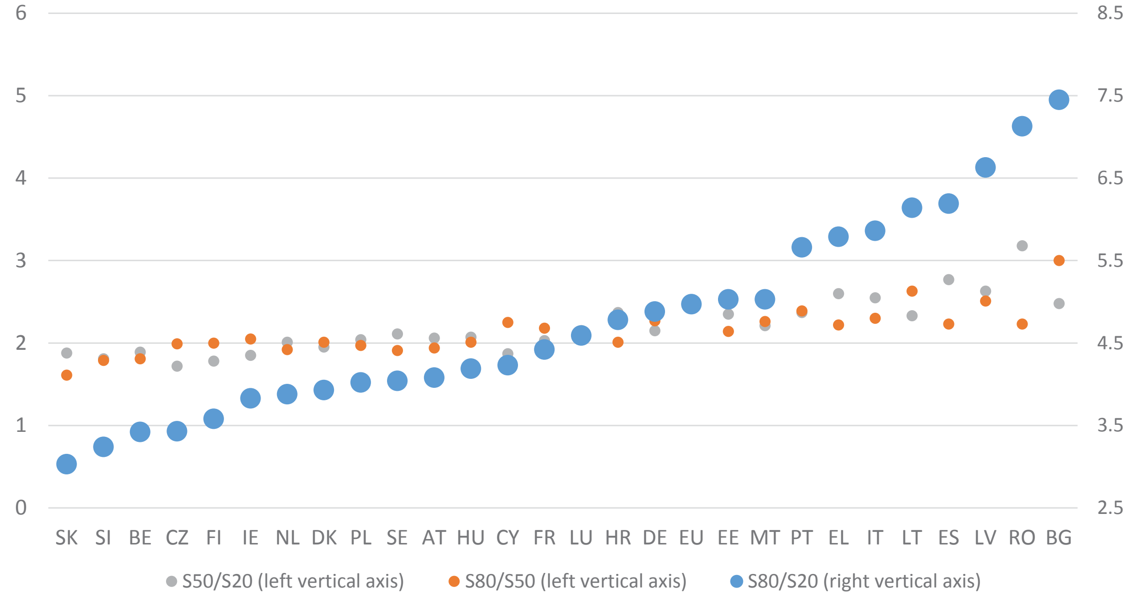


Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data for IT and PL are provisional. Break in the series for LU.
Source: Eurostat [tessi180], EU-SILC.

The shape of income inequalities over the income distribution varies widely across EU Member States. Over the last decade, increases in inequalities were essentially driven on average by increases in the lower end of the income distribution (see JER 2021). Member States that experienced higher overall income inequality (S80/S20) than the EU average generally also featured higher inequalities at both the lower and higher ends of the income distribution, as indicated by the respective quintile share ratios (S50/S20 and S80/S50) – see Figure 2.4.7. This is, however, more pronounced at the lower end (S50/S20) as in the cases of Romania, Spain, Greece, and Estonia. Higher inequality at the lower end also drives overall inequality in countries below the EU average, like Croatia, Slovakia, and Sweden. In other Member States (Bulgaria, Cyprus, Czechia, Finland, France, Ireland, and Lithuania), the overall inequality stemmed relatively more from greater inequality at the higher end (S80/S50).

Figure 2.4.7. The shape of income inequalities over the income distribution varies significantly across Member States

Quantile share ratios S80/S20, S80/S50 and S50/S20 (2021)



Note: Data for 2021 not available for SK, for which 2020 values are used.
Source: Eurostat [tessi180], [ilc_di11d], [ilc_di11e], EU-SILC.

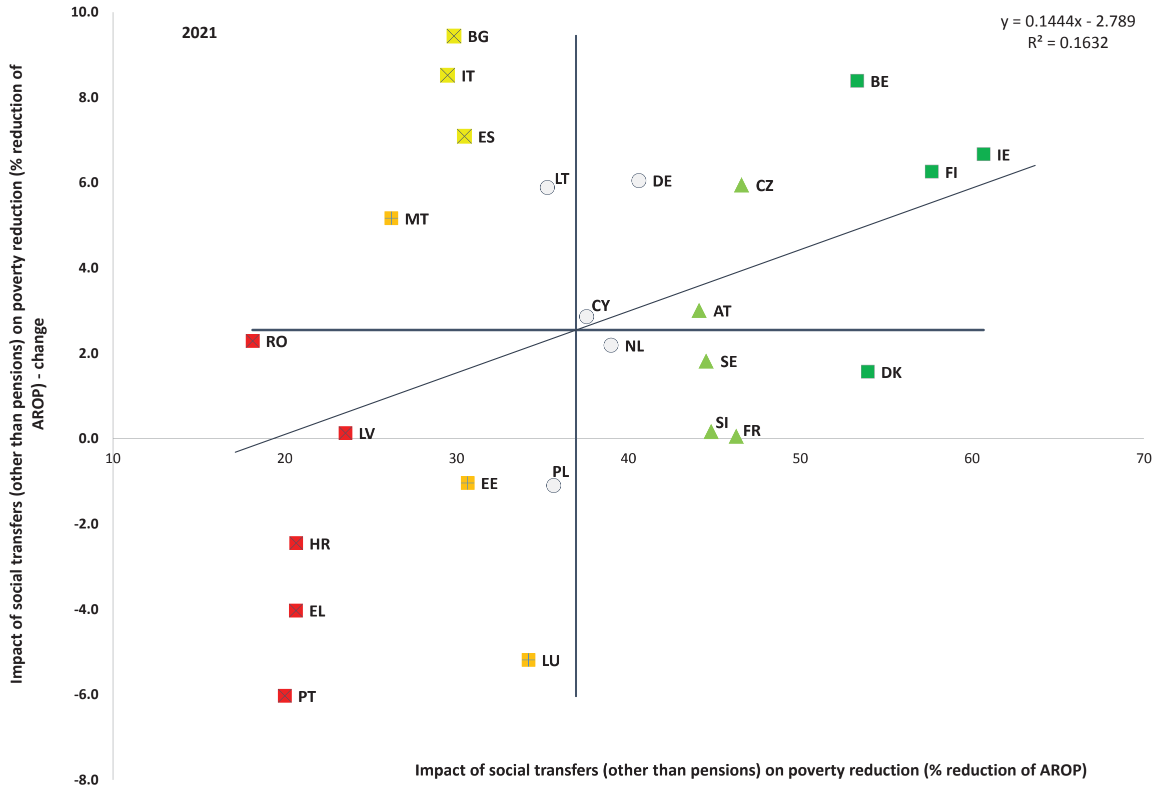
Early estimates of social protection benefit expenditure levels in 2021 show stability compared to the previous year. For 24 Member States, the share of such expenditures in GDP decreased only slightly compared to 2020 (from 30.7% to 29.2%), though they remain above the pre-crisis level (27.1% in 2019).[215] Expenditures increased by EUR 124 billion (or +3.1%) over 2020-21, much less than in 2020 (EUR 304 billion or +8.3%) but in 2021, they tended to increase faster in Member States with lower-than-average levels.[216] Across the EU, the strongest increases were observed in healthcare and sickness[217] (EUR 91 billion or +8%), followed by old-age and survivors benefits (EUR 51 billion or +3%), disability benefits (EUR 12 billion or + 4%), social exclusion[218] (EUR 9.5 billion or + 4%) and family benefits (EUR 7.5 billion or + 2%). Conversely, expenditures for housing benefits remained broadly stable (+0.7%), while those for unemployment[219] benefits decreased sharply (by EUR 47 billion or -16% EU-wide). Overall, old-age and survivor benefits continued to represent the top category of expenditures on benefits in 2021 (43.8%). The share of healthcare and sickness benefits increased in almost all Member states (22 out of 24) over 2020-21 and reached 30.5% of expenditures for the EU as a whole (compared to 29.2% in 2020). By contrast, the share of unemployment benefits in overall expenditures on benefits decreased in almost all Member States (21 out of 24), down from 7.4% in 2020 to 6% in 2021 for the EU as a whole, staying however above its pre-crisis level (4.5% in 2019).

[215] *Eurostat, Early estimates - Social protection* (last updated on 27/10/2022), *covering all Member states except EL, RO and SK. Altogether these 24 Member States accounted for around 97% of EU-27 GDP in 2020 (and 96% of social protection expenditures).*
[216] Expenditures increased by around 6% or more in seven Member States: LV, BG, HU, SI, HR, PL, and CZ.
[217] Due to rise by more than 10% in nine Member States: LV, HR, SI, CY, BG, FR, HU, PT, and EE.
[218] Increases by more than 20% occurred in IT, LV, BG, HR and ES.
[219] Due to a decrease by more than 10% in 14 Member States: HU, DK, AT, BG, MT, FR, NL, BE, ES, IT, HR, PL, LU, and EE.

