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From:	Employment Committee and Social Protection Committee
To:	Permanent Representatives Committee/Council
Subject:	Assessment of the Country-specific Recommendations for 2023 and implementation of the Country-specific Recommendations for 2022: Opinion of the Employment Committee and the Social Protection Committee - Endorsement

Delegations will find attached the above-mentioned Opinion with a view to its endorsement at the Council (EPSCO) meeting on 12 June 2023.

Horizontal Opinion
of the Employment Committee and the Social Protection Committee
on the 2023 cycle of the European Semester

Preamble

Based on the provisions of titles IX and X of the Treaty on the Functioning of the EU (TFEU); the mandate of the Committees given by Articles 148, 150 and 160; and the Council Decisions establishing the Committees, the Employment Committee (EMCO) and the Social Protection Committee (SPC) have examined the progress made by the Member States in the implementation of the relevant Country-Specific Recommendations issued by the Council of the EU in the areas of employment, skills, social protection and social inclusion between 2019 and 2022.¹

Throughout the Semester cycle, following the respective proposals presented by the European Commission and in line with Article 148 TFEU, in 2023 the Committees also contributed to the finalisation of the new *Recommendation on the Economic Policy of the Euro Area (EAR)*, the *Joint Employment Report (JER)* and the *Country-Specific Recommendations (CSRs)*. Furthermore, Council Conclusions were prepared in response to the 2023 Annual Sustainable Growth Survey and the 2023 Joint Employment Report.

¹ The Committees adopted two different approaches to conduct their respective multilateral surveillance activities in 2023. While SPC opted to review the progress of the latest set of CSRs issued in 2022, in addition to these EMCO decided to continue assessing the progress also of several past CSRs considered still relevant, and further complement these with additional challenges stemming from its monitoring tools (such as the Employment Performance Monitor and the Social Scoreboard).

In 2023, EMCO and SPC also reflected on how to strengthen the social dimension of the European Semester, in line with the consecutive mandates received from the French, Czech and Swedish Presidencies following the proposal by Belgium and Spain to introduce a “*Social Imbalances Procedure*” (*SIP*). In particular, after having established a dedicated joint Working Group tasked to further examine the issues referred to in their Opinion prepared in May 2022², the Committees formulated a set of *Key Messages* summarising the findings of a technical report on the possible integration of a *Social Convergence Framework (SCF)* in the European Semester.³

Section 1 of this opinion contains the Committees’ overall views on the governance aspects of the European Semester. **Section 2** contains reflections on the 2023 CSR proposals adopted by the European Commission and presented to EMCO and SPC on 25 May 2023. **Section 3** contains the outcome of the examination of Member States’ progress towards the implementation of relevant 2019-2022 CSRs and related challenges, in the form of thematic messages arising from the multilateral surveillance reviews conducted by the Committees. Country-specific conclusions are enclosed as **annexes**.

² Council ref. 9222/22.

³ Council ref. 9481/23, based on the technical report prepared by a joint Working Group.

Section 1

Governance aspects of the European Semester

Throughout the 2023 cycle of the European Semester, and notably in the context of the policy guidance formulated by the Commission, EMCO and SPC welcomed the **continued reflection of the four dimensions of “competitive sustainability”**, the focus on the **implementation of the European Pillar of Social Rights**, as well as the **integration of the 2030 EU and national headline targets on employment, skills and poverty reduction**.⁴ As established by the EU Strategic Agenda 2019-2024⁵, the implementation of the Pillar should be a key priority at EU and national level, with due regard for respective competences and the principles of subsidiarity and proportionality. In this context, the European Semester – as the EU framework for the coordination and surveillance of economic, fiscal, employment and social policies, in line with the Treaty – should continue to play a **central role to support the implementation of the Pillar in the Member States**.

⁴ At least 78% of the population aged 20 to 64 should be in employment; at least 60% of all adults (aged 25-64) should participate in learning activities every year; the number of people at risk of poverty or social exclusion should be reduced by at least 15 million (compared to 2019).

⁵ At its meeting in Brussels on 20 June 2019, the European Council agreed on an agenda for the EU for the next five years. 'A new strategic agenda 2019-2024' sets out the priority areas that will steer the work of the European Council and provide guidance for the work programmes of other EU institutions.

The implementation of the **Recovery and Resilience Plans (RRPs)** remains embedded in the European Semester, including in relation to the roll-out of the **REPowerEU Plan** aimed at rapidly reducing Europe's dependence on fossil fuels and accelerating the green transition.⁶ Considering the impact of the RRP on the formulation of the policy guidance within the Semester, EMCO and SPC reiterate that the **EPSCO Council should be involved in all matters related to employment, skills and social policy challenges and priorities**, to ensure political guidance, policy coherence, ownership and consistency in the implementation of reforms and investments in these policy domains at the national level.

In line with the above, **after having welcomed the resumption of a more standard cycle in 2022** following the temporary adjustments to the Semester in 2021, EMCO and SPC call for **establishing closer coordination between economic, fiscal, employment and social policies**⁷, given the broad range of current socioeconomic risks and policy challenges influenced by the Russian war of aggression against Ukraine and in view of ensuring fair green and digital transitions and a sustainable and inclusive growth. In this context, **strengthening the role of EPSCO and its Committees within the European Semester** - also in light of the ongoing Economic Governance Review - remains a key priority, while acknowledging the **needs to continue efforts to modernise the Committees' monitoring tools, keep the existing focus of the Semester in line with the Treaty, and avoid risks of administrative burden**.

⁶ In May 2022 the Commission proposed to make targeted amendments to the RRF Regulation to integrate dedicated REPowerEU chapters in Member States' existing Recovery and Resilience Plans. Following the political agreement reached between the European Parliament and the Council on 14 December 2022, the possibility to add new REPowerEU chapters was formalised via Regulation 2023/435 of 27 February 2023.

⁷ In line with the respective Treaty-based competences and the principles of subsidiarity and proportionality.

Following the examination conducted in parallel to the 2023 Semester cycle on the possible integration of a Social Convergence Framework and after having taken note of the legislative proposals presented by the Commission on 26 April 2023 for a reformed EU economic governance framework⁸, **EMCO and SPC would welcome joint reflections on the future of the European Semester at technical and political level with the ECOFIN filière**⁹, including on how the proposals for a reformed EU economic governance will integrate the need to pursue structural reforms in the employment, skills and social domain to implement the European Pillar of Social Rights.

The Committees express their appreciation for the **opportunity to contribute to the ongoing reflections on the future of Cohesion Policy ahead of the next programming cycle**¹⁰, considering its important links with the European Semester and the additional funding available through the Recovery and Resilience Facility. EMCO and SPC are of the opinion that in order to uphold the aspirations of the European Pillar of Social Rights and actively contribute to the attainment of the EU and national headline targets for 2030, it is important to **discuss further on the effectiveness of Cohesion Policy**, including its alignment with the CSRs issued in the context of the Semester, and **reflect on lessons learned from the implementation of the RRF to inform the future design of other EU funds**.

⁸ Available online and formulated on the basis of the Council Conclusions on "Orientations for a reform of the EU economic governance framework" approved at the ECOFIN Council meeting of 14 March 2023.

⁹ In this context, at the EPC meeting of 16 May 2023, several EPC members called for strengthening the cooperation between the EPSCO and ECOFIN Committees.

