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COVER NOTE

From:	The Social Protection Committee
To:	Permanent Representatives Committee/Council
Subject:	Key Social Challenges: Report drawn from the 2023 SPC Annual Review of the Social Protection Performance Monitor (SPPM)

Delegations will find attached the "Report on key social challenges" drawn from the 2023 SPC Annual Review of the Social Protection Performance Monitor (SPPM) and developments in social protection policies, submitted by the Social Protection Committee with a view to the Council meeting (EPSCO) on 9 October 2023.

The main messages which are drawn from this report are contained in doc. 13306/23.

The SPPM Country Profiles annexed to this report are contained in doc. 13306/23 ADD 2-4.

Social Protection Committee

Annual Report 2023

Review of the Social Protection Performance Monitor (SPPM) and developments in social protection policies

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- *Key social challenges and key messages*

EUROPEAN COMMISSION

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Social Protection Committee

Annual Report 2023

Review of the Social Protection Performance Monitor (SPPM)
and developments in social protection policies

- *Key social challenges and key messages -*

Manuscript completed in September, 2023

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Abbreviation	Full name
EU27_2020	European Union (27 countries composition from 2020)
EA18/19	Euro area (18/19 countries)
BE	Belgium
BG	Bulgaria
CZ	Czechia
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden

Acknowledgments

The present report has been prepared as part of the mandate given to the Social Protection Committee (SPC) by the Treaty on the Functioning of the European Union (TFEU) to monitor the social situation in the European Union and the development of social protection policies (art. 160 of the TFEU).

The report is prepared by the Secretariats of the Committee and its Indicators Sub-Group. The Directorate-General for Employment, Social Affairs and Inclusion provided the SPPM dashboard calculations used in the report with the extensive assistance and data provision of Eurostat. The principal authors are Paul Minty and Georgi Karaghiozov, with specific support from Maria Baroni, Katalin Szatmari and Sara Baiocco. The members of the SPC and its Indicators Sub-Group contributed extensively to the drafting of the report and its key messages. The report was approved by the SPC on 26 September 2023. The Council of the European Union endorsed the key messages of the report on .... October 2023.

Key messages

Endorsed by the Council of the European Union on …….. October 2023)

1. **Delivering on its mandate as set out in Article 160 of the TFEU, the** Social Protection Committee **(SPC) has produced for the Council its annual review of the social situation in the EU and the policy developments in the Member States,** based on the most recent data and information available. On this basis, the SPC highlights the following findings and common priorities, which should guide the preparatory work for the 2024 Annual Sustainable Growth Survey.

2. In 2022**, Russia's war of aggression against Ukraine** came at a time when Europe was showing strong signs of recovery from the unprecedented economic shock due to the COVID-19 pandemic. It led to a subsequent sharp downturn. **Economic growth** in the EU slowed down over 2022, but despite fears of recession, positive growth in the first half of 2023 has demonstrated the resilience of the European economy in a challenging global context. Total employment continued to expand in 2022, though at a slower pace over the course of the year, and with the **employment** rate of people aged 20-64 reaching 75.3% in the first quarter of 2023. The unemployment rate remained very stable at 6.2% over 2022 (which is well below the rate of 6.5% in March 2020, just before the COVID-19 crisis began), and hit a new record low of 5.9% in April 2023, with high participation and employment rates.

3. **Prices** rose markedly from February 2022 when Russia launched its war of aggression. Whereas these price increases were initially driven by energy price rises, pressures broadened as higher energy costs passed through to food, services and other goods. This had an impact on consumer prices and consequently households' purchasing power, especially for lower income families who spend a higher fraction of their income on energy and food. However, after peaking in 2022, headline inflation continued to decline in the first quarter of 2023 amid a sharp deceleration of energy prices.

4. Year-on-year growth in **real aggregate household income** in the EU declined over 2022, turning negative in the third and fourth quarters. This mainly reflected the impact of rising inflation and falls in the real compensation of employees and of the self-employed, as well as a negative year-on-year real contribution from (net) social benefits. In the first quarter of

2023, household incomes have remained broadly stable over one year in real terms (+0,3%), reflecting that the decline in real wages (contribution of -0.9%) was mostly balanced by taxes, benefits and other transfers (contribution of +0.9%).