The impact of social transfers (excluding pensions) on poverty reduction overall increased in the EU in 2021, but significant differences across Member States remain. In 2021 (referring to 2020 incomes), the indicator ranged from 18.1% in Romania to more than three times higher in Ireland (60.7%). Other Member States with relatively high levels were Finland (57.7%), Denmark (53.9%) and Belgium (53.3%), where the risk of poverty was more than halved as a result of the impact of social tranfers (excluding pensions) during the year of the pandemic outbreak. All these countries are identified, along with Ireland, as 'best performers' – see Figure 2.4.8. The highest increase was registered in Bulgaria (9.4 pps) and Italy (8.5 pps), which however remained at a level below the EU average. Portugal, Greece and Croatia (all around 20%) are flagged as being in 'critical situation', for low and worsening levels (by -6 pps for Portugal), along with Latvia with similarly low, albeit stable, levels, and Romania, still at the lowest level in the EU after some improvement. Estonia and Malta are 'to watch'. The impact of social transfers in reducing poverty increased in most other Member States, but to different extents. Differences are also large across regions in the EU, with particularly low values recorded in Portugal, several regions in Romania and Greece, as well as in some regions of Italy – see Figure 9 in Annex 3.

Figure 2.4.8: During the COVID-19 crisis, the poverty reducing impact of social transfers increased overall, but at a different pace across Member States, with persistent significant differences

Impact of social transfers (other than pensions) on poverty reduction, 2021 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. Data for IT and PL are provisional and not available forSK. Break in the series for LU.
Source: Eurostat, [tespm050].

Social protection plays an important role for people in non-standard forms of employment though coverage varies widely across Member States and categories and poverty is not prevented for some. In the EU, the impact of social transfers on poverty reduction was in 2021 (based on EU-SILC) much higher for persons in non-standard employment[220] (26.5%) than for those in standard employment (10.1%), highlighting the significant role that social protection plays in the income of such groups. However, this does not prevent higher levels of monetary poverty among temporary contract workers, part-timers, self-employed and family workers in most Member States. Overall, persons in non-standard employment were more than three times more likely to be at risk of poverty (at 16.6%) than those in standard employment (5%). This gap surpasses 15 pps in five Member States, mostly due to high AROP rates among the self-employed (Estonia, Portugal and Romania) and/or among temporary contract workers (Latvia and Spain). This is because coverage of social benefits varies widely across activity status and Member States. On average in the EU as a whole, the share of working-age persons (16-64) at risk of poverty receiving social benefits (at individual level) was only slightly higher in 2021 among non-standard workers (at 39.5%) than for standard workers (at 37.9%).[221] However, in 14 Member states the share of those receiving benefits was higher among standard workers (than non-standard workers) and by more than 10 pps in four Member States (Bulgaria, Lithuania, Latvia and Slovenia). A strong increase compared to previous years is nonetheless reported in the share of working-age persons at risk of poverty who receive social benefits, for all categories of activity status – reflecting the exceptional income support measures taken as a response to the COVID-19 pandemic. The largest increase took place among the self-employed, with 32.5% of those at risk of poverty receiving some social benefits (compared to around 10.8% in the previous year[222]), though still lower than 41.8% among all employees. Finally, while about half (52.7%) of the unemployed at risk of poverty received social benefits in the EU in 2021, this share was much lower, below 20%, in Romania, Poland, Croatia and Greece.

The adequacy of minimum income schemes eroded in most Member States in the income year 2020, in comparison to 2019. The adequacy of minimum income benefits is monitored by comparing the income of beneficiaries with the national poverty threshold and with the income of a low-wage earner.[223] These references provide indications on the poverty alleviation impact, as well as on the activation dimension and incentive effects of the schemes. While remaining broadly unchanged over the past decade (see Pillar Box 8, discussing changes over 2009-2019), in the latest available income year (2020), the adequacy of minimum income schemes slightly deteriorated overall in the EU. This was more substantial (more than 2 pps) in some countries, both when compared to the poverty threshold (Poland -4.4 pps, Luxembourg -3.4 pps, Czechia -2.8 pps, Croatia -2.5 pps, Hungary -2.4 pps and the Netherlands -2.3 pps) and to the income of a low-wage earner (Lithuania -6.6 pps and Poland -2.2 pps). On the contrary, adequacy increased significantly by both measures in Greece (15.4 pps and 7 pps) and Cyprus (5.1 pps and 5.7 pps). Minimum income adequacy is above 80% of the poverty threshold in the Netherlands, Ireland, Luxembourg, Denmark, Italy, and also in Cyprus, while it remains below one third of the poverty threshold in Romania, Bulgaria, Hungary and Slovakia. In terms of coverage, expressed by the benefit recipient rate, the situation remained almost unchanged in 2020 as compared to 2019, with some improvements (more than 5 pps increase) in Italy, Lithuania, and Luxembourg but also some (more than 5 pps) decrease in Croatia, Cyprus and Poland, where the benefit recipient rate stands below 80% - see Figure 2.4.9. At the other end of the spectrum, benefit recipient

[220] Non-standard employment is defined as all employees without a permanent full-time contract as well as all self-employed – see also section 2.3.1.

[221] According to the indicator on 'effective access' endorsed by the SPC in 2020 in the context of the monitoring framework on access to social protection. Target population is those 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.

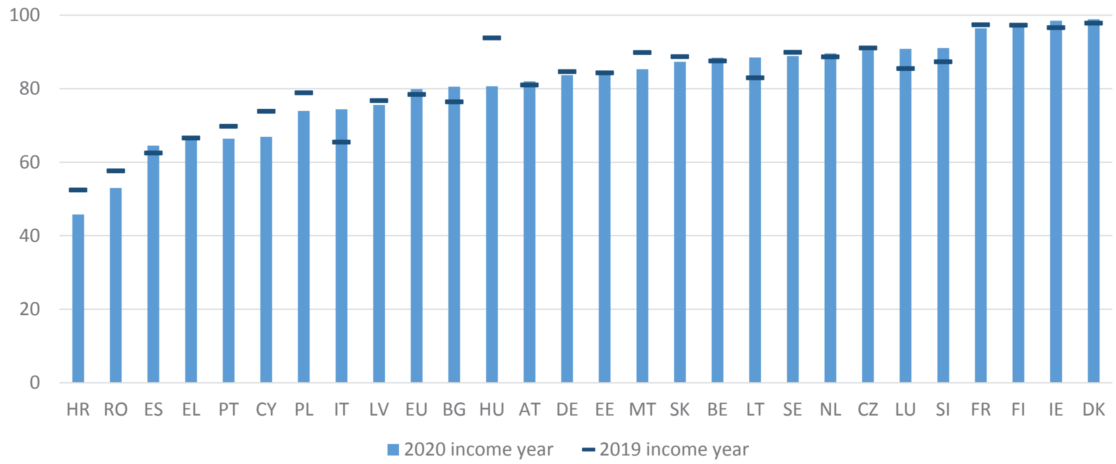
[222] Comparison based on reference year 2021 (2020 income year) to 2020 (2019 income year).

[223] According to the methodology agreed in the benchmarking framework on minimum income, see the Joint Employment Reports since 2019 and Pillar Box 8.

rates reach almost 100% of the population at risk of poverty, living in quasi jobless households in Denmark, Ireland, Finland and France. Beyond these dimensions of adequacy and coverage, the Commission proposal for a Council recommendation on adequate minimum income ensuring active inclusion outlines areas for further modernisation of minimum income schemes along the active inclusion approach.

Figure 2.4.9 The share of people at risk of poverty in (quasi)-jobless households on social benefits remained almost unchanged between 2019 and 2020, despite some changes in a few Member States

Benefit recipient rate for at-risk-of poverty persons aged 18-64 and living in (quasi)-jobless households (%, 2019 and 2020 income year respectively)



Note: Data for IT and PT are provisional. Data are provisional also for HU and SK. Break in the series for LU. Data for survey years 2021 and 2020 are used for income year 2020 and 2019, respecitvely.
Source: Eurostat unpublished calculations based on EU-SILC 2020 and 2021.

Pillar Box 8: Minimum income benchmarking

Strengthening minimum income protection, along the active inclusion approach, plays a key role in preventing and mitigating the risk of poverty or social exclusion, contributing to implementing principle 14 of the European Pillar of Social Rights (on minimum income). In 2018, the Social Protection Committee (SPC) established a benchmarking framework for minimum income to improve the analysis of related challenges and support policy developments in the Member States, entailing a selection of relevant outcome, performance and policy lever indicators.[224] Three key policy levers were identified that are most likely to affect the performance of minimum income protection: (1) the adequacy of benefits, (2) eligibility rules and take-up of benefits, and (3) activation and access to services.[225]

The first joint SPC-Commission report on minimum income, based on the minimum income benchmarking framework, complemented with additional data and qualitative

[224] The outcome indicators are: relative at-risk-of-poverty gap of the working-age population, material and social deprivation rate of the working-age population and at-risk-of-poverty rate of the population living in (quasi-)jobless households. The performance indicators are: impact of social transfers (excluding pensions) on poverty of working-age population, persistent at risk of poverty rate of the working-age population, the benefit recipient rate for people at risk of poverty in (quasi-) jobless households, gap in self-reported unmet needs for medical examination, gap in housing cost overburden rate and gap in non-participation in training related to professional activity. For policy lever indicators, the twofold adequacy indicator was selected (income of a minimum income beneficiary as a share of a) the at risk of poverty threshold and b) the income of a low-wage earner). See further details in the related information note for the SPC ISG.