¹⁰ In January 2023, a High-Level Group on the future of Cohesion Policy (Group of high-level specialists on the future of EU Cohesion Policy, 'HLG'4) has started its work. The Group brings together 18 representatives of academia, national, regional, and local authorities, social partners and representatives of civil society appointed in their personal capacity. The HLG should prepare a report in early 2024. In mid-2025, the Commission is expected to adopt the proposals for the next Multiannual Financial Framework (MFF). In this context, EMCO and SPC had a first exchange of views on 11 May 2023.

Finally, EMCO and SPC also held **comprehensive discussions with the European Social Partners and representatives of Civil Society Organizations**, including on the Spring Package, resulting in a constructive and substantive dialogue, which was considered in the preparation of this opinion. The Committees consider the **timely and meaningful involvement of social partners, civil society and other relevant stakeholders at all stages of the European Semester and policymaking cycle as an important factor** for the success of the economic, employment and social policy coordination and implementation.

Section 2

Assessment of the Commission proposals for 2023 Country-Specific Recommendations

The release of the proposals for 2023 CSRs, adopted by the Commission on 24 May 2023, broadly **confirmed the approach established by the Commission in 2022 in relation to the policy guidance for the Member States**. The Committees take note that the **number of CSRs in the areas under EPSCO competence remains more limited than in the Semester cycles preceding the introduction of the RRF**, in line with a “streamlined” approach taking into account the comprehensive nature of the RRP.

EMCO and SPC also take note of the **relatively higher number of “horizontal” CSRs proposed for all Member States** – notably on targeted fiscal measures protecting vulnerable households from high inflation and spiking energy prices, the acquisition of green skills, and the implementation of the Cohesion Policy programmes and the RRP, including the finalisation of new REPowerEU chapters. While efforts made to ensure a streamlined Semester are welcomed, the **country-specific nature of the CSRs should be preserved, especially in light of the more limited number of CSRs proposed on employment and social issues**. The Committees reiterate the importance of monitoring the implementation of the employment and social reforms under the RRP as part of their annual multilateral surveillance and review activities.

During the discussions on the 2023 CSR proposals, **the interactions with the Economic Policy Committee (EPC) and the Economic and Financial Committee-Alternates (EFC-A) allowed for an effective examination of several policy issues of a cross-cutting nature**. In line with the standard practice, the discussion of education, training and skills-related CSRs took place in EMCO with the participation of delegates from the Education Committee (EDUC). Health-related CSRs were discussed in SPC, with the participation of national experts. **EMCO and SPC highlight that the recurring compressed timeline for the discussion and finalisation of the CSRs in the Committees has a negative impact on their ability to meaningfully engage in multilateral discussions and call for serious reflections on the calendar of future Semester cycles**.

Section 3

Main findings from the EMCO and SPC multilateral surveillance reviews on the implementation of relevant past Country-Specific Recommendations

Multilateral surveillance is one of the core tasks of the Employment Committee and the Social Protection Committee within the framework of the European Semester.¹¹ It entails, *inter alia*¹², an in-depth assessment of the reforms and investments triggered by the Country Specific Recommendations issued by the Council in previous Semester cycles. As such, the multilateral surveillance activities conducted by EMCO and SPC play an essential role in supporting Member States' reform efforts through exchanges of policy knowledge and best practices and promoting a shared understanding of country-specific challenges with a view to inform the Council.

¹¹ For EMCO, the exercise is based on Art. 148 and 150 TFEU, while for SPC it is based on Art. 160 TFEU. The [EU Regulation 1175/2011](#) (amending 1466/1997) identifies EMCO and SPC among the relevant committees to be involved in the European Semester process according to their respective competences. The two Council Decisions establishing the Committees ([2015/772](#), repealing 2000/98 for EMCO; and [2015/773](#), repealing 2004/689 for SPC) also gave them a mandate to contribute to all aspects of the European Semester in their respective domains.

¹² In EMCO, the multilateral surveillance activities comprise three strands: (i.) the “CSR reviews”, based on past CSRs and, in certain years, findings identified by the Committee’s monitoring tools; (ii.) the “thematic reviews”, based on the Council Recommendations adopted by the EPSCO Council and addressed to all Member States; and (iii.) the “Social Dialogue review”, based on the provisions of Employment Guideline 7. In SPC, in addition to the “CSR reviews”, the implementation of Council Recommendations is often discussed on the basis of ad hoc arrangements (e.g. discussion of national plans).

In 2023, following the return to a regular, but more streamlined Semester in 2022, **SPC resumed the traditional approach of assessing only the latest set of CSRs¹³** (i.e. those issued in 2022), while **EMCO opted for adding to the new 2022 CSRs some complementary challenges** identified on the basis of its monitoring tools and the progress achieved on the implementation of the 2019-2020 CSRs. A few 2022 CSRs considered of common interest were also reviewed jointly by SPC and EMCO, following the successful practice established in 2020. At the same time, the **thematic dimension remained prominent also in 2023 in the form of in-depth discussions** on each policy area under the Committees' competence. The thematic aspects of the discussions in the two Committees have fed into the preparation of horizontal conclusions, as presented in this section.

During the first half of 2023, **EMCO and SPC conducted 76 country-specific reviews**, including 5 reviews in areas of mutual interest which have been carried out jointly by the two Committees. The education, training and skills reviews (19 in total) were conducted by EMCO with the participation of delegates from the **Education Committee (EDUC)**, while those conducted by EMCO on social dialogue (7 in total) were attended by representatives from the EU social partners and some of their national affiliates. The reviews in the area of healthcare (5 in total) were conducted in SPC with the active participation of national representatives from the health Ministries. For all country-specific reviews, the evaluations were based on Member States' reporting on the most recent measures taken, followed by assessments of those measures by other Member States and the Commission. The country-specific conclusions were mutually agreed and are annexed to this opinion.

¹³ In 2020, the Committees assessed the implementation of the 2019 CSRs only, mostly via written procedure due to the COVID-19 pandemic. In 2021, the Committees agreed to review the implementation of the 2020 CSRs (focused on the COVID-19 pandemic) complemented by a subset of relevant 2019 CSRs (referring to more structural still relevant issues). In 2022, the previous year's approach was confirmed but amended to reduce the number of reviews and account for the absence of CSRs in 2021: while EMCO used its monitoring tools to assess the relevance of 2020 and 2019 CSRs and identify possible 'emerging challenges' not captured by past recommendations, SPC asked Member States to 'opt-in' to be reviewed and strengthened the reviews with more in-depth thematic discussions on the policy areas.

3.1. Reforms in the area of social dialogue

On 7 November 2022, EMCO held its annual review on social dialogue together with the European and national social partners. Aimed at assessing the quality and effectiveness of social dialogue, in light of the Employment Guidelines, the 2022 review was enriched by a thematic discussion on the role of social dialogue in ensuring a fair transition towards climate neutrality, as well as by the discussion of some national examples of institutional frameworks, involvement of social partners in policymaking, and capacity of social partners.

During the thematic discussion, it was highlighted that the transition towards climate-neutral economies and societies requires a whole-of-government and whole-of-society approach. It is therefore key to ensure that social partners can interact with process-leading actors and are involved across the different entities and levels of national administrations. In this context, some Member States admitted that further efforts are needed to create adequate frameworks for consultations, in particular between social partners and energy and climate authorities, with a view to the update of the National Energy and Climate Plans in 2023-2024. At the same time, it was also underlined that, given the multi-faceted nature of the transition process and the variety of the transformations required, separate and systematic consultations with civil society organisations are also needed. The local dimension of the green transition was also emphasised, stressing the need to involve communities in the design of projects that are likely to strongly impact on the local economies.