5. **As regards progress towards the 2030 poverty reduction target, there has been an overall stability in the EU in 2022 compared to the previous year** (with a 0.1 percentage point decrease in the at-risk-of-poverty-or-social-exclusion rate) **and over the last 3 years**. This stability reflects decreases in the number of people at risk of poverty[1] and in those living in (quasi-) jobless households, but a rise in the severe material and social deprivation component. At Member State level, around a quarter of countries recorded significant falls in their at-risk-of-poverty-or-social-exclusion rates in 2022. Most of the Member States recorded no significant change in their rates. In contrast, in a few Member States, with lower-than-average rates, an increase took place, while most of those with higher than the average rates actually saw the rates decline, indicating some degree of convergence in Member States' performances. **Eurostat's flash estimates referring to 2022 incomes** also suggest that poverty remained broadly constant on average in 2022.

6. **This stability is also the result of income support measures** in place to mitigate the impact of high inflation, which sustained disposable income in nominal terms. This confirms the positive impact of the exceptional measures adopted both at EU and Member States level in the last three years. They have effectively been cushioning the negative impacts of pandemic, energy and inflation crises on incomes, unlike what was experienced in the wake of the 2008 financial crisis. The increase in the cost of living, however, affects real incomes, as partially captured by the estimation of the AROP rate anchored in 2021[2], that shows an increase for approximately half the Member States and points to a possible deterioration of living standards in several countries. Indeed, while the EU median disposable household income is estimated to have increased by about 7% in nominal terms, it decreased by about 2% in real terms.

7. Concerning the complementary target, **child poverty also remained broadly stable in 2022,** with the number of children at risk of poverty or social exclusion showing only

1 This refers to income in 2021.

2 People at-risk-of poverty anchored at 2021 are those with an equivalised disposable income below the at-risk-of-poverty threshold calculated in 2021 adjusted with the evolution of HICP between 2021 and 2022. The AROP anchored indicator is defined as the percentage of persons in the total population who are under this inflation-adjusted poverty threshold. The indicator partially captures the price evolutions and their impact on incomes.

a marginal rise (up 0.3 million) compared to 2021. This is due to a small decline in the child population at risk of poverty, a more substantial drop in the number of children living in (quasi-)jobless households, and a rise in those experiencing severe material and social deprivation. Still, in 2022 the number of children at risk of poverty or social exclusion was higher than in the reference year 2019 by 0.9 million.

8. Certain positive developments in the social situation could be observed, despite remaining challenges, with more Member States registering positive changes than those recording negative ones in the following areas:

   - reductions in the share of the population living in (quasi-)jobless households in almost half of the Member States in long-term unemployment in almost one third, and continued rises in the employment rate of older workers in almost all Member States, reflecting improvements in the labour market;
   - the situation for youth also improved, with declines in the number of those not in employment education or training (NEETs) rate and the overall EU rate also declined;
   - there were also significant declines in the depth of poverty (i.e., the relative median poverty risk gap) for the general population in more than a third of Member States as well as for the child population.

9. Nevertheless, there were some areas to watch concerning the latest developments, namely:

   - increases in the severe material and social deprivation rate and in the standard material and social deprivation rate for the general population and for children in around a third of Member States, reflecting that real disposable income of households worsened in 2022, as the affordability of many items declined due to the rise in inflation. This was also reflected in significant rises in the housing cost overburden rate in a number of countries;
   - a deterioration in the poverty and relative income situation of older people (aged 65 or older), with rises in their at-risk-of-poverty-or-social-exclusion rate

in more than half of MS. Relative incomes from pensions as reflected by the aggregate replacement ratio worsened in a similar number of Member States.

- mixed developments with regard to income inequalities, with deterioration in almost half Member States but improvements in a similar number of Member States.

10. The European Pillar of Social Rights sets forth the necessary framework for actions at EU and Member State levels. Together with the three EU headline targets in the areas of employment, skills, and poverty reduction, the Pillar will contribute to achieving upward social convergence among Member States. Since the targets are interdependent and mutually reinforcing, coherent policy actions should be taken across the policy areas.

11. Member States should continue to take targeted actions to mitigate the impact of price increases and volatility. Households' purchasing power should be protected, especially for lower income families who spend a higher fraction of their income on energy and food (and other essential services) and which are consequently increasingly affected by material and social deprivation. In this context distributional impact assessment of policies and reforms can help prevent adverse social effects of measures on poverty and inequalities and should be used more systematically when designing reform measures and during budgeting.