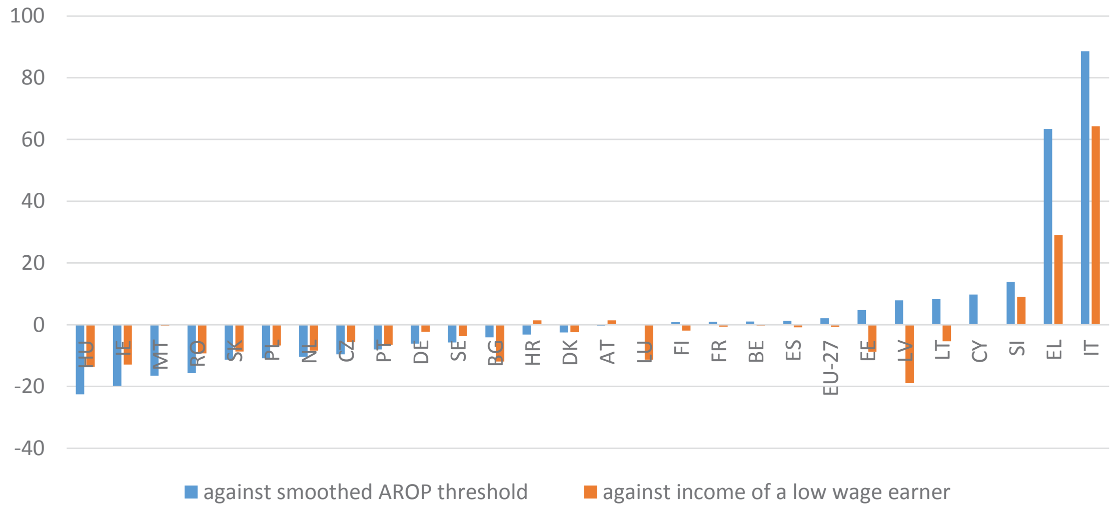
[225] See the summary and full text of the Council conclusions online.

information, **was agreed in September 2022**, preceding the Commission proposal for a Council recommendation on adequate minimum income of 28 September 2022. The report follows up on the 2020 Council conclusions, in which the Council invited the Commission and the SPC to prepare periodically such a joint report to analyse and review progress achieved in the development of minimum income protection in the Member States. The report identified challenges along the indicators of the benchmarking framework[226]. The report concluded that the framework had provided a valuable analytical tool and suggested to update it regularly, as well as to consider potential dimensions for its future expansion, in particular in the areas of eligibility criteria, access to services as well as labour market transitions and incentives.

The adequacy of minimum income benefits has remained almost unchanged at EU-27 level over the past decade, but with substantial variation across Member States, and a slight deterioration observed in 2020 as the last income year.[227] Between 2009 and 2019 (income years), adequacy of minimum income provision has remained broadly stable at around 60% in the EU relative to the poverty threshold and at around 46% in comparison to the income of a low-wage earner by 2019, while a slight deterioration was observed at EU level in 2020 (see more detailed analysis in main text for this last year). Overall, over 2009-19, improvements in adequacy were observed in countries where new schemes were introduced, such as Italy and Greece and improvements took place also in Slovenia and Lithuania (close to or above 10 pps – see the figure below). For Latvia, Estonia, and Luxembourg, comparisons to the income of a low-wage earner rather point to deteriorations from 2009 to 2019. Adequacy deteriorated significantly over 2009-19 (by more than 10 pps) in Hungary, Romania, and Slovakia, where adequacy in 2009 was below average, but also in Ireland and Malta and, to a lesser extent, the Netherlands, even if adequacy remains significantly higher than the EU average.

Adequacy was stable over 2009-2019, with large variation across Member States

Changes in adequacy as measured against smoothed AROP threshold and the income of a low wage earner between 2009 and 2019 (pps)



Note: EU computed as an unweighted average. Smoothed AROP thresholds are averages of 2007, 2008 and 2009 for the 2009 value and averages of 2018 and 2019 for the 2019 value. Values for CY and HR are not available and hence not counted in the EU average for income year 2009. Changes for CY are relative to 2011, when available. Changes for HR are relative to 2013. Housing costs are assumed to be 11% of average wage.
Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

[226] See section 2.4.1 on developments between income year 2019 and 2020 regarding the adequacy and coverage of minimum income support to complement the long-trend analysis here.
[227] See the joint SPC-Commission report on minimum income.

There has been an improvement between 2015 and 2020 in terms of coverage, which can contribute to preventing increases in the depth of poverty and in material deprivation, but challenges remain in terms of effectiveness. From 2015 to 2020, the coverage of income support has increased on average in the EU from 73% to 78% (as measured by the benefit recipient rate[228]). Yet the poverty risk among quasi-jobless households increased (from 61.2% in 2015 to 64% in 2019) and broadly stabilised at 61.6% in 2020, with an overall increase in almost two thirds of the Member States. While the impact of transfers (excluding pensions) on poverty reduction has slightly declined over the decade (from 37% to 36%), the depth of poverty, as measured by the at-risk-of-poverty gap, remained broadly stable at around 27%. This gap is, however, significantly wider among people living in quasi-jobless households, at around 37%. Material and social deprivation has declined from 2015 to 2020 (from 18% to 13%) and so did the gaps in unmet needs for medical examination and housing cost overburden. However, the decline in material and social deprivation rate for quasi-jobless households (from 51% to 44% between 2015 and 2020) took place at a slower pace and is still significantly higher in 2020 than for the working-age population.

Some Member States have introduced minimum income schemes recently. Between 2009 and 2019, major reforms were introduced in some Member States where national minimum income schemes did not exist before. In 2017, a Guaranteed Minimum Income scheme was launched in **Greece**, followed by the new 'citizenship income' in **Italy** in 2019, while **Spain** introduced its first national scheme in 2020. These new schemes generally follow the active inclusion approach, complementing income support with activation measures and providing access to services for the beneficiaries. Since the aforementioned reforms were introduced only in the last few years, their implementation is still being fine-tuned and close monitoring is warranted. Additional adjustments might be needed concerning the other strands of active inclusion, namely access to social services and active labour market programmes. Smaller but still significant adjustments of existing schemes took place in some other Member States. For example, in 2018, **Luxembourg** introduced the Social Inclusion Income, which has a sharper focus on integrating beneficiaries into the labour market, including through mandatory screening and skills profiling of the applicants and their household, coupled with stricter conditions and sanctions linked to activation.

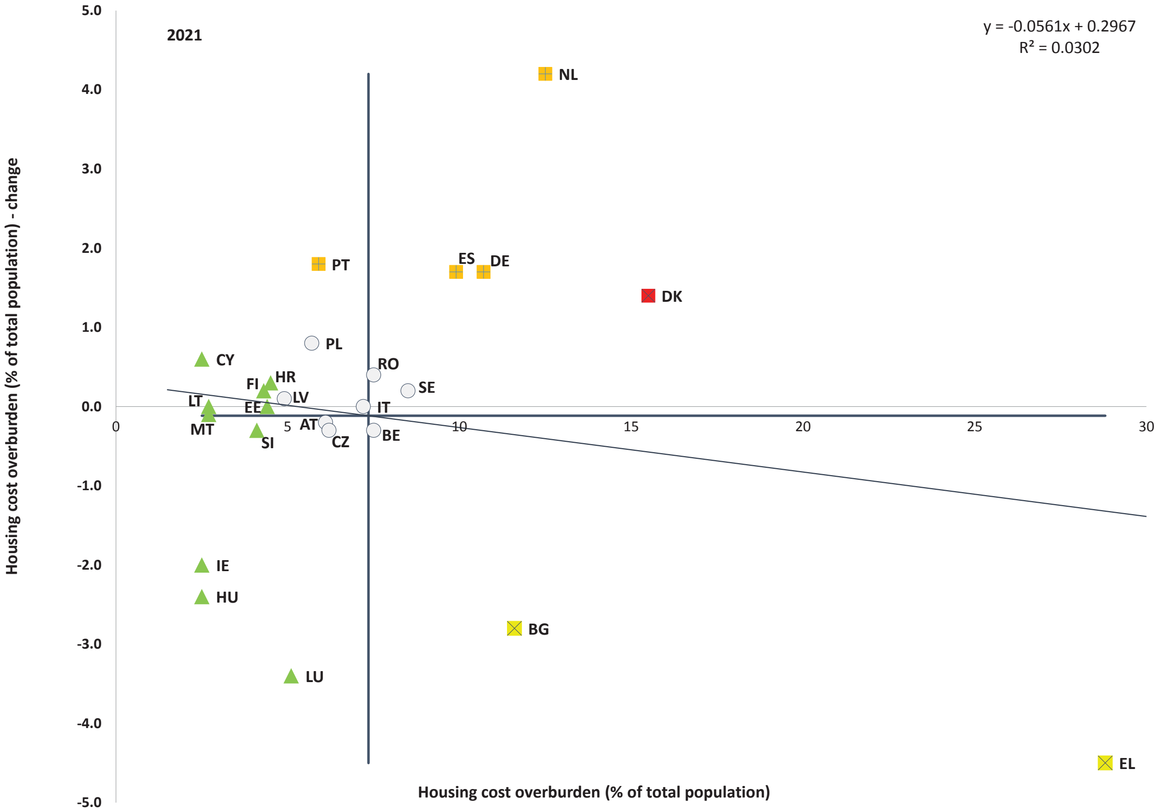
The housing cost overburden rate remained broadly stable during the COVID-19 crisis, with significant changes over time only in a few Member States. In 2021, the indicator showed that 8.3% of the EU population lived in households that spent 40% or more of their (equivalised) disposable income on housing, up by 0.5 pps from 2020. Greece registered the highest rate (28.8%), but also the largest decline (4.5 pps) in comparison to 2020. Other Member States with relatively higher rates were Denmark (15.5%), the only one flagged as in a 'critical situation', the Netherlands (12.5%), Bulgaria (11.6%), and Germany (10.7%). The Netherlands experienced the largest increase (by 4.2 pps) and is flagged as 'to watch', along with Germany, Spain, and Portugal (with increases by 1.8, 1.7, and 1.7 pps, respectively). The lowest rates in 2021 were observed in Cyprus, Hungary, Ireland (2.5% each), Lithuania, and Malta (2.7% each) – see Figure 2.4.10. For people at risk of poverty, the rate of housing cost overburden was significantly higher than for the rest of the population, although with significant disparities among Member States.[229] In Greece, 76.7% of the population at risk of