Employers' representatives underlined in particular the interplay between the digital and green transitions, as well as the important role of the sectoral dimension, in particular in relation to upskilling and reskilling the workforce towards greener production. As part of national training policies, improving the design and adaptability of curricula and qualifications to changing jobs demands was emphasised as a crucial item for strengthened coordination and benchmarking at EU level. The recently agreed reference framework for sustainability competences – GreenComp – was also highlighted as an important new tool to be further looked at as part of EMCO coordination in the course of 2023. The complexity inherent to the assessment of future skill needs was highlighted, as well as the related importance of strengthening skills forecast tools. Trade unions also underlined the role labour mobility can play in addressing the current and the future skill shortages.

The thematic discussion also addressed the consequences the war of aggression of Russia towards Ukraine is having on energy prices. The role of taxation, social protection and the need to carefully target to those in needs the support measures to household and companies was mentioned while some social partners and Member States are of the opinion that a SURE-like mechanism would be appropriate to alleviate the impact of rising energy and food prices on the European economy or to foster a fair green transition effectively. The possibility of introducing a temporary price cap mechanism on the European gas market was also mentioned.

The importance of making good use of the extra resources that governments received through taxes on commodities and other products in the context of high inflation was also highlighted.

National social partners have an important role to play in these discussions in view of the overlap between the policy response to the energy crisis, including as regards social protection financing, and their collective bargaining, including on wages, access to training.

The country specific reviews highlighted that in all but very few Member States the institutional framework for social dialogue is more than adequate. Yet, it remains of the foremost importance to avoid a mere formalistic involvement of social partners and ensure a timely and meaningful consultation process throughout the entire policymaking process. The quality of consultations can also improve when underpinned by evidence-based findings and ex-ante impact assessments of the proposed legislation.

It was also noted that, especially in times of crisis, as those sparked by the COVID-19 pandemic and the rising energy and food prices, it remains key to balance the need of governments to promptly respond to the emerging needs of economies and societies and the need to involve in a meaningful way social partners by providing them with adequate time for inputs. In such a context, capacity building also plays a role, as those social partners lacking sufficient capacity may face additional obstacles in being promptly involved in informed consultations.

Collective bargaining coverage remains worryingly weak in some Member States, especially in the private sector, while a declining membership has been noted in others. In some cases, the correct assessment of social partners' representativeness remains an issue. For those Member States concerned, it will be important to use the 2021-2027 ESF+ funds for the capacity building of social partners in an impactful way. In addition, in line with the new EU Directive on adequate minimum wages, some Member States shall increase efforts to provide enhanced enabling conditions and establish an action plan for collective bargaining.

3.2. Reforms in the areas of labour market segmentation, labour taxation and undeclared work

On 10 March 2023, EMCO held its annual review on Labour Taxation and Labour Market Segmentation aimed at assessing the progress towards the implementation of relevant 2019-2022 Country-Specific Recommendations (CSRs), as well as in addressing additional challenges identified by the Employment Performance Monitor and the Social Scoreboard.¹⁴ In addition to country specific reviews, a thematic discussion took place based on the main findings of the 2023 Joint Employment Report.

a. Labour Taxation

Due to the rising energy and food prices caused by the Russian aggression towards Ukraine, in 2022 many Member States had to introduce measures to mitigate the impact of inflation on households and workers' income. Some countries made use of available fiscal space, while others increased the resources available by, for instance, imposing taxes on windfall gains of energy companies. Some countries addressed the risk of increasing taxation for lower incomes ("fiscal drag") by revising bracket creeps.

¹⁴ In accordance with the operational arrangements agreed for the 2023 MLS exercise, given the broad focus on multiple sets of CSRs and additional challenges, Member States were given the option to opt out from each review in case they acknowledged "no progress" in the last 12 months. **Belgium, Latvia and Slovenia** opted out of the review. **Italy and Slovakia** opted out due to the broader remit of their 2022 CSR on taxation.

Nonetheless progress has also been registered across many Member States in greening the tax system and making it more supportive to a sustainable growth, with a mix of incentives for environmentally friendly activities and disincentives for the use of fossils. However, to support an inclusive growth, significant room remains in many Member States for shifting taxation away from labour and improving the tax-and-benefit system. Well-designed marginal tax rates can encourage the participation to the labour market, especially of second earners, and increase working hours. In addition, the tax wedge on low-wage workers remains high in many Member States.

b. Labour Market Segmentation

Labour market segmentation across Member States continues to affect certain groups, in particular young people, women, migrants and the low-skilled. In some cases, involuntary part-time remains high, with low transition rates from temporary to permanent contracts. Throughout 2022, many Member States continued their efforts to promote open-ended contracts as the typical working arrangement, including by tightening employment protection legislation on temporary contracts and other atypical forms of work. Tackling abuses in the use of atypical forms of work and self-employment and addressing undeclared work remains a priority in the policy agenda of many Member States.

To this end, a higher frequency of labour inspections was complemented with further requirements on the use of some forms of fixed-term jobs, such as zero-hour contracts. Yet, pieces of legislation affecting only single types of contract risk to be ineffective in addressing labour market segmentation, since they may only shift employers' preference towards other types of atypical contracts. While safeguarding the need for a certain degree of labour market flexibility connected to the fluctuations of business cycle, reforms should aim at creating a coherent framework that promote open-ended contracts, foster transitions from temporary to permanent jobs, promote incentives for on-the-job training, ensure access to social protection for all, and create a level playing field for companies.

3.3. Reforms in the areas of education, training and skills

On 30 March and 13 April 2023, EMCO held its annual review on Education and Skill jointly with the Education Committee (EDUC) to assess progress towards the implementation of relevant 2019-2022 Country-Specific Recommendations (CSRs), as well as to address complementary challenges identified in the Employment Performance Monitor and the Social Scoreboard.¹⁵ In addition to the country-specific reviews, a thematic discussion took place based on the findings of the 2023 Joint Employment Report, and a case study presented by Ireland.

Education and training outcomes across Member States continue to be strongly influenced by learners' socio-economic backgrounds. Having a disadvantaged socio-economic status, migrant background, belonging to a minority group, or living in a rural area remain the main drivers of existing gaps. Disadvantaged learners are more likely than other groups to underachieve in reading, mathematics and science, and to leave early education or training. In addition, participation in early childhood and care remains below average for children at risk of poverty or social exclusion and for vulnerable groups. While 13 Member States have achieved the 2030 European Education Area target for tertiary education attainment, some countries lag behind. In many countries gender disparities are substantial and increasing. While women outperform men in terms of overall tertiary education attainment, their share in STEM fields is lower. Member States are facing increasing teacher shortages, especially in STEM subjects and in socio-economically disadvantaged areas.

¹⁵ In accordance with the operational arrangements agreed for the 2023 MLS exercise, given the broad focus on multiple sets of CSRs and additional challenges, Member States were given the option to opt out from each review in case they acknowledged “no progress” in the last 12 months. **Cyprus, Germany and Hungary** opted out of the review.