12. In the current uncertain international and economic environment, the positive employment dynamics of the post COVID-19 recovery should be accompanied by social protection and inclusion policies supported by social investment to ensure fair growth, further improve the resilience of the economies and societies and reduce the risks for vulnerable households and individuals, including those related to the green and digital transitions.

13. Member States should continue to modernise their social protection and social inclusion systems, paying attention to the adequacy, coverage and take up of benefits, effectively combined with active inclusion measures, also building on the lessons learned during the COVID-19 crisis while designing more permanent

measures. They should provide, and where necessary strengthen, robust social safety nets, by integrating adequate income support (through minimum income benefits and other accompanying monetary benefits), in-kind benefits, and access to enabling and essential services, in line with the Council Recommendation on adequate minimum income ensuring active inclusion. Simplification and streamlining of benefits are required also to ensure take-up, while their adequate indexation is key in the context of the current high inflation rates.

14. Social protection for all workers and the self-employed should be fostered, in line with the 2019 Council Recommendation on access to social protection for workers and the self-employed. The report on the implementation of the Recommendation shows that there is considerable variation in the level of ambition of Member States in ensuring formal and effective coverage by adequate and transparent social protection schemes. Around half of the Member States have planned important reforms to improve participation to social protection schemes for specific categories of people on the labour market; however they are not yet all implemented. In many Member States, less focus has been devoted in the national implementation plans to ensuring effective coverage notably by adapting the rules governing entitlements and improving transparency. Therefore, further implementation efforts are needed to close existing gaps.

15. Against a worsening of child poverty, measures to break the inter-generational transmission of poverty are necessary, including through implementation of the Council Recommendation establishing a European Child Guarantee. In particular, the availability, quality and affordability of early childhood education and care is key to support the development of children's skills and competences, and support parents' labour market participation.

16. The energy crisis underlined the need to ensure access to essential services, especially to mitigate the negative social impacts of rising prices. The recent Commission report on access to essential services confirmed that, while the majority of the population in the EU has access to essential services (including energy, water,

sanitation, transports and digital services), people at risk of poverty or social exclusion and the most marginalised face the greatest barriers in accessing such services. The report highlighted that affordability can constitute an important barrier to equal access especially for energy, followed by digital communications, transport, and water and sanitation. Addressing **energy poverty** is therefore key to ensuring fairness in the green transition, un line with the Council Recommendation on ensuring a fair transition towards climate neutrality. Availability and accessibility also pose challenges to access, sometimes linked to other barriers, such as lack of skills or geographical factors (the urban–rural divide, remote and insular regions). EU funding, including the RePower EU Plan, can support Member States efforts both in tackling the current uncertain scenarios and the structural challenges in access to essential services.

17. The 2023 Thematic Social Reporting has taken stock of the existing and exceptional measures of the Member States in **facing the energy and cost of living crisis.** In a forward-looking perspective, continued focus on policies to tackle energy poverty are needed. Long-term national strategies require to combine adaptations of social protection and social inclusion systems along with social services. Permanent measures, such as especially indexation mechanisms on wages and social benefits, contribute to mitigate the effects of high inflation on real incomes and living standards. In this respect, it can be noted that so far these measures have not translated into 'further surges in inflation'. Support measures to specifically combat energy poverty by improving energy affordability are mostly temporary (82%) and tend to be universal. Most of these temporary measures will be over by the end of 2023, which points to a potential need for continued focus on policies tackling energy poverty more structurally. Targeted approaches are also needed to mitigate more effectively the negative impacts of the crisis for those who are more vulnerable and more affected. Dedicated structures to assess, monitor and address energy poverty should be implemented, also with a view of better targeting emergency policy measures.

18. Further efforts should be made to provide **affordable housing**, including social housing and/or affordable rental housing, through plans, reforms and investments. Member States should also pay attention to specific housing needs, such as housing for people in vulnerable situations and persons with disabilities. Prevention of evictions and Housing First policies for the **homeless**, should be implemented as well as desegregation policies. Stronger monitoring frameworks and coordination of housing policies (including rent controls and taxation) with other social policies (e.g. income support and housing benefits) and services (e.g. transportation) are needed. Member States are working within the framework of the European Platform for Combating Homelessness towards ending homelessness by 2030.