[228] The benefit recipient rate is defined as the share of individuals aged 18-59 receiving any social benefits (other than old age) among the population at risk of poverty. This indicator is computed from EU-SILC data by DG EMPL.
[229] Eurostat indicator [ilc_lvho07a], EU SILC.

poverty was overburdened by housing costs, although with an improvement (by 3.7 pps) compared to the previous year. In Denmark, this share was 72.1%, after a slight increase (by 1.9 pps). A large group of Member States had rates around 40% and 30%, while in Ireland and Cyprus the share was below 10% (8.8% and 9.3%, respectively). 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.[230]

Figure 2.4.10: The housing cost overburden rate was stable on average during the COVID crisis, but there are substantial differences among Member States

Share of persons living in households with housing cost overburden (%), 2021 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. Data are provisional for IT and PL, and not available for FR and SK. Break in series for LU.
Source: Eurostat, [tespm140], EU-SILC.

Families with children and single parent households experienced more severe housing difficulties. In 2020, 7.6% of households composed of a single parent with dependent children faced severe housing deprivation (up from 6.5% in 2019), in comparison to 4.3% for the total population.[231] In two Member States more than one out of ten persons faced severe housing deprivation in 2020: Latvia with a rate of 11.5% and Romania with 14.3%. Croatia, Lithuania, Greece, Italy, Hungary, Poland, and Bulgaria had all severe housing deprivation rates between 5% and 10%. Housing deprivation affected 14.9% of children in the EU as a whole in 2020, a rate that is slightly higher than that for the total population and increasing

[230] Eurostat indicator [ilc_lvho07c], EU SILC.
[231] Eurostat indicator [ilc_mdho06a] and [ilc_mdho06b], EU SILC.

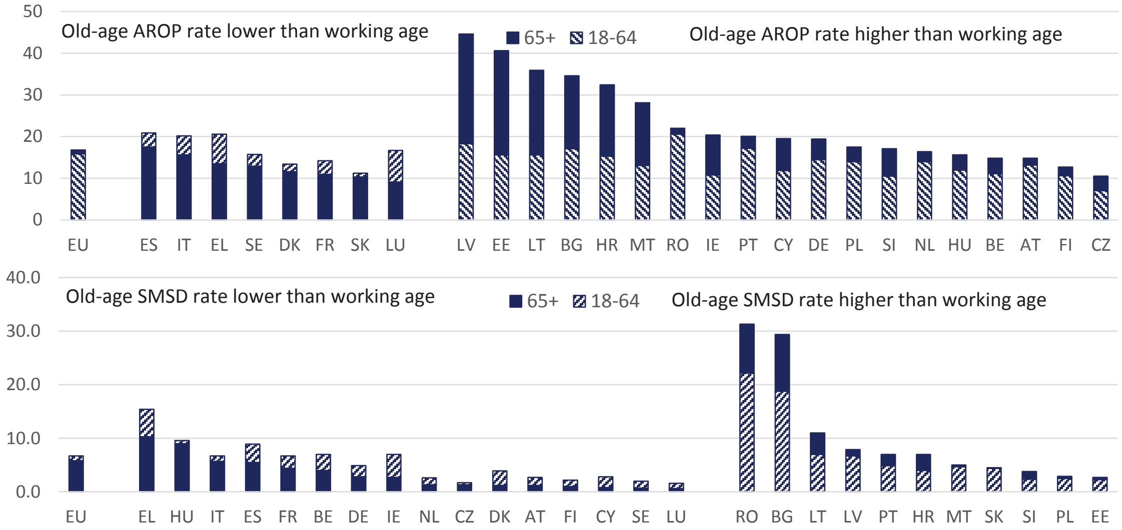
(by 1 pp) from 2019.[232] Portugal (26.2%), Cyprus (35.8%), and Spain (24.4%) had rates that were substantially higher than the EU average (by around 10 pps or more). The housing deprivation rate for children increased or remained roughly the same in all Member States but Estonia, Latvia, and Lithuania, where it decreased.

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 2019, FEANTSA and the Abbé Pierre Foundation estimated the number of homeless people sleeping rough or in temporary/emergency accommodation on any given night to be at least 700,000 in the EU, having increased by 70% in ten years.[233] Since 2019, homelessness decreased in some Member States due to new policy interventions in the context of the pandemic. However, many of these measures, notably easier access to decent shelter, moratoria on evictions and direct support to households, were at least partly phased out in the second year of the COVID-19 crisis. This has been leading to further increases in homelessness in several Member States in comparison to pre-pandemic levels.

The AROPE rate among people aged 65 or above was broadly stable in the EU between 2020 and 2021. The rate stood at 19.6% in 2021 in the EU, in slight decline in comparison to 2020. Nevertheless, the gap between AROPE rates for women and men persists (22.1% and 16.3%, respectively). The at-risk-of-poverty rate (AROP) among those aged more than 65 was 16.8% in 2021 in the EU, somewhat higher than among people aged 18-64 (15.9%). In the majority of countries the share is higher than for the working age population (18-64), although the difference between the two groups varies significantly – see top panel of Figure 2.4.10. The severe material or social deprivation rate continued decreasing (from 7.4% in 2015 to 5.3% in 2021) and it is lower than among the working-age population at EU level (6.3% in 2021) and in the majority of the Member States – see bottom panel of Figure 2.4.12. Particularly large values, as well as gaps with respect to the working-age population, are observed for Romania and Bulgaria.

[232] Eurostat indicator [ilc_mddd044b], EU SILC. Data not available for DE and PL. Break in series for LU, FR, and IE.
[233] See: 6th Overview of Housing Exclusion in Europe 2021.

Figure 2.4.11: People aged 65 or above are experiencing higher poverty risks than the working-age population, but less often exposed to severe material and social deprivation
At-risk-of-poverty rates (top panel) and Severe Material and Social Deprivation rates (bottom panel) by age groups (%, 2021)



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. Data are provisional for IT and PL. Break in series for LU.
Source: Eurostat [ilc_li02] and [ilc_mdsd11], EU-SILC.