In response to the above-mentioned challenges, Member States have implemented or are implementing reforms aimed at better targeting vulnerable groups and addressing regional disparities in access to quality to education, and modernise higher education including via the Recovery and Resilience Facility (RRF), Cohesion Policy funds, and the Just Transition Fund. In addition, efforts are being made to further mainstream digital, green, and sustainable development-related education into curricula from the early stages of education.

While Member States are stepping up their efforts to improve the skills of teachers, in particular digital skills, measures are also being implemented to address shortages, including by increasing the attractiveness of the teaching profession and introducing alternative pathways to the teaching profession. The proclamation of the European Year of Skills may represent an unprecedented opportunity for Member States to raise awareness among EU citizens regarding the importance of developing their skills, including in view of achieving the 2030 EU headline target and the related national targets on skills. Evidence shows that disparities persist about participation in adult learning, with those supposedly more in need — e.g. the lower-skilled — participating far less than more educated people. Participation in learning is also lower for those living in rural areas, indicating the need to improve training infrastructure and to continue investing in distance learning.

Despite increased efforts across all Member States, digital skills could be further prioritized in the context of training policies, especially in those countries where the share of adults with at least basic digital skills is low. In such cases, gaps in digital skills should also continue to be addressed, particularly when affecting women, the low-skilled, unemployed, and the inactive.

Several Member States have introduced or are planning to introduce upskilling and reskilling policies with the objective of addressing the rising skill shortages in high-demand sectors (such as healthcare), tackling skills mismatches, and adapting the skills of the workforce to the changing world of work, including with the support of resources available from the ESF+ and the NextGenerationEU. Micro-credentials and individual learning accounts are being increasingly tested as means to make learning opportunities more accessible, flexible, and tailored to individuals' needs. In a context of tight labour markets and low unemployment, Member States are increasingly introducing training measures that primarily target the most vulnerable, whose potential remains untapped.

Awareness is also further increasing about the importance of sound and reliable skills forecasting tools. The issue remains, in some circumstances, to better integrate skills intelligence systems into education and training policies.

3.4. Reforms in the area of active labour market policies and public employment services

On March 31, 2023, EMCO conducted its annual review on Active Labour Market Policies (ALMPs) and Public Employment Services (PES) to assess progress towards implementing the relevant 2019-2022 Country-Specific Recommendations (CSRs) and address complementary challenges identified in the Employment Performance Monitor and the Social Scoreboard.¹⁶ Before the country-specific reviews, a thematic discussion took place based on the main findings of the 2023 Joint Employment Report, the inputs of the Chair of the PES Network, and France's presentation of its project on "zero long-term unemployment territories".

¹⁶ In accordance with the operational arrangements agreed for the 2023 MLS exercise, given the broad focus on multiple sets of CSRs and additional challenges, Member States were given the option to opt out from each review in case they acknowledged "no progress" in the last 12 months. **Bulgaria** and **Hungary** opted out of the review.

In 2022, employment continued to grow across all European Member States. At 74.9% in the fourth quarter of 2022, the EU-27 employment rate was two percentage points higher than pre-pandemic levels. Nevertheless, significant gaps persist between Member States and different socio-economic groups. Efforts are still needed to promote quality employment opportunities and increase the employment rates of women, young people, low-skilled individuals, people with disabilities, people with migrant backgrounds, and ethnic minorities, in order to achieve the 2030 employment targets of the action plan for the implementation of the European Pillar of Social Rights. In the context of positive developments in the labour market, the slight increase in long-term unemployment is concerning.

Facing the sharp rise in labour and skill shortages, which are affecting the vast majority of European economies, Member States and their Public Employment Services are increasingly focusing on training policies, particularly on green and digital skills, as well as occupations and sectors in higher demand (e.g., healthcare and tourism), including to foster sustainable transitions into the labour market. Nevertheless, the importance of improving the quality of support provided to the most vulnerable groups is well recognized, and measures have been introduced for this purpose, notably to strengthen career guidance and counselling as well as outreach.

However, in many European Member States, the percentage of job seekers participating in labour market policy intervention remains well below 40%, and spending on ALMPs is below 2% of GDP, indicating the need to strengthen the provision of well-designed measures and efforts to enhance their inclusiveness. In this respect, efforts are ongoing to improve PES service delivery and capacity, including through digital tools and improved labour market and skills forecast tools. However, the level of organizational maturity and capacity of PES remains uneven across Member States, and efforts are still needed, among others, to improve partnerships and cooperation with other actors, such as education and training institutions and employers.

The support provided by Cohesion Funds and the implementation of the Recovery and Resilience Facility are helping many Member States address the main challenges faced in ALMP implementation. Policy design could, however, benefit from a more systematic evaluation of past interventions.

3.5. Reforms in the area of labour market participation of women through access to ECEC and LTC

On 24 May 2023, EMCO and SPC held their annual review on annual review on issues of joint interest, notably social protection, income support and access to services with a focus on the labour market participation of women linked to services, to assess progress towards the implementation of relevant 2019-2022 Country-Specific Recommendations (CSRs). The reviews were informed by a thematic presentation by the Commission also based on the findings of the 2023 Joint Employment Report.

Substantial gender gaps in terms of both participation to labour market and work intensity persist in many EU countries, with the share of part-time workers among employed women remaining 20 percentage points above that of men on EU average. Care responsibilities, including for people in need of long-term care and for children, remain one of the main factors hindering female labour market participation and full-time employment in many Member States, keeping around 7.7 million women out of the labour market. The impact of parenthood on women's employment remains substantially negative in the EU (-10.6pps) with particularly wide gaps in some Member States. At EU level, participation in Early Childhood Education and Care (ECEC) for children aged under 3 increased to 36.2% in 2021. Yet, the situation is very varied across Member States, with many lagging behind the revised Barcelona targets.

Progress is nonetheless observed across the board in the provision of access to affordable and good quality early childhood education and care, notably by expanding the supply of available places and supporting low-income families in accessing services. In some cases, participation to ECEC has been increased by lowering the age for compulsory education. Despite the efforts made, substantial challenges remain in enhancing access for children with poor socio-economic background and to tailoring ECEC to the needs of children with disabilities or requiring special care.

Tackling the high level of informality, poor working conditions and skill shortages in the long-term care (LTC) sector remain key issues to ensure access to affordable high-quality long-term care. Measures are being implemented to develop community-based services, extend home care services, and create long-term day-care centres. In some cases, additional financing for the training of nursing staff and to support informal caregivers have been provided to address staff shortages.

Efforts have also been noted to strengthen the needed coordination between different administrations and different level of governance, which is often requested to expand ECEC and LTC services and improve their quality.

The EU funds, notably the Recovery and Resilience Facility (RRF) and the European Social Fund+ (ESF+), have been widely used to expand the provision of LTC and ECEC services, including for the construction and renovation of ECEC facilities and the creation of places for children. Due consideration is essential to ensure the future sustainability of the implemented measures.

Challenges persist to facilitating access to childcare and long-term care for displaced children and people from Ukraine fleeing the country after the Russian aggression, including in the view of integrating Ukrainian women in the labour market.

3.6. Reforms in the area of social protection and social inclusion

Social protection and social inclusion policies support individual development, enhance social cohesion, foster positive labour market outcomes and stimulate economic growth. Well-functioning social protection systems can cushion the impact on the individual and the society from various crisis and shocks, as evidenced during the COVID-19 pandemic, or in the current context of high inflation and spiking energy cost.