19. In the context of high inflation and spiking energy cost measures, **retired people** can be more fragile as they have less control and flexibility in adjusting their income in response to changing circumstances. Member States should protect the living standards of the retired population by adopting measures targeting vulnerable groups, such as low-income pensioners. In line with national specificities, besides indexation of pensions, additional targeted measures, such as means-tested payments, could be considered, depending on the design of the pension system. Efforts to safeguard the effectiveness of social protection in old age, adequacy of pensions and sustainability of the pension systems should be continued by Member States, in a context of structural reforms to face the challenges of an ageing population, shrinking number of working-age Europeans, and evolving labour markets. Fostering increased participation in the labour market in general or specifically supporting employment of older workers can help improve the level of pensions and the fiscal sustainability of the pension system.

20. Systemic weaknesses in the national care systems need to be addressed to ensure **access to high quality affordable long-term care services**, against the background of strong increase in the demand for health and long-term care services and less people of working age contributing to social protection schemes. The implementation measures of the 2022 Council Recommendation on access to affordable and high-quality long-term care can help address these challenges.

Provision of long-term care is key also in the context of women's labour market participation and upholding basic human rights of persons in need of care. While expanding the offer of high-quality services, that are person-centred and respect the freedom of choice, investments in healthy ageing, prevention and rehabilitation can help reduce the demand for long-term care. Better integration of health and long-term care services can respond better to care needs and also ensure best use of limited financial and human resources. Stronger focus is needed on quality standards and quality assurance. Measures to improve working conditions and retain and attract staff need to be pursued. Digitalisation and other innovative solutions can help improve working conditions as well as empower longer independent living at home.

21. After the COVID-19 pandemic, Member States should continue to address the existing challenges of the European **health systems** and improve their resilience and preparedness for possible future crises. Reforms, should include upgrading health facilities, improving public health capacities, addressing workforce shortages, improving preventive care and introducing innovations. The Recovery and Resilience Facility provides significant support for the national reform efforts. Effective safety nets for providing healthcare access to the most vulnerable have to be ensured. Further efforts to improve integrated care, including co-ordination with social services, will be crucial to improve the efficiency of care. The roll-out of telemedicine and other digital solutions taking into consideration the digital divide should continue to improve the accessibility of care and promote better health outcomes for the population. Strengthening health promotion and disease prevention will be key to improve health outcomes. Mental health was particularly challenged by the COVID-19 pandemic having significant social impacts and negatively affecting the overall well-being and quality of life of the individuals, especially among young people. In line with the recent Commission initiative on the comprehensive approach to mental health, efforts are necessary to build an integrated, cross-sectorial approach to mental health, also by integrating mental health services into primary care and shifting to community-based care.

22. The **European Semester** remains an effective coordination tool for fostering sustainable and inclusive economic growth, competitiveness, employment and adequate social protection and social inclusion. Since many of the reform measures taken by the Member States are part of the national Recovery and Resilience plans, it remains essential that the EPSCO Council and its advisory bodies are kept closely involved in the ongoing monitoring of the implementation of these plans.

23. To strengthen Social Europe and support the implementation of the European Pillar of Social Rights at EU and Member State level, with due regard for respective competences, constructive **dialogue** should be maintained between EU institutions, Member States, social partners and civil society organizations.

24. In the joint horizontal opinion with the EMCO on the 2023 European Semester for the June 2023 EPSCO Council, EMCO and SPC called for establishing closer coordination between economic, fiscal, employment and social policies. In this context, the Committees acknowledge the need to modernise their monitoring tools, while avoiding risks of increased administrative burden. The social monitoring frameworks, including the analytical tools used in the SPC annual report, are currently being reviewed by the Committee, some jointly with EMCO as appropriate, to simplify and consolidate the existing tools.

25. The European Commission is invited to take into account the above policy guidance in the preparatory work of the 2024 Annual Sustainable Growth Survey.

I. Introduction

The SPC is an advisory policy committee to the EPSCO Council that provides a representative forum for multilateral social policy coordination, dialogue and cooperation at EU level. It brings together policy makers from all EU Member States and the Commission in an effort to identify, discuss and implement the policy mix that is most fitted to respond to the various challenges faced by Member States in the area of social protection policies. It uses the social open method of coordination (OMC) and is assisted in carrying out its tasks by the Indicators Sub-Group.