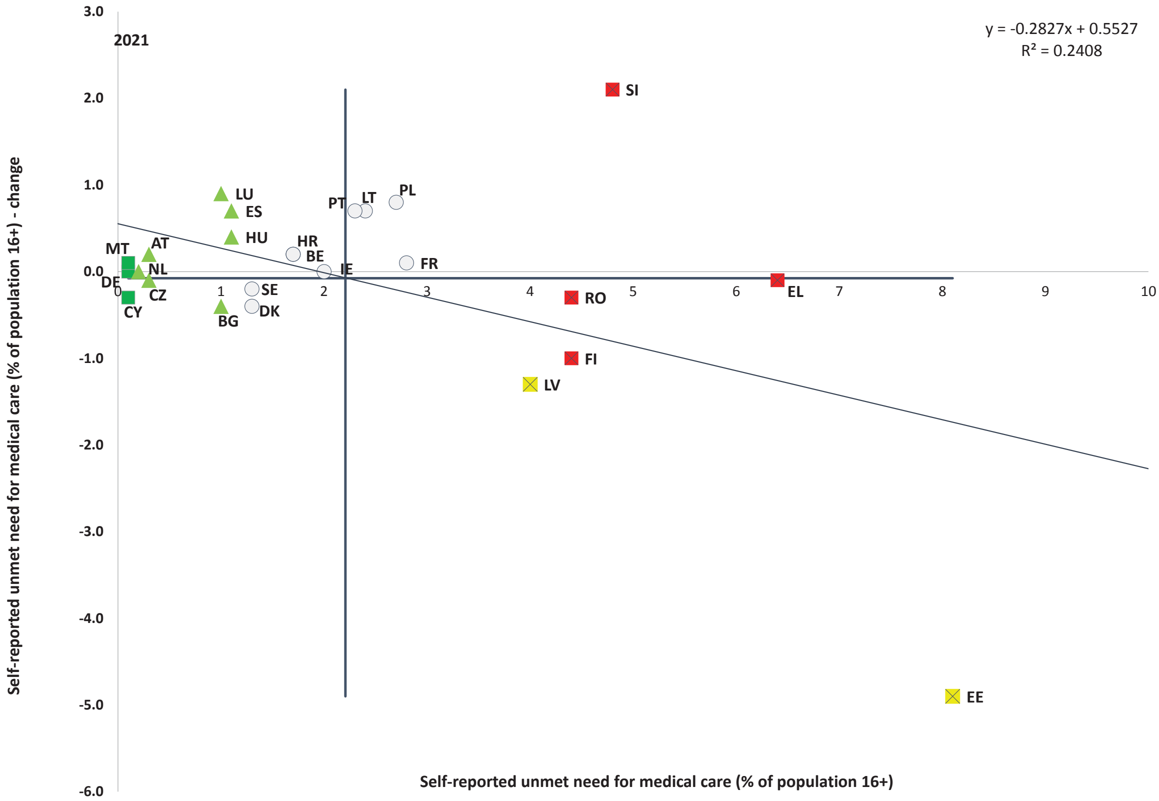
Pensions amount on average to over half of the late-career income in the Union. The average pension of those aged 65-74 amounted to 58% of work income of those aged 50-59 in 2021.[234] This 'aggregate replacement ratio' has been increasing since 2012, when it stood at 54%. In some countries (such as Luxembourg, Greece, Italy, and Spain), it is well above 70%. These are also among the Member States where old-age poverty rates are lower than working-age poverty. On the other hand, in 12 Member States the replacement ratio is below 50% and in five of them below 40% (Ireland, Croatia, Lithuania, Romania and Bulgaria). In most of them, this ratio is lower among women, but in eight, replacement ratios are higher for women (Luxembourg, Latvia, Germany, Czechia, Denmark, Estonia, the Netherlands, Hungary, and Slovenia).

During 2021, the second year of COVID-19 pandemic, self-reported unmet needs for medical care decreased on average, and so did the variation across Member States, which nevertheless remained large – see Figure 2.4.12. Slovenia, Luxembourg, and Poland have registered the largest increases (by 2.1 pps, 0.9 pps, and 0.8 pps, respectively). Among them, Slovenia, along with Greece, Romania, and Finland, are flagged as being in a 'critical situation', due to the high levels of reported unmet needs in 2021 (4.8%, 6.4%, 4.4% for the last two, respectively). At the same time, Finland registered a relatively large decrease (1 pp), along with Estonia and Latvia (4.9 pps and 1.3 pps), which nevertheless remained at high levels also in 2021 (at 8.1% and 4%). As in 2020, the share of people reporting unmet needs for medical care remained very low (below 1%) in Germany, Cyprus, and Malta (0.1%), as well as in the Netherlands, Czechia, and Austria (0.2%, 0.3% in the last two). 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.[235] [236] For self-reported unmet

[234] See: Pension Adequacy Report 2021, page 40. As shown by Eurostat indicator [ilc_pnp3], 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.
[235] Eurostat [hlth_silc_29], EU-SILC.

needs, some regional variation is recorded within Poland and Romania – see Figure 10 in Annex 3.

Figure 2.4.12: Large variation and increases in self-reported unmet needs for medical care were recorded across Member States in the second year of the COVID-19 crisis
Self-reported unmet needs for medical care, 2021 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. Data for SK are not available and provisional for IT, and PL. Break in the series for LU.
Source: Eurostat, [tespm_110], EU-SILC.

Demographic developments, in particular consistently low birth rates and higher life expectancy, are increasing the potential need for long-term care (LTC). The old-age dependency ratio in the EU is projected to increase significantly, from 32.5% in 2021 to 52.0% in 2050. Despite progress in healthy life years, as well as in preventive approaches and use of digital technologies, this will lead to a growing need for LTC going forward.[237] The number of persons potentially in need of LTC is projected to rise from 30.8 million in 2019 to 33.7 million in 2030 in the EU and further to 38.1 million in 2050.[238] On average, according to 2019 data for the EU-27, 26.6% of people aged 65 or over (32.1% of women vs 19.2% of men) and 39.4%

[236] In 2021 more Roma felt discriminated against in the past 12 months when accessing health services (14%) than in 2016 (8%), with the highest share observed in Portugal (32%). During the COVID-19 pandemic even basic access to primary healthcare, basic prevention and social distancing measures proved impossible to implement in remote marginalised Roma communities (20% of Roma have no access to tap water, and 78% live in overcrowded households). Source: FRA, Fundamental rights report 2022).

[237] This translates into a significant job creation potential of the LTC sector, with evidence that 1.6 million long-term care workers would have to be added by 2050 to keep long-term care coverage at the same level – see the European Commission *staff working document accompanying the document Commission proposal for a Council Recommendation on access to affordable high-quality long-term care*, SWD(2022)441 final.

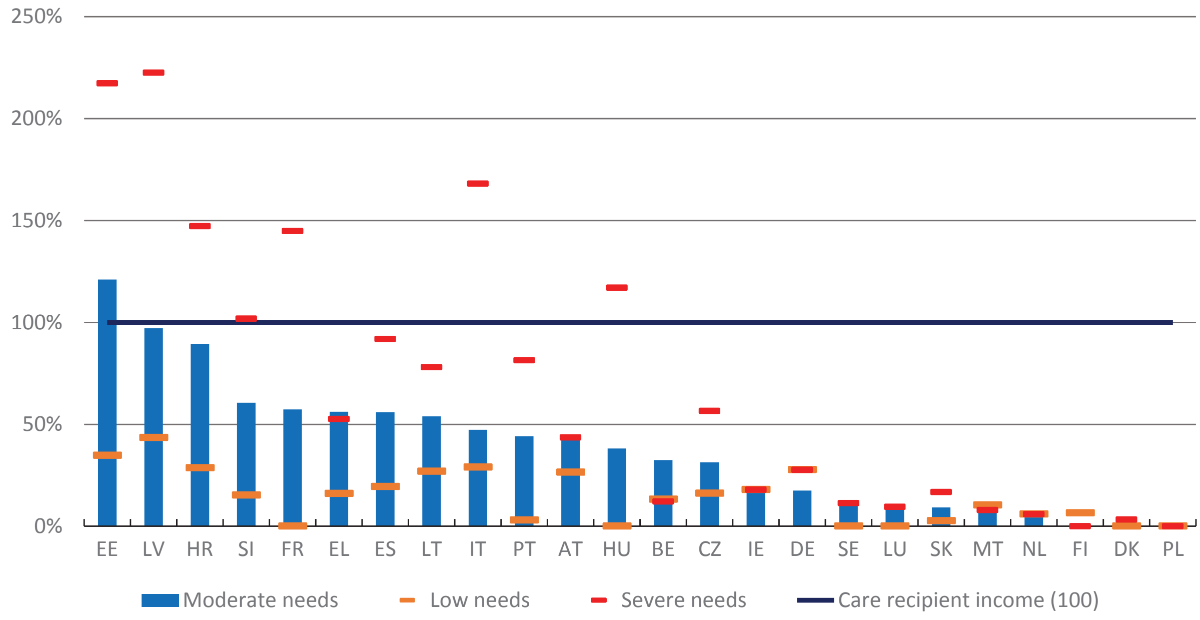
[238] European Commission and Economic Policy Committee, *The 2021 Ageing Report – Economic and budgetary projections for the EU Member States (2019-2070)*, Publications Office of the European Union, 2021.

aged 75 or over living in private households were in need of LTC.[239] In the lowest income quintile, 35.9% were in need of long-term care, compared with 17.2% in the highest income quintile.[240]

Social protection coverage is an important factor for determining access to long-term care services, besides the availability of quality services. Although all Member States offer some social protection coverage, either in-kind and/or via cash benefits, 35.7% of people in the EU reported that they do not use (more) home care services for financial reasons, 9.7% mentioned shortages in supply and 2.1% cited quality concerns.[241] To measure the depth of social protection for long-term care in old age and compare it across Member States, the OECD, with the support of the European Commission, developed a set of typical cases of long-term care needs.[242] Analysis suggests that, even after social protection, the out-of-pocket costs for care can be very high especially for older people with severe long-term care needs receiving home care – see Figure 2.4.13.[243]

Figure 2.4.13: 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



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.