Past SPC work¹⁷ has identified certain weaknesses in the social protection and social inclusion systems of the Member States, including in terms of adequacy and coverage of various benefits, in particular for non-standard workers and the self-employed. Changing labour markets, technological developments and demographic change require continuous adaptation and improvement of the European social protection systems.

The European Pillar of Social Rights and its action plan provides a policy framework at EU level to stimulate policy reforms. Among the numerous initiatives of the action plan, the 2019 *Council Recommendation on access to social protection for workers and the self-employed*, and the 2023 *Council Recommendation on adequate minimum income, ensuring active inclusion*, guide Member States to improve their social protection and inclusion systems.

Additionally, support to the national reform efforts is available from the Recovery and Resilience Facility (RRF), with 13.4 Billion Euros allocated to grants and loans linked to social protection and inclusion measures in eighteen Member States¹⁸. The national Recovery and Resilience Plans (RRP) of these Member States cover a broad range of reforms and investments to strengthen their national social protection systems in relation to their effectiveness, quality and resilience, depending on the country-specific needs.

¹⁷ 2021 Annual Report of the Social Protection Committee.

¹⁸ Austria, Belgium, Croatia, Cyprus, Czechia, Denmark, Finland, France, Germany, Greece, Italy, Latvia, Lithuania, Portugal, Romania, Slovakia, Spain, Sweden.

a. Horizontal findings from the country-specific reviews

As part of its annual Multilateral Implementation Reviews, in April, 2023 the SPC reviewed the performance of nine Member States with country-specific recommendation (CSRs) in the area of social protection and social inclusion. Five additional CSRs of common interest were reviewed at a joint session with EMCO in May. Eight of the reviewed CSRs contain references related to the effectiveness of the national social protection systems in terms of adequacy, targeting and coverage of income support benefits, in combination with access to services. Five Member States were recommended to strengthen the provision of social and/or affordable housing. Recommendations related to the provision of affordable and quality long-term care and early childhood education and care in the context of supporting the labour market participation of women were issued to two Member States.

The country-specific reviews of the SPC revealed the following:

- Some major efforts to reform the existing **social protection and social inclusion systems** are underway, with Member States applying the lessons learned during the COVID crisis to design more permanent measures that can improve the functioning of their national systems. This entails the integrated provision of various cash and in-kind benefits, in combination with access to quality social services and measures to ensure an effective coordination between services aiming at social inclusion and labour market (re-) integration. As most of the presented reforms are in an initial phase, robust performance monitoring and evaluation is necessary to ensure the reform's continued relevance and success.

- In addition, several of the reviewed Member States focus on addressing poverty challenges through improvements in the adequacy and coverage of benefits (e.g. Hungary, Portugal, Latvia), for instance by ensuring an adequate indexation of benefits in the context of the current high inflation rates (e.g. Latvia). Improving the effectiveness of the national safety nets through simplification and streamlining is a focus area for Portugal, Latvia and Finland, while Poland and Hungary report targeted measures covering particular age groups or areas of benefit provision and access to services.
- The **housing-related** reviews confirmed that housing costs may represent a serious challenge for households, especially in bigger cities and for vulnerable households. In the reviewed countries, there is wide political recognition of these challenges and commitment for policy action, through plans, reforms and investments. Monitoring frameworks and coordination of housing policies with complementary policies (e.g. income support) and services (e.g. transportation) are recognized as necessary for the success of such action.
- The reviewed Member States report on various legislative and/or investment measures to increase the supply of housing, including of social and/or affordable rental housing. These measures however require substantial financial outlays and lead-in times, which could delay the implementation of access to adequate housing even when plans and policies are drawn. The current period of high inflation can be an additional challenge to the strategies already in place.

- Efforts are also being made to reinforce the legislative framework and administrative capacity of the various authorities involved in the provision of affordable housing (Spain, Lithuania). Specific attention is also paid to the provision of services for specific needs, such as housing for persons with disabilities, Housing First policies for homelessness, desegregation policies and prevention of evictions (Hungary, Denmark).
- The joint EMCO-SPC reviews on the **provision of early childhood education and care** in the context of women's labour market participation demonstrated that additional efforts to expand capacity and improve affordability are needed. Addressing these concerns would enable parents to access full-time jobs, as well as improve the well-being of children. Furthermore, with nearly one in four children being at risk of poverty or social exclusion, targeted efforts to support children at risk and their parents will continue to be required.

b. Outcome of the thematic discussion on Social Protection and Social Inclusion

The SPC thematic discussion in this policy area focused on the role of benefits and service provision for poverty reduction and labour market (re)-integration. It was supported by a presentation of an *Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of Member States' minimum income schemes*. In the ensuing discussion, the delegates explored how various elements of policy design could interact and what are the success factors of the integrated delivery of cash benefits and activation policies.

The exchange demonstrated that:

- Member States consider social policies as an investment and a productive factor, as reforms in the area of social protection and social inclusion can support economic growth and promote employment.
- The modernization of the social protection and social inclusion systems is ongoing in many Member States in line with the active inclusion principles, including an emphasis on adequate income support, support for social integration and labour market participation, alongside with the provision of affordable and quality services. To be successful, such reforms should take into account the whole range of social benefits and services that support individuals throughout their lifecycle and consider the interaction between the various income support elements. This integrated approach should reduce benefit dependency and vulnerability of beneficiaries, while providing adequate financial resources to tackle poverty and support low-income families and individuals at vulnerable situation.
- Minimum Income schemes are an important component of the national social protection and social inclusion systems. In almost all European countries they are insufficient to keep people above the poverty threshold. While a wide range of complementary cash and in-kind benefits can provide additional support, in most cases those are subject to additional means testing and claim procedures. Simplification and streamlining of benefit provision should improve the adequacy of income protection schemes. Regular indexation and automatic adjustment mechanisms of income support were emphasized in relation to the current high-inflation context.

- Finding the right balance between ensuring adequacy of the social benefits and creating incentives to work remains an important issue for the Member States. In most countries, social assistance programmes are designed to link the provision of the benefits to activation measures. To facilitate taking up work or increase work intensity, some countries apply financial incentives by temporary phasing out of benefits (tapering mechanism) when individuals enter the labour market or participate in job training or public work programmes. In addition to financial incentives, active labour market policy measures, including training and upskilling programmes, wage subsidies and temporary public or community work schemes are available to help individuals for labour market integration. However, the participation of minimum income recipients in ALMP measures are not always guaranteed and/or limited to public work participation.
- The issue of non-take up of benefits and the need to explore the obstacles and regularly evaluate the existing schemes to design effective policies have been highlighted. Further simplification and improved transparency of the social protection and social inclusion systems, supported by digital technologies have been identified as venues to address obstacles and improve benefit and service delivery.
- Efforts to improve the coverage and adequacy of social protection and social inclusion systems should be complemented with reflections on how to finance those systems, as adequacy and sustainability concerns should be addressed in a comprehensive manner. While the balance between various sources of financing is specific for each Member State, reflections on new alternative and alternative sources of financing should continue.
- Finally, peer learning and exchanges of best practices and innovative approaches have been identified as highly effective tools, facilitating a shared understanding of interrelated challenges and supporting Member States' reform efforts.