The yearly activities of the SPC are defined in the SPC work programme, which is set at the start of each year and is presented at the spring meeting of the Employment and Social Ministers. The programme is prepared taking into consideration the most current EU policy priorities and topics of the incoming Presidencies of the EU and the Commission. In 2023, in addition to the activities listed in its annual programme (3), the SPC also engaged (jointly with the Employment Committee) in an examination of the proposal made by some Member States for the introduction of a Social Imbalances Procedure (now renamed as Social Convergence Framework) in the European Semester (4)(5), and in the collection of information on social policy measures taken in response to the Russian war of aggression in Ukraine.

The main objective of the present report is to deliver on the mandate of the Committee to monitor the social situation in the European Union and the development of social protection policies (Article 160 of Treaty on the Functioning of the European Union (TFEU)), and, through its analysis, to provide input to the Council on the main social policy priorities to recommend to the Commission in the context of the preparation of the 2024 Annual Sustainable Growth Survey. On the basis of the Social Protection Performance Monitor (SPPM) and Member States' social reporting, the report aims at i) **monitoring the social situation** (6), especially the progress towards the 2030 target on reducing poverty and social exclusion and highlighting the common *social trends to watch*, and ii) **identifying the key structural social challenges facing individual Member States as well as their good social outcomes, and iii) reviewing the most recent social policy developments in Europe**. An overview is also provided, making use of the available information and some more timely, non-standard data sources, on the very latest evolution in developments in the social situation in the EU and its Member States.

A separate annex to the report provides the SPPM country profiles for each Member State.

(3) Working programme of the SPC for 2023

(4) Opinion on the proposal by Belgium and Spain for the introduction of a Social Imbalances Procedure in the European Semester (2022)

(5) SPC-EMCO key messages on the Social Convergence Framework submitted to the EPSCO Council meeting on 12 June 2023

(6) The figures quoted in this report are generally based on data available around early July 2023, unless otherwise stated.

II. Progress on the 2030 target on reducing poverty and social exclusion

On 4 March 2021, the European Commission published its Communication on the European Pillar of Social Rights Action Plan (7), outlining concrete actions to further implement the Pillar principles (8) as a joint effort by the Member States and the EU. As part of the Action Plan the Commission proposed three EU headline targets to be achieved by the end of the decade in the areas of employment, skills, and social protection (9):

- At least 78% of the population aged 20 to 64 should be in employment by 2030;
- At least 60% of all adults should participate in training every year;
- The number of people at risk of poverty or social exclusion (10) should be reduced by at least 15 million by 2030 (compared to 2019).

The European Council welcomed these three targets at the Porto Summit in May 2021. The historical Porto Social Commitment (11) and the Porto Declaration (12) will drive the implementation of the European Pillar of Social Rights in the coming years.

As under the Europe 2020 Strategy, Member States have proposed national targets to support the achievement of the common EU headline targets for 2030 (Table 1). These were discussed by EU employment and social affairs ministers at the Council meeting of 15 June 2022, and reveal a strong commitment to achieving the target, as shown by the individual poverty-reduction ambitions of the Member States summing to a figure higher than the EU level commitment to reduce poverty and social exclusion by 15 million (13). Complementary goals were also set out by the Action Plan, which aim to support the achievement of the headline targets. With regard to the poverty and social exclusion target, out of the 15 million people to lift out of poverty or social exclusion, at least 5 million should be children. Nineteen Member States have set complementary targets for reducing the number of children at risk of poverty or social exclusion (Table 2).

The national targets will contribute to the shared ambition of reaching the EU headline targets by 2030 in the areas of employment, skills, and poverty reduction and their implementation will be closely monitored by the Social Protection Committee and the Employment Committee, including in the context of the European Semester, the EU's coordination framework for economic and employment policies.