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

[239] Eurostat [hlth_ehis_tadle], EHIS. The share of those in need is one less the share of those having no severe difficulty. This survey-based measure only captures people in private households but not those in residential care.

[240] Eurostat [hlth_ehis_tadli], EHIS.

[241] Eurostat [ilc_ats15], EU-SILC ad-hoc module 2016.

[242] Cravo Oliveira Hashiguchi, T. and Llena-Nozal, A., 2021, 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.

[243] OECD, forthcoming, 2023, Measuring social protection for long-term care in old age, OECD Health Working Papers, OECD Publishing, Paris.

2.4.2 Measures taken by Member States

In 2021 and 2022, Member States gradually phased out temporary income support measures that were introduced during the COVID-19 pandemic. Some Member States launched permanent measures to ensure better social protection for all including improvement of adequacy and coverage of various benefits. These measures aimed at filling gaps in social protection systems affecting in particular people in vulnerable situations (such as low-income households without work-related income, people in precarious jobs or migrants and refugees). Following Russia’s war of aggression in Ukraine and its socio-economic consequences in Europe, some Member States introduced targeted measures to address the social impacts of inflationary pressures, in particular on essential energy services. However, most of these measures have not been targeted to those most exposed to high energy prices and vulnerable (see Pillar Box 7). Moreover, under the Temporary Protection Directive, displaced persons who are fleeing from Ukraine and are beneficiaries of temporary protection have access to healthcare, housing, and social welfare, in addition to education, training and labour market. This section provides an overview of the approach taken by Member States to address the current circumstances, on top of other measures addressing more structural challenges in their social protection systems.

Some of the temporary measures introduced during the pandemic have been maintained for vulnerable people and their families while additional measures have been introduced to tackle the effect of rising prices. Throughout the pandemic, social assistance recipients in **Belgium** received a monthly temporary premium of EUR 50 from July 2020 until September 2021 and EUR 25 between October 2021 and March 2022. Other subsidies and measures, including the COVID-allowance, the allowance for psychological well-being and the allowance for youth and students in a vulnerable position, were also extended until 31 March 2022. In **Bulgaria**, as a one-off measure, the authorities increased the threshold for the heating allowance (by BGN 30, approx. EUR 15.3) for people who had not applied for the benefit by October 2021. However, due to the energy crisis, the benefit was additionally increased by BGN 100 (approx. EUR 51, roughly 20%) to reach BGN 624 (approx. EUR 319) in 2022. In **Malta**, in view of inflationary pressures particularly on food and also to further support the economic recovery, the government approved in February 2022 the disbursement of a one-off cash grant. Since March 2022, workers under a certain income level and students receive cheques worth EUR 100, while pensioners and people on social benefits up to EUR 200. In **Spain**, several temporary measures have been adopted to increase the minimum income and non-contributory pensions to compensate for the high inflation, aiming at supporting up to 800,000 vulnerable households. According to a mapping of national policy responses to cushion the impact of rising inflation for citizens, reported until June 2022 in the Euroufound’s EU PolicyWatch database, most of the reported measures were temporary and ad hoc.[244] One-off, lump-sum payments were more common than monthly support and most measures were not targeted. Targeted measures were more likely to take the form of financial support, while non-targeted measures were mainly limited to energy bills and fuel prices (see below and Pillar Box 7 for further details).

Permanent changes to existing schemes were adopted or implemented to further strengthen social and economic resilience, in line with Pillar principles 12 (on social protection) and 14 (on minimum income), **among others, with the help of the Recovery and Resilience Facility (RRF).** In **Spain**, the RRF supports up to 34 pilot projects creating

[244] Eurofound, Aumayr-Pintar, C. and Cantero Guerrero, M., *First responses to cushion the impact of inflation on citizens*, Article, 12 September 2022.

integration pathways for minimum income recipients. Their objectives are to improve take-up and the effectiveness of the minimum income scheme through socio-economic integration and educational as well as digital inclusion. In addition, a new reform is planned within the recovery and resilience plan (RRP) to merge, by the end of 2023, non-contributory benefits around the minimum income scheme in order to improve the effectiveness and efficiency of public resources and focus them on the appropriate coverage of people at vulnerable situations as well as the adequacy of the income support. To this end, the consolidation of the benefits shall take into account, on one hand, structural needs of households with children and people with disabilities and, on the other hand, link income support to active job seeking for inclusion and avoid ‘poverty traps’. In **Latvia**, in accordance with the RRP, a reform by beginning of 2023 aims to introduce a unified and evidence-based methodology for calculation and an annual indexation system of the Guaranteed Minimum Income (GMI) to reach the threshold at 20% of median income. In **Romania**, the government amended a law to increase of the Social Reference Indicator, the basis for determining the amounts of various benefits, including unemployment benefits and social assistance, and its regular indexation with the average annual inflation rate started in March 2022. In **Bulgaria**, as a transitory reform, until the complete minimum income overhaul foreseen in the RRP is implemented, a legal amendment has been enacted to gradually increase the adequacy and coverage of the minimum income scheme through mandated increases of the DMI (Differentiated Minimum Income) coefficients for all target groups. **Croatia** increased the basic amount of the Guaranteed Minimum Benefit to HRK 1 000 and also improved coverage, in particular for households with children, as planned under the RRP. In **Lithuania**, some improvement of the adequacy of basic social benefit has been enacted along with increased accessibility of means-tested heating cost compensations, coupled with an RRP amendment of the law on social services to increase the quality of social care through a new accreditation scheme. In **Malta**, beneficiaries of social assistance receive the full Cost of Living Adjustment, instead of the two thirds of the compensation as before. In addition, a new procedure will be introduced to assist persons without a fixed address to receive social assistance. In the **Netherlands**, a measure of increasing the age limit to 27 years could help mitigating the increasing risk of poverty for parents when their children older than 21 continue to live with them and avoid homelessness among the young. **Greece** has applied increases to permanent income support measures that target low-income households, including the heating allowance and the housing benefit of university students studying away from their home city. Moreover, going forward, the RRF will support, among others, the labour market integration of beneficiaries of the GMI, persons with disabilities, Roma and refugees in Greece.

Most Member States provided financial support to displaced persons from Ukraine, by granting them access to basic social welfare packages in place for country nationals or legally residing migrants. In some cases access to minimum income schemes was provided, for example in **Germany, Estonia, Lithuania, Hungary, Portugal,** and **Slovakia**. Some Member States have granted displaced persons from Ukraine access to allowances for asylum seekers, for example **Austria, Spain, Finland, France, the Netherlands,** and **Sweden**, while benefits targeted to them specifically have been put in place in other Member States, like **Bulgaria, Czechia, Italy, Luxembourg**. **Poland** provided all three types of support. According to Eurofound’s mapping of policies related to refugees from Ukraine, since the start of the war and by mid-June, a total of 144 policies were reported, mainly related to access to housing (19%), education (13%), healthcare (8%) and social protection (6%), as well as access to labour markets and active labour market policies (22%).

The pandemic highlighted the need to modernise social services. The main challenges are standardising or expanding the portfolio of services and improving the quality of social services as well as enhancing the integrated provision of services and benefits. Some of the reforms related to these areas started during or in the aftermath of the first waves of the COVID-19 pandemic and some are supported by the Recovery and Resilience Facility. For example, **Bulgaria** adopted a new ordinance on the quality of social services (also part of the RRP), including on workforce qualifications. **Spain** continued preparing the reform aimed at defining at national level a guaranteed minimum common social services portfolio and quality standards to reduce disparities relating to the type, level and quality of services provided. **Croatia** and **Lithuania** are expanding the portfolio of social services, the former including improvements of access to and coordination among social services, and a guarantee for a minimum common service portfolio and common standards for the provision of social services throughout the country. **Cyprus** and **Croatia** focus on enhancing integrated provision of services through strengthening multidisciplinary approach and integrated provision of services and benefits respectively. **Lithuania** introduced a new type of preventive and pro-active outreach social service to identify potentially socially vulnerable families and individuals at risk of falling into social exclusion.

Access to social protection was improved in a number of Member States, including for non-standard workers and the self-employed, in accordance with the national plans (submitted in 2021) to implement the 2019 Council recommendation on access to social protection.[245] While exceptional income support or temporary relaxation of (standard eligibility rules (or increase in the amounts of benefits) introduced during the pandemic were phased out in many Member States at the end of 2021 or beginning of 2022, structural reforms extending access to social protection have been introduced. The RRP of **Cyprus** includes a reform of the social insurance system, aimed to extend the coverage to self-employed and non-standard forms of employment (such as persons working through platforms), while **Poland** plans, as part of its RRP, to extend existing mandatory social insurances and improve coverage, in particular of civil law contracts by pension insurance as well as accident insurance. Several Member states are addressing the adequacy of pensions for the self-employed by increasing contribution rates, such as **Latvia** (also introducing a minimum contribution basis) and Spain, which has adopted in 2022 the reform on the contribution system for self-employed under the RRP. **France** adopted a law (at the end of 2021) with measures aiming at increasing the level of pensions for farmers helpers, and **Finland** tabled in June 2022 a proposal concerning the development of pension insurance for the self-employed, to be discussed and approved by the Parliament at this stage.