3.7. Reforms in the area of pensions

National pension systems have been a focus area for structural reforms since the very start of the European Semester. Faced with the prospects of an ageing population, shrinking number of working-age Europeans, and evolving labour markets, Member States have been working on a range of reforms, aimed to contain pension expenditure, while maintaining the fairness and intergenerational equity of their pension systems. Efforts to safeguard pension adequacy, in particular, have been gaining prominence in recent years, as observed in the 2021 Pension Adequacy Report of the SPC and the European Commission, and confirmed also in the 2022 Joint Employment Report.

Support to national pension reform measures is available from the Recovery and Resilience Facility (RRF). The national Recovery and Resilience Plans (RRP) include reform measures on pensions or minimum old-age benefits for fourteen Member States.¹⁹

a. Horizontal findings from the country-specific reviews

In this context, in February 2023, the SPC reviewed the progress made by 8 Member States in the area of pensions, in response to country-specific recommendations (CSR) issued to them in 2022. The majority of these recommendations were focused on fiscal sustainability issues, with elements related to adequacy, fairness and equality present for three of the reviewed countries, and references to the need for an overarching pension system reform, present in two. Most of the reviewed Member States have received similarly worded CSRs in past cycles of the European Semester, which signifies the long-term and structural nature of the observed challenges.

¹⁹ Belgium, Germany, Spain, Croatia, Latvia, Lithuania, Malta, the Netherlands, Austria, Poland, Romania, Slovakia, Slovenia and Sweden.

The discussions in SPC have demonstrated that the reviewed Member States acknowledge the identified challenges and are taking steps to address them. A wide range of measures has been reported:

- In most of the reviewed Member States, specific actions are taken to study the issue and to prepare a policy response. Such actions include specific periodic reporting on the functioning of the pension system and the establishment of dedicated commissions to deal with pension reforms (e.g. Czechia, Germany, Ireland Luxembourg and Hungary).
- Member States recognize that fostering increased participation in the labour market in general or specifically supporting employment of older workers can improve the fiscal sustainability of the pension system. While in most of the reviewed Member States (excl. France) no further actions are planned to raise the statutory retirement age, measures - such as for example the reduction of social contributions, co-financing, job referrals, training or career guidance - are being introduced to raise the effective retirement age and encourage deferred retirement (Czechia, Ireland, Poland).
- In an effort to address their sustainability challenges, several Member States are taking steps to increase the revenue of the pension insurance system by increasing the contribution rate and/or widening the financing base (Germany, Ireland). In some of the reviewed Member States, dedicated funds have been established to help address the deficit of the pension insurance (e.g. Luxembourg).
- Efforts to maintain or improve the fairness of the pension systems have also been made in some of the reviewed Member States. Steps are being taken for the introduction of an ambitious and overarching reform in France and further development of the occupational and personal pensions is being explored in Germany and the Netherlands.

The SPC welcomed the reported measures and views positively the efforts made by the Member States. At the same time, the discussions in the Committee have shown that further action will be needed to fully address the requirements of the country specific recommendations, as in many instances the reported measures are still to be implemented, while in others the legislative process is at an early stage.

b. Outcome of the thematic discussion in the area of pensions

In addition to the country-specific reviews, the SPC also engaged in a horizontal discussion, focused on the *measures taken by all Members States to protect the living standards of the retired population in the context of high inflation and spiking energy cost*. The outcome of this discussion is reported below.

In 2022, the annual inflation rate in Europe has reached a record high level of 9.2%, or approximately 3 times higher compared with 2021. Energy prices, which increased sharply in the aftermath of the Russian invasion of Ukraine, are among the main drivers behind the soaring inflation, with consumer prices for housing, water, gas, and electricity, increasing by 18% in a single year²⁰.

²⁰ Eurostat, source data set [*prc_hicp_aind*](#), retrieved 22.05.2023.

Even though the increasing price levels affect all (vulnerable) households, they may entail specific challenges for the retired population. Compared to the working age population, pensioners' health in general is more fragile. They also have less control and flexibility in adjusting in response to changing circumstances, as they cannot easily change their consumption patterns, or assume additional work to supplement their income. The indexation of pensions – a major source of income adjustment - usually takes place with some delay (typically once a year) and in most cases at a level below wage growth. What is more, the extent to which the inflation correction affects pensions can also depend on the general design of the pension system. Single older people and older people at risk of poverty are also particularly affected by the spike in energy prices, and face a comparatively higher risk of energy poverty.

In this context, the thematic discussion in the SPC focused on measures, taken by the Member States to protect the living standards of the retired population. The exchange confirmed the following:

- Governments throughout the EU have started intervening with policy measures to cushion the impact of rising commodity and energy prices already in 2021, but the situation following the Russian invasion of Ukraine demanded further strengthening of their response.
- Driven by the need to provide a timely response, most countries have initially opted for actions that provide support to the general population, but some means-tested measures, or measures targeting specific vulnerable groups have also been put in place. The latter is considered as a positive development, as untargeted support raises significant fiscal concerns; it risks providing insufficient assistance to those who need it the most; and might fuel further inflationary pressures.

- The non-targeted measures, reported by the Member States are mostly of temporary nature, but some have taken steps to increase incomes through increasing the level of benefits (including non-contributory pension, e.g. Spain) or expanding their eligibility. A large number of countries have introduced payments either to increase incomes in general, or to cover energy bills directly. Many have introduced subsidies, depending on consumption levels for electricity, gas or heating in general for the winter season. Some Member States have introduced price caps or reduced VAT for energy.
- Concerning the retired population in particular, adjusting the existing pension indexation mechanisms has been a major part of the policy response of the Member States. Such mechanisms exist across the EU; they allow pensions to grow in line with the increase of prices, wages, or a combination of the two. In the large majority of cases, pensions are indexed once a year. In some countries, an extraordinary update or a more favourable indexation mechanism is triggered in case inflation or wage growth exceeds a certain threshold (e.g. Czechia, Luxembourg), or a supplement is added if GDP growth exceeds a certain level (Hungary). The severity and fast development of the current cost-of-living crisis led in a number of Member States to reinforcing or advancing the indexation measures, sometimes with a retroactive effect (e.g Finland, Hungary, Italy, Lithuania, Latvia, Malta, Romania, Slovakia, Slovenia). In the current period of extraordinary inflation growth, also characterised by falling real wages, price indexation may be more favourable to pensioners, compared to wage indexation, however it comes with a significant financial cost, so the extent to which this may be sustained will depend on the existing fiscal space and national preferences.

- A number of Member States introduced additional measures, or targeted some of their general measures to low-income pensioners. Such actions include means- or income-tested payments (in Croatia, Poland, Denmark); supplements to lowest pensions (Cyprus); the (re) introduction of a 13th monthly pension (in Poland and Hungary) and a means-tested 14th pension (Poland); the introduction or increase of existing housing allowances and/or heating supplement (in Czechia, Finland, Sweden, Ireland and Slovenia).

Finally, the discussion confirmed that given the severity and anticipated continuation of the cost-of-living crisis, there is scope for further exchanges on the range of support measures, planned or implemented by the Member States in the context of the mutual learning activities of the SPC.

3.8. Reforms in the area of healthcare

Good health improves people's wellbeing and is a necessary prerequisite for sustainable long-term economic and social growth. The COVID-19 pandemic highlighted the existing limitations of the European health systems, and reinforced the need to improve their functioning and preparedness for possible future crisis events. In response, a number of Member States embarked on reforms to foster more resilient health systems, even as the pandemic was still unfolding in 2021 and 2022.