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(7) ST 6649/21 + ADD 1-2
(8) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017C1213%2801%29
(9) For reference, starting values for the targets were 73.1% (2019), 37.4% (2016), and 92.2 million (2019) respectively.
(10) The definition of AROPE (and its components regarding material deprivation and (quasi-)jobless households) changed in 2021 and this revised indicator is now used to monitor poverty and social exclusion. For further details see the Eurostat Glossary: At risk of poverty or social exclusion (AROPE) - Statistics Explained (europa.eu)) and the 2021 SPC annual report, and note that previous years' values since 2015 have been re-calculated according to the new definition.
(11) Porto Social Commitment (Portuguese Presidency Website, 7 May 2021)
(12) Porto Declaration (Consilium Website, 7 May 2021)
(13) The national targets that are expressed in terms of the population at risk of poverty or social exclusion (i.e. not including those for DE, DK and MT) sum to around 15.6 million. Taking into account that the national targets for DE and DK are expressed in terms of subcomponents of AROPE and are expected to translate into similar declines in AROPE numbers, the overall ambition sums up to around 16.8 million.

Table 1: National minimum 2030 targets for the reduction of poverty and social exclusion

	National minimum 2030 target for the reduction of poverty and social exclusion (in number of persons)	Summary of AROPE reference values in 2019		
		2019 AROPE population (in thousands)	Relative reduction in AROPE population (in %)	2019 AROPE rate
EU	**Reduce the population in AROPE by at least 15 million**	92,209	-16.3	21.1
BE	Reduce the population in AROPE by 279,000	2,260	-12.3	20.0
BG	Reduce the population in AROPE by 787,000	2,324	-33.9	33.2
CZ	Reduce the population in AROPE by 120,000	1,264	-9.5	12.1
DK*	Reduce the number of persons living in households with very low work intensity by 30,000	994	n.a.	17.3
DE*	Reduce the number of persons living in households with very low work intensity by 1,200,000	14,121	n.a.	17.3
EE	Reduce the population in AROPE by 39,000	311	-12.5	23.7
IE	Reduce the population in AROPE by 90,000	1,005	-9.0	20.6
EL	Reduce the population in AROPE by 860,000	3,059	-28.1	29.0
ES	Reduce the population in AROPE by 2,815,000	12,169	-23.1	26.2
FR	Reduce the population in AROPE by 1,100,000	11,716	-9.4	18.9
HR	Reduce the population in AROPE by 298,000	841	-35.4	20.8
IT	Reduce the population in AROPE by 3,200,000	14,803	-21.6	24.6
CY	Reduce the population in AROPE by 10,000	162	-6.2	18.6
LV	Reduce the population in AROPE by 95,000	506	-18.8	26.7
LT	Reduce the population in AROPE by 223,000	712	-31.3	25.5
LU	Reduce the population in AROPE by 4,000	119	-3.4	20.1
HU	Reduce the material and social deprivation rate of families with children to 13%, and thereby reduce the population in AROPE by 292,000	1,923	-15.2	20.0
MT*	Reduce the AROPE rate by 3.1 percentage points	100	n.a.	20.8
NL	Reduce the population in AROPE by 163,000	2,809	-5.8	16.5
AT	Reduce the population in AROPE by 204,000	1,434	-14.2	16.5
PL	Reduce the population in AROPE by 1,500,000	6,575	-22.8	17.9
PT	Reduce the population in AROPE by 765,000	2,173	-35.2	21.1
RO	Reduce the population in AROPE by 2,532,000	7,032	-36.0	36.1
SI	Reduce the population in AROPE by 9,000	279	-3.2	13.7
SK	Reduce the population in AROPE by 70,000	795	-8.8	14.8
FI	Reduce the population in AROPE by 100,000	838	-11.9	15.4
SE	Reduce the population in AROPE by 15,000	1,879	-0.8	18.4

*Notes: * Countries that have expressed their national target in relation to an indicator different from the EU headline target indicator (AROPE), or in a format other than absolute population reductions. Denmark and Germany* **[14]** *express their national poverty reduction targets as a reduction in the number of persons living in (quasi-)jobless households (i.e. households with very low work intensity) that are expected to translate into similar declines in the numbers of people in AROPE over the decade. MT expresses its national poverty reduction target as a reduction of the AROPE rate by 3.1 percentage points.*

[14] The reference year for the German national target is 2020.