Several measures address access to unemployment benefits, especially for non-standard workers. The RRP of **Spain** includes a reform of the unemployment assistance system (by end of 2022) to fill some of the coverage gaps, extend the maximum duration and simplify the system. Spain also provided access to non-contributory unemployment subsidies to fixed/discontinuous employees older than 52 years from March 2022 on. Finally, access to contributory unemployment benefits was granted (from October 2022) to domestic workers following the ratification of the ILO Convention on domestic workers and implementation measures. **Italy** improved the access to unemployment benefits for non-standard workers notably by extending the maximum period of the cash benefit in case of involuntary redundancy to workers with an atypical employment contract (DIS-COLL) to 12 months. Also to this end, the ordinary (CIGO and FIS) and extraordinary (CIGS) schemes to workers previous not covered were made more generous and more accessible to include apprentices and home workers.

[245] See Pillar Box 5: Access to adequate social protection in the JER 2022 and the National Plans mentioned therein.

A number of measures have been taken to support the self-employed with specific income support or replacement schemes, in case for example of maternity or paternity leaves or other temporary periods out of work. After the expiration of its system of temporary income support (TOZO 5), self-employed can be eligible for income support in the **Netherlands** under the more permanent system (Bbz). **Austria** extended (until March 2022) its income replacement scheme also to solo self-employed who have ceased their activities due to COVID-19 and made its specific Hardship Fund accessible for individuals not supported by existing measures (notably new self-employed, freelancers, cultural workers, persons in multiple part-time contracts). **France** relaxed in 2022 the conditions for self-employed to benefit from the income allowance in the case of cessation of activity (in force since 2019). Finally, as part of the work-life balance decree (June 2022), the new regulations on maternity, paternity and parental leave in **Italy** include the right for daily allowance for self-employed women for periods prior to childbirth (in case of complication); it also includes the right to parental leave for self-employed fathers. In **Luxembourg**, a draft law was adopted (June 2022) by the government and put into parliament which aims to introduce paternity benefits for self-employed.

New measures for improved social protection of professionals active in the cultural sector have been taken in a number of countries. Such professionals were among the groups not sufficiently covered by social protection during COVID-19, due to the combination of specific work status and decreased possibilities to work. Their entitlements to unemployment benefits or temporary income support were extended during 2021-22 in **Estonia**, **Luxembourg**, **Spain,** and **France** while **Germany** took measures to maintain the insurance coverage of self-employed artists by subsidizing their contributions. Importantly, **Portugal** approved a new status for professionals in the cultural sector and a special social security fund for them.

Some countries have introduced measures to support access to healthcare for all workers. In **Luxembourg**, a Universal Health Care Coverage proposal was made by the government in October 2021 in order to offer access to health care through an affiliation to the health insurance to any vulnerable person residing in the country but not affiliated. The proposal is currently into Parliament. Since early 2022, employers in **Germany** have to report if short-term contract employees are not covered by health insurance. As regards sickness benefits, **Ireland** approved a bill (still to be adopted by Parliament) providing minimum level of protection to low paid employees, who may have no entitlement to a company sick pay scheme. **Estonia** and **Latvia** extended the coverage of sickness pay to all employees.

Member States have in place structural, targeted measures for low-income or poor households to support access to essential services, in line with the Pillar principle 20. To support access to essential energy services, in particular the most common structural measures include income benefits, reduced tariffs, subsidies and protection against bans and disconnections and can contribute cushioning the effects of price increases. However, in addition to these, emergency measures have been adopted to respond to the energy price peaks, as discussed in Pillar Box 7.

In the context of the current increases in the cost of living, including utility bills, certain Member States are putting in place preventive measures , to protect tenancies and reduce energy prices, though a large majority is not sufficiently targeted. For example, in **Spain**, evictions affecting vulnerable tenants are suspended until 31 December 2022 and the increase in the annual rent is limited to 2%. Furthermore, the guarantee of basic supplies (water, gas, electricity, and telecommunications) applied for vulnerable households has been extended until 31 December 2022. Finally, the government has taken several measures to limit energy costs and protect energy supply, including an electricity social voucher for vulnerable consumers and the prohibition to interrupt the electricity supply for people at risk of social exclusion. **Latvia** introduced temporary increases in housing benefit targeted to the low-income population to compensate for energy cost increases in the 2022-2023 heating season, together with partial compensation of energy bills for all consumers. In **Lithuania**, the state reimburses part of the energy costs for all families, while **Romania** caps electricity and natural gas prices. **Ireland** also provides EUR 600 credit in three installations for all domestic electricity consumers. Additionally, those in receipt of the Fuel (heating) Allowance will get a one-off payment of EUR 400 in November, and more people will qualify for this benefit from January 2023. In **Greece**, temporary measures applied to offset inflationary pressures include an allowance of EUR 250 to low-income pensioners, non-insured older persons, and beneficiaries of disability benefits, as well as an additional instalment of the Minimum Guaranteed Income and child benefit (these measures applied in April 2022 and are planned to apply also in December 2022).

Reforms to address child poverty were put in place in several Member States, including in the area of parental leave and early childhood education and care, in line with Pillar principle 11 (Childcare and support to children), and the Council Recommendation establishing a European Child Guarantee. Expansion of early childhood education and care was the most common kind of reform. **Spain**'s RRP foresees the creation of at least 60 thousand publicly owned early childhood education and care places for children below 3 years by the end of 2024. **Greece**, **Italy**, **Slovakia,** and **Cyprus** are also set to increase childcare supply. **Czechia** ensured stable financing to children's groups after ESF support ends, **Malta** and **Slovenia** extended the entitlements to use free childcare. In line with its RRP, **Lithuania** launched a study on the feasibility of developing early childhood education infrastructure in municipalities. In **Denmark,** the government has approved the introduction of new minimum norms in childcare, as of 2024. Through the RRP, **Romania** will set up, equip, and operationalise 412 complementary services to increase the capacity and quality of its early childhood education system by 2024, which is foreseen to serve around 20,000 children from disadvantaged backgrounds.

Some Member States increased child and family benefits. These measures, while being structural changes to the existing schemes, can contribute to help families mitigate the effect of rising prices and inflationary pressures in the current situation. **Austria**, **Latvia**, **Lithuania**, **Romania,** and **Slovakia** raised the amounts of the existing universal child allowances, **Bulgaria** increased the child tax relief, and **Italy** introduced a monthly universal allowance for all dependent children. Levels of targeted benefits were increase in **Austria**, **Bulgaria**, and **Spain**, and that of the childbirth and adoption bonus in **Malta**. There will be a double Child Benefit payment (extra EUR 140 per child) in Ireland, and people getting the Working Family Payment will get a once-off payment of EUR 500 in November 2022.

Providing additional income support to persons with disabilities and their families was discussed in several Member States, in line with Pillar principle 17 (Inclusion of people with disabilities). **Croatia** has introduced an amendment to the labour market law to determine the conditions for awarding financial assistance to unemployed persons with disabilities. **Lithuania** has approved an increase of the amount of the additional child benefit, which includes children with disabilities, and has also adopted in July 2021 a new law granting additional benefits to single elderly persons and persons with disabilities. **Malta** has adopted a series of measures to improve access to social benefits for persons with disabilities and increase the eligible amounts, including for carers of persons with severe disabilities. Disability benefits are available also for displaced persons from Ukraine in several Member States, including for example **Croatia, Cyprus, Estonia, France, Ireland, Lithuania, Spain,** and **Poland.**

Measures to develop the necessary community-based services to support independent living of persons with disabilities have been adopted by many Member States. Such measures are taken in the context of deinstitutionalization and in line with the commitments taken under the United Nations Convention on the Rights of Persons with Disabilities (UN CRPD). **Bulgaria** is implementing a pilot project aimed at developing the system of foster care and community-based services for the deinstitutionalization of children, including children with disabilities and in association with UNICEF. In addition, it has earmarked EUR 41.6 million under ESF+ until 2026 for developing social services aimed at children from vulnerable groups and children with disabilities, from early childcare to counselling and mediation for the labour market. Around 40,000 children under 18 years of age are expected to benefit from this investment. In the context of the RRP, **Greece** has adopted measures to develop personal assistance schemes, which it will first pilot in the Attica region over 2 years. **Croatia** has adopted a National Plan for the Uniformisation of Opportunities for Persons with Disabilities for 2021-2027, which aims at reducing the number of persons with disabilities in long-term accommodation services by developing community-based services. **Belgium** (Wallonia) adopted a de-institutionalisation strategy in the context of the RRP. Similarly, **Romania** has committed in the RRP to a reform aimed at advancing the de-institutionalisation process for persons with disabilities.