The Member States' ongoing reform efforts include measures to address challenges related to the pandemic (such as upgrading health facilities and improving public health capacities), but also measures to address more structural challenges related to access to health care and workforce shortages. A very significant increase of spending on preventive care (26%) was recorded in 2020, albeit from a low baseline budget share (below 3% of the total healthcare spending in 2019) and to a large extent driven by the response measures to the COVID-19 crisis.

Significant support for the national reform efforts is available from the Recovery and Resilience Facility (RRF). To that end, the National Reform and Resilience Plans (RRPs) of all 27 Member States include dedicated investments for healthcare reforms, reaching a total amount of more than 43 Billion Euros.

a. Horizontal findings from the country-specific reviews on healthcare

In 2022, healthcare-related Country Specific Recommendation were issued to eight Member States. The recommendations are multidimensional and cover a range of issues: four CSRs address reform challenges in primary care (Greece, Poland, Hungary, Lithuania), as well as in preventive care (Hungary, Lithuania) and the uptake of eHealth (Poland). Two highlight adequacy and equality concerns (Greece, Latvia), one CSR focuses on workforce shortages (the Netherlands), one on integrating health and social services (Estonia), and one on fiscal sustainability (Slovenia). As three of the recommendations contain references to other related policy areas (long-term care for Estonia and Slovenia, and social protection for Latvia), they were reviewed by the Committee as part of the dedicated sessions on long-term care and on social protection and social inclusion.

The country-specific reviews on healthcare have demonstrated that:

- Member States recognize the multi-dimensional nature of the challenges to their healthcare system and acknowledge the need for a holistic approach. The importance of strong safety nets for providing healthcare access to the most vulnerable, as well as the strategic need for efficient coordination between social and healthcare systems, and among national, regional and local levels was acknowledged.

- The reviewed countries are focusing much of their efforts on prevention and health promotion (Hungary, Lithuania, Poland), as well as on improving the governance of the healthcare system and the provision of primary care (Hungary, Greece, Lithuania). The roll-out of telemedicine and other digital solutions is also ongoing (Lithuania, Poland). Such efforts could not only improve the accessibility of care and promote better health outcomes for the population, but also alleviate the need for specialized medical personnel and costly hospital care. In the case of telemedicine, continued attention is needed on the digital divide related to limited digital skills and IT access issues, in particular among the elderly users, or those from vulnerable background. The mixed digital and physical provision of health services may need to be maintained to promote access to quality healthcare for all.

- Population ageing and increasing demand for quality healthcare services are exercising additional pressure on already existing shortages and regional disparities in the availability of the health workforce. Most of the reviewed Member States (Hungary, Greece, Lithuania) are taking steps to improve the attractiveness of the medical profession by improving working conditions, increasing remuneration, or providing non-financial incentives, such as training opportunities to attract additional medical personnel and better retain present personnel. The Netherlands acknowledges that a further substantial increase in the number of medical workers may not be fiscally sustainable in the long-run and are focusing their attention on increasing the productivity of the workforce, including by seeking organisational efficiencies and leveraging technology. Reorienting service delivery away from hospitals to primary care, as well as more effective health promotion and disease prevention strategies were further recognized as of key importance in addressing the workforce issue in a sustainable manner.

- A large set of the reported reforms and investments, with potential to address the outstanding challenges, are at early stages of implementation. The impact of those reforms is expected to materialize in the coming periods, so continued monitoring and evaluation will be required, also with a view of introducing further adjustments, as needed.

b. Outcome of the thematic discussion in the area of healthcare

As part of its Semester-related work, the SPC also engaged in a horizontal discussion, focused on the *main features of recent and current reforms in access to mental healthcare, notably with regard to prevention and provision of community mental healthcare services, availability of trained staff and funding*. The discussions were framed by horizontal scene setters by the European Commission and the European Health Observatory, as well as case a study presentation by Portugal.

The exchange clearly demonstrated that:

- Member States recognize that mental health issues have a significant social impact. Poor mental health impacts negatively the overall well-being and quality of life of the individuals. It can lead to physical health problems and can have a negative impact on social interactions, educational and job performance. Furthermore, mental illness can have a significant economic cost, associated with lost productivity, increased reliance on social welfare programs, as well as costly healthcare interventions.
- Mental health illness is considered to be largely preventable. Many of the risk factors leading to it - such as poverty, indebtedness, unemployment, unhealthy lifestyle or access to housing - are outside of the scope of the health system, implying the need for an integrated, cross-sectorial approach to mental health issues.

- The COVID-19 pandemic has led to an unprecedented worsening of the population's mental health. The social distancing and other restrictions, introduced by the Member States to prevent the spread of the virus, have led to reduced opportunities for social interaction, which increased the feeling of loneliness and isolation among many²¹. The overall unpredictability of the pandemic and the increased economic instability and financial insecurity driven by it, led to an increased number of individuals reporting psychological distress and symptoms of depression and anxiety²². At the same time, the pandemic disrupted the accessibility of mental health support and exacerbated existing workforce shortages, leading to long waiting times, backlogs and increase in the unmet need for healthcare across all Europe. In part, the accelerated uptake of telemedicine tools as a direct mitigation strategy in response to the pandemic helped alleviate some of the burden, including as regards access to mental healthcare.
- The EU Member States have been taking steps to improve access to care and support even before the start of the COVID-19 pandemic, although many measures currently deployed or planned are taken as part of national Recovery and Resilience Plans. Several Member States have initiated long-term cross-sectorial reforms and are taking steps to integrate mental health services into primary care, in an effort to improve accessibility and efficiency. Ongoing efforts are also being made to shift mental health care from institutional settings to community-based care, including through development of community mental health teams and crisis intervention services.

²¹ Eurofound, Nivakoski, S., Ahrendt, D., Mascherini, M., et al., *Living, working and COVID-19 (Update April 2021) : mental health and trust decline across EU as pandemic enters another year*, Publications Office, 2021.

²² Eurofound (2022), Fifth round of the Living, working and COVID-19 e-survey: Living in a new era of uncertainty, Publications Office of the European Union, Luxembourg.

- A number of additional steps were taken during the pandemic. Many Member States focused on self-care and on improving mental health literacy by developed new information portals and/or setting up phone support lines advice on coping measures or aimed at suicide prevention. Additional efforts to extend coverage were made by changing reimbursement rules and also increasing entitlement to mental health services. The training of additional medical personnel was stepped up with some countries offering training for basic psychological skills for health workers. Outside of the medical system, the actions taken at EU and national levels to protect jobs and incomes, and aid the transition to working from home helped to support both the incomes and the mental health of working population.
- Going forward, Member States acknowledge the need for further efforts to address the mental health issues, as well as the need for better data and enhanced monitoring on the impact of the policy measures introduced. The relevance of prevention and early intervention in addressing mental health issues is widely recognized, with a number of Member States implementing public awareness campaigns and early intervention programs to identify and treat mental health conditions early. In an effort to improve children's emotional and social competencies and foster an overall sense of psychological wellbeing at an early age, some Member States are introducing measures for mental health promotion at schools. The importance of involving various stakeholders, such as Civil Society Organizations, but also patients and their families, in the development of mental health policies and services is also acknowledged. Such involvement may help ensure that those policies and services meet the needs of individuals with mental health conditions.