Table 2: National minimum 2030 targets for the reduction of poverty and social exclusion for children

	National minimum 2030 goal for the reduction of poverty and social exclusion (in number of persons) for children
EU	**Reduce the child population in AROPE by at least 5 million**
BE	Reduce the child population in AROPE by 93,000
BG	Reduce the child population in AROPE by 197,000
CZ	Reduce the child population in AROPE by 50,000
DK	
DE	
EE	Reduce the child population in AROPE by 13,000
IE	Reduce the child population in AROPE by 45,000
EL*	Reduce the child AROPE rate by 6.6 percentage points
ES	Reduce the child population in AROPE by 713,000
FR	Reduce the child population in AROPE by 300,000
HR	Reduce the child population in AROPE by 40,000
IT	
CY	Reduce the child population in AROPE by 3,000
LV	
LT	
LU	Reduce the child population in AROPE by 1,000
HU	
MT*	Reduce the child AROPE rate by 6 percentage points
NL	
AT	Reduce the child population in AROPE by 102,000
PL	Reduce the child poluation in AROPE by 300,000
PT	Reduce the child population in AROPE by 161,000
RO	
SI	Reduce the child population in AROPE by 3,000
SK	Reduce the child population in AROPE by 21,000
FI	Reduce the child population in AROPE by 33,000
SE	Reduce the child population in AROPE by 5,000

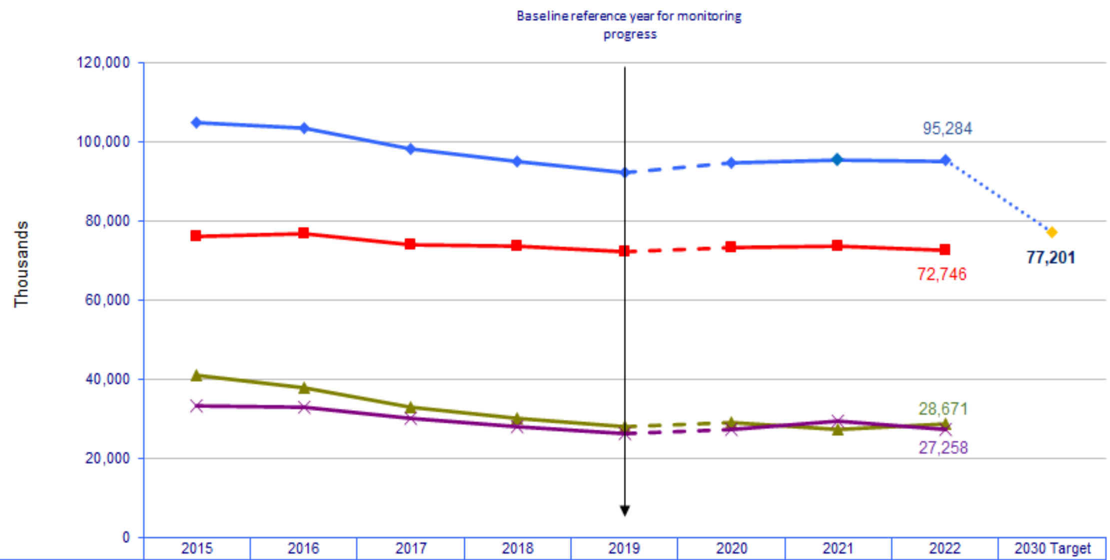
*Notes: * Countries that have expressed their national target in a format other than absolute population reductions. EL and MT express their national poverty reduction targets for children as a reduction of the AROPE rate. No targets set for reduction of child poverty and social exclusion in DK, DE, IT, LV, LT, HU, NL and RO.*

Progress towards the 2030 EU poverty and social exclusion target

Despite the lasting effects of the COVID pandemic, the Russian war of aggression against Ukraine, and the substantial rise in inflation, EU-SILC figures for the EU27 aggregate suggest an overall stability in the social situation in the EU in 2022 compared to the previous year (Figure 1), with the figures showing a marginal decrease in the overall EU population at risk of poverty or social exclusion (down around 0.3 million). This reflects underlying decreases of 1 million in the population at risk of poverty and of around 2.2 million in the number of people living in (quasi-)jobless households, but with a rise of 1.5 million in those experiencing severe material and social deprivation. This equates to a slight 0.1 percentage point decrease in the at-risk-of-poverty-or-social-exclusion rate, from 21.7% to 21.6%, and with the rate having remained very static over the last 3 years.