Several Member States have planned investments and introduced new measures to improve access to affordable and social housing, notably for vulnerable groups, in order to prevent and combat homelessness, in line with Pillar principle 19 (on housing and assistance for the homeless). In **Belgium**, the Walloon government committed in the RRP to construct at least 700 public housing units with high environmental performance, the construction and adaptation of inclusive housing for people with disabilities and elderly, and the creation of new reception places for vulnerable groups. In its RRP, **Spain** is planning to build at least 20,000 new dwellings for social rental purposes or at affordable prices compliant with energy efficient criteria. **Latvia** is developing, within its RRP, a strategy in preparation of a low-rent housing project in the regions. **Portugal** is using funding from the Recovery and Resilience Facility to strengthen the supply of affordable and social housing. Part of the RRP commitments, in June 2022, **Romania** has adopted the National Housing Strategy to run until 2050, with one of the four pillars dedicated to inclusive housing in view of improving the living conditions of vulnerable groups, including informal settlements. This will be complemented with investments in building housing units for vulnerable young people. **France** has adopted a law that introduces new obligation for landlords regarding housing renovation and provides additional support to the poorest households, while **Malta** has introduced subsidies for structural adaptations of dangerous housing. **Lithuania** has adopted legislative amendments to increase accessibility of social housing and support to families with 3 or more children, single parents with children, people with disabilities. **Spain, Italy,** and **Malta** introduced a housing tax and/or benefit measure, to support young people living independently, while Spain also established a monthly EUR 250 benefit for low to middle income young people valid for the duration of two years. **Luxembourg** is introducing legislative reforms to revise various individual housing aids and to simplify and make these individual aids more transparent and accessible, together with a reform to stimulate the creation of publicly owned affordable housing. Finally, in **Sweden**, the Government has decided on a national homelessness strategy with extensive initiatives to counteract homelessness during the strategy period 2022-2026. Specific housing cash benefits have been introduced in several Member States, for example in **Germany, Estonia, Ireland, Lithuania, the Netherlands**, **Spain, Poland, Slovenia** and **Slovakia**, for displaced persons from Ukraine who benefit of temporary protection (and possibly to homeowners who make their homes available to displaced persons), while other Member States, like **Ireland** and

Latvia for example, have extended the housing cash benefits already available to displaced persons from Ukraine.

Additional measures to improve access to housing, in particular for persons with disabilities, have been taken by some Member States, thereby supporting their autonomous living. For example, **Lithuania** has introduced amendments in its national law to improve the access to social housing for specific vulnerable groups, including for persons with disabilities. **Luxembourg** has revised the standards for accessibility in residential housing, to achieve a gradual increase in housing that is adapted to the needs of persons with disabilities. The new measures, which will be applicable from July 2023, foresee the creation of an Accessibility Advisory Council which will allow for the active involvement of the persons concerned. **Malta's** Housing Authority is offering an alternative to a life insurance policy for persons who, due to past medical conditions or a disability, could not obtain such a policy and were thus unable to become homeowners.

Most pension policy measures adopted over the last year sought to safeguard the adequacy of pensions, in line with Pillar principle 15 (on old-age income and pensions). Against the background of increases in the cost of living, several Member States (**Spain** and **Lithuania** in their RRPs, as well as **Bulgaria, Malta, Romania,** and **Slovenia**) took measures to adjust the value of pension benefits by introducing or adjusting indexation rules and/or introducing ad hoc increases. **Germany** and **Estonia** took steps to protect low-income pensioners by strengthening basic or minimum pensions, while **Latvia, Malta** and **Romania** introduced supplements targeted at low-income pensioners. **Malta** reinforced survivor's pensions for widows. **Estonia**, **Latvia,** and **Malta** introduced changes to pension taxation, notably increasing tax allowances for pension benefits. To make their pension systems more inclusive, **Malta** started recognising pension contributions paid from an earlier age. Compared to previous years, fewer pension reforms addressed the age of retirement. **Spain,** as part of its RRP, adopted a reform modifying the penalties for early retirement and increasing the incentives to delay retirement, while **Italy** decided to extend temporary early retirement pathways for some categories.

While the COVID-19 pandemic was further unfolding in 2021 and early 2022, a number of Member States embarked on reforms to foster more resilient health systems, in line with Pillar principle 16 (access to health care), as part of their RRP.[246] Recent health reforms address challenges created by the pandemic, such as improving public health capacities. **Germany** continued to gradually strengthen the digital capacities of public health functions in its health system. **Cyprus** plans to implement a similar solution by March 2023. **Spain** adopted in June 2022 a new public health strategy, redefining the policy and institutional framework for crisis response. **Denmark** took measures to ensure the right level of storage capacity for critical medicines. The pandemic has also shifted policy towards prevention. For example, **Greece** started the implementation of its National Public Health Prevention Programme Spiros Doxiadis. **Spain** progressed with prevention campaigns and reinforced prevention policies under the recently adopted Strategy of Public Health. Other initiatives to address more global health challenges included the adoption of the **Czech** National Oncological Programme 2022-2030 and the introduction by **Portugal** of a Mental Health decree law in December 2021. In a similar vein, **Greece** is working towards reforms in the field of mental health, with first results expected by the end of 2022. Certain Member States focused on a comprehensive overhaul of national health strategies. **Bulgaria's** planned nationwide mapping of healthcare needs will inform the revision of its strategic framework for the health sector, which has started with the

[246] In this and the following two paragraphs, all health-related measures are part of the RRP of the specific Member State, except for the bachelor program of Luxembourg.

adoption of the Strategy on Psychiatric care 2021-2030, and **France** started the implementation of the National Strategy for the Transformation of the Health System. **Latvia** will implement by mid-2023 a wide-ranging reform to pave the way for integrated care and epidemiologically safe healthcare, underpinned by appropriate health infrastructure investments. **Finland**, **Italy** and **Lithuania** are reorganising their healthcare systems to improve access to healthcare at local level. With a significant allocation of resources in the RRP and a dedicated Health programme 2021-2027, **Romania** committed to strengthening the resilience of the health system by investing in modern hospital infrastructure to ensure patient safety, along with multiple measures to improve access to healthcare.

In some cases, policy efforts concentrated on primary health care, including as part of the RRPs. Estonia, **Spain,** and **Portugal** adopted reforms in primary health care, with a view to modernising the sector through digitalisation, improving access in underserved areas and an increased role for primary health care. **Ireland** started implementing Community Health Networks, to be in place by end of 2022 and extended free GP services for children up to 7. **Slovakia** adopted new legislation to establish a nation-wide network of primary health care providers. Member States also seek to strengthen the health workforce. **Estonia**, **Latvia**, and **Romania** will adopt dedicated strategies for human resources for health. Other countries aim specifically at training and supplying more health professionals through their education systems. In October 2021, **Luxembourg** introduced a new bachelor's programme in general medicine and **Poland** took legislative measures to attract more students to medicine faculties. The RRP of Member States such as in **Luxembourg** and **Malta** include measures also for putting in place tools to improve health workforce planning. Actions also encompass broader organisational health aspects. **Austria** is building a network of community nurses expanding their roles as care coordinators and in prevention. **Malta** is working towards better integrating foreign health workers. The **Netherlands** is working on building a structural health workforce reserve.

Member States seek to reap benefits of digitalisation, fostering integrated care, often as part of broader reforms, including as part of the primary health care reforms, and also in the context of their RRPs. The digital transformation of the health system is ongoing in **Germany**, following the entry into force of a dedicated legal framework by mid-2021, and in **Portugal**, including the upgrade of information technology networks and the implementation of new functionalities for telehealth and telemonitoring by the end of 2022. More targeted solutions included a telemedicine module being developed by **Luxembourg**, which will be up and running by March 2023. In December 2021, **Lithuania** adopted a law on the secondary use of health data and **Croatia** plans to roll-out of a central health information system to tap into the potential of health data. **Ireland**'s new ePharmacy system, supported also by the RRF, will provide better visbility of medication usage and costs, and possibly enable the usage of ePrescribing tools in hospitals and through that, facilitate the access to health care.

Several Member States are pursuing reforms and investments in long-term care (LTC) to expand home care and community-based services, improve the quality of care, as well as the working conditions in the sector, in line with Pillar Principle 18 (long-term care). A number of these measures are linked to reforms and investments undertaken under the national recovery and resilience plans. **Romania** and **Bulgaria** are planning reforms to develop community-based services or expand home care services, for instance through staff training and expanding mobile home care services. As part of its RRP, **Lithuania** is improving access to long-term care by setting up long-term day-care centres and mobile teams. **Bulgaria**, **Portugal,** and **Spain** are investing in their LTC systems as part of their RRPs to modernise LTC infrastructure and services and adapt them to the new long-term care model more geared towards community-based care. As part of its RRP, **Estonia** has introduced a formal definition of long-term care. In addition, Estonia increased substantially the wages of care workers, financed through increasing the price of care services. To improve the quality of care, **Sweden** has taken steps to establish a national competence centre for elderly care and **Spain** is implementing a reform that focuses, among others, on strengthening the quality of care services.