- Workforce shortages have been identified as one of the key impediments in providing high quality and effective mental care and support to those who need it. Addressing these shortages will require a comprehensive approach, including efforts to increase the attractiveness of the profession, further training opportunities, and efforts to increase the skills mix, including through basic psychological training of social and health workers. The development of telehealth and other innovative models of care may also help addressing workforce shortages.

3.9. Reforms in the area of long-term care

As emphasized in the 2021 Long-term care report of the SPC and the European Commission²³ and the European Care Strategy, the ageing of the European populations is expected to lead to a strong increase in the demand for affordable health and long-term care (LTC) services of good quality, in a time when less people of working age will be available to provide or finance such services.

The COVID-19 pandemic exposed existing systemic weaknesses in the national care systems. High mortality rates in long-term care facilities, difficulties in ensuring the continuity of care and overall adverse impact on the well-being of older people and carers highlighted the need to address the structural challenges and improve the resilience of long-term care systems. This requires a careful balancing of adequacy and sustainability considerations, considering that long-term care is projected to be one of the fastest rising social expenditure items.

²³ 2021 Long-term Care Report.

The 2022 *Council Recommendation on access to affordable and high-quality long-term care*²⁴ sets the framework for future reforms and investments, while EU funding, notably the ESF+ and the Recovery and Resilience Facility (RRF), provide financing opportunities. Member States are making extensive use of these opportunities, with the national Recovery and Resilience Plans (RRP) of eighteen countries²⁵ including reform measures on long-term care, reaching a total amount of 7.3 Billion Euros. Progress in implementing this Recommendation will be monitored in the context of the European Semester and the Social Open Method of Coordination.

a. Horizontal findings from the country-specific reviews on long-term care

As part of its work under the European Semester, in March 2022, the SPC reviewed the performance of four countries (Austria, Belgium, Estonia and Slovenia) with country-specific recommendations in the area of long-term care. While fiscal sustainability concerns feature prominently in all four CSRs, the policy scope of the issued recommendations also includes the dimensions of adequacy, availability of the various care settings, affordability, quality, as well as the integration of healthcare and long-term care. A fifth CSR, issued to Poland focuses on the provision of long-term care in the context of women's labour market participation and was reviewed jointly with the Employment Committee.

²⁴ Council Recommendation on access to affordable and high-quality long-term care.

²⁵ Austria, Belgium, Bulgaria, Cyprus, Czechia, Estonia, Spain, France, Croatia, Italy, Lithuania, Latvia, Poland, Portugal, Romania, Sweden, Slovakia, Slovenia.

The country-specific reviews demonstrated that:

- All of the reviewed Member States are taking steps to improve the provision of adequate and fiscally sustainable long-term care of good quality, in a context of ageing population. As many of the reported measures are yet to be implemented, or have been in force for a very short time, their effectiveness and fiscal impact should continue to be assessed. In addition, many of the reported measures are aimed at addressing specific challenges of long-term care systems rather than pursuing systemic changes.
- Efforts to improve the sustainability of the care systems include legislative changes aimed at regulating and addressing regional differences in access (in Austria, Estonia) or at reforming the health and long-term care insurance system (in Slovenia). Belgium, established regulatory frameworks that include an expenditure growth standard or aim at addressing the mismatch between the supply of and needs for residential care.
- Greater focus on ensuring better quality and alternative forms of accommodation for older people are reported, including through proposed investments in enhancing the transition from institutional to community-based care (Austria, Belgium, Slovenia); the preparation of national quality standards (Slovenia), or the establishment of minimum standards for home care, as well as the elaboration of guidance and definition for the respective roles of the central and local governments (Estonia). *Community nurses*, designated as central contact persons and tasked with facilitating the interactions between people and care providers, are an important part of Austria's efforts.

- Workforce challenges were emphasised (Austria, Belgium), they are being addressed through support measures for people undergoing initial training in nursing and care, improving attractiveness of the work in the LTC sector (Austria), and upskilling and re-skilling measures (Estonia), and provision of various forms of support to informal carers. Special attention is also given to the potential of digitalization and other innovative solutions.

b. Outcome of the thematic discussion in the area of long-term care

The thematic discussion in this policy area was framed by a presentation of the study *Long-term care social protection models in the EU*. The study explores the prevalence of formal services, compared to reliance on informal care, as well as the different modalities of state intervention (cash benefits and services). It found that the models that provide best coverage for LTC needs are those that rely on strong public provision, with a key role played by in-kind provision. At the opposite end of the spectrum, limited state intervention is associated with low coverage rates and increased risk of poverty and social exclusion for older people with long-term care needs.

In this context, the thematic discussion in the SPC focused on ensuring access to affordable high-quality long-term care services, while taking into consideration the underlying need for sustainability, and the balance between the provisions of formal care services and informal care:

- Despite the heterogeneity of the national long-term care systems in Europe, with significant differences in the organization, delivery and financing of long term care across the Member States, there remain common challenges as concerns access, affordability, quality and workforce.

- Addressing these challenges requires a range of different reforms. Given the strong links of long-term care to social protection, healthcare and employment, comprehensive and cross-cutting actions are necessary. Preventative approaches and early intervention, integration between long-term care and primary healthcare, better targeting of LTC services through person-centred approaches were indicated as necessary ingredients of the policy mix.
- Meeting the growing demand for long-term care is highly dependent on the availability of a sufficient number of trained carers. Changes in the family structure, as well as at the increased participation of women in the workforce are likely to lead to a decrease in the availability of informal caregiving. Despite its significant job creation potential, long-term care is currently characterised by poor working conditions, low wages, and high turnover. In this context, increasing the attractiveness of the care sector, including through better working conditions and higher pay, training, was identified as a key area for action. Addressing the needs of the informal carers may require further measures, such as the provision of care credits, mental health support and respite leave. As the large majority of the workers, as well as informal carers are women, measures to improve the working conditions of the sector also support gender equality.
- Actions are also needed to ensure that those in need can access care without undue financial burden. To that end, several countries are taking steps in establishing formal long-term care as part of their social protection system. Without this protection, the total costs of LTC are unaffordable for many Europeans.

- Member States are also making efforts to increase the cost-effectiveness of care services, including through the use of new technologies and focusing on early intervention and prevention measures. Ensuring the right balance between a residential care model and ageing in place strategies, including home care and community-based care, is a major element in the national reform agendas. This has the potential to have a positive impact on individual well-being, while increasing the cost-effectiveness of expenditure. At the same time, the ageing of the European population is expected to lead to an increasing share of frail older people, with a corresponding need for care in a residential setting, so careful assessment of future needs is required in order to guarantee that institutions will meet their obligations towards older persons.
- The exchange also confirmed the need to improve the quality and availability of data, to enable the design of effective policies and measures to address the long-term care needs of an ageing population. To that end, the SPC, through its indicator workgroup will continue to work with the Commission on developing common EU indicators on long-term care and in particular on establishing a framework of indicators for monitoring the implementation of the Council Recommendation on access to high-quality affordable long-term care.

Annexes:

- 1. Outcome of the 2023 Country-specific EMCO Reviews**
- 2. Outcome of the 2023 Country-specific SPC Reviews**
- 3. Outcome of the 2023 Country-specific Joint EMCO-SPC Reviews**