At Member State level, around a quarter of countries recorded significant falls in their at-risk-of-poverty-or-social-exclusion rates in 2022, with the most notable declines of around 2 percentage points (pps) observed in ES, EL, LU and PT. The majority of Member States recorded no significant change in their rates. In contrast, rates rose in a few Member States, most notably by around 2 pps in FI and FR, and by 3 pps in EE (Table 3). The changes indicate some degree of convergence in Member States' performances, with the AROPE rates of several Member States that were below the EU average in 2021 increasing in 2022 (e.g. CZ, FR, FI, SE), while those of most Member States that were above the EU average decreased (e.g. EL, ES, IT and PT).

Figure 1. Evolution of the risk of poverty or social exclusion indicator and its components, EU27 (figures in 1000s), 2015-2022



	2015	2016	2017	2018	2019	2020	2021	2022	2030 Target
AROPE	104,946	103,556	98,142	95,066	92,201	94,771	95,563	95,284	77,201
AROP	76,112	76,640	74,134	73,787	72,103	73,281	73,752	72,746	
SMSD	40,925	37,943	33,044	30,202	28,025	29,027	27,152	28,671	
(Quasi-)Jobless HHs	33,356	32,974	30,105	27,970	26,297	27,154	29,435	27,258	

Source: Eurostat (EU-SILC)

Note: AROPE – population at-risk-of-poverty-or-social-exclusion; AROP – population at-risk-of-poverty; (Quasi-)jobless HHs - population living in very low work intensity households; SMSD – population in severe material and social deprivation. For the at-risk-of-poverty indicator, the income reference year is the calendar year prior to the survey year. Similarly, the (quasi-)jobless households indicator refers to the previous calendar year while for severe material and social deprivation it is the current survey year. Major break in series in 2020 for AROPE and its components, due to underlying breaks in DK, DE, IE, FR and LU. In many Member States, the COVID-19 pandemic emerged during the data-collection period for the main social indicators. Although often difficult to clearly assess possible impacts on the final results, caution is warranted regarding the 2020, and probably to a lesser extent, the 2021 figures.

Table 3. At-risk-of-poverty-or-social-exclusion rate (%), evolution (in pp) 2021-2022

	EU27_2020	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY
2022	21.6	18.7	32.2	11.8	17.1	20.9	25.2	20.7	26.3	26.0	21.0	19.9	24.4	16.7
2021-2022 change in pp	-0.1	-0.1	0.5	1.0	-0.2	-0.1	3.0	0.7	-2.0	-1.8	1.8	-1.0	-0.8	-0.6
	LV	**LT**	**LU**	**HU**	**MT**	**NL**	**AT**	**PL**	**PT**	**RO**	**SI**	**SK**	**FI**	**SE**
2022	26.0	24.6	19.4	18.4	20.1	16.5	17.5	15.9	20.1	34.4	13.3	16.5	16.3	18.6
2021-2022 change in pp	-0.1	1.1	-1.7	-1.0	-0.2	-0.1	0.2	-0.9	-2.3	-0.1	0.1	0.9	2.1	1.4

Source: Eurostat (EU-SILC)

Note: i) Only significant (for the definition of this see table 12 in the section on SPPM methodology in Annex 4) changes have been highlighted in green/red (positive/negative changes).

Compared to the reference year 2019, figures published by Eurostat suggest the population at risk of poverty or social exclusion has risen by 3.1 million, reflecting rises of 0.6 million in the population at risk of poverty and in the number of people experiencing severe material and social deprivation, and of close to 1 million in the number of people living in (quasi-) jobless households. However, the comparison to 2019 is affected by a major break in series for EU-SILC data in Germany in 2020. A break-free series has been estimated (see Box 1) to provide more meaningful figures that suggest the EU population at risk of poverty or social exclusion in 2022 remained essentially unchanged compared to 2019. The total EU population at risk of poverty or social exclusion adjusted for the re-estimated AROPE population in Germany in 2019 (17.4 million instead of 14.1 million), amounted to 95.48 million people (instead of the unadjusted total of 92.20 million). Comparing this with the EU AROPE population in 2022 of 95.28 million suggests that the AROPE population has actually remained broadly unchanged compared to 2019 (down 0.2 million).

Box 1: Break-free estimates of AROPE and its components for Germany and the EU relative to 2019

Why the need for adjusted break free estimates relative to 2019

The agreed reference year against which progress is to be assessed towards meeting the EU target of a reduction of 15 million in the population at risk of poverty or social exclusion (AROPE) by 2030, as part of the Action Plan for the European Pillar of Social Rights, is the year 2019. For meaningful comparisons to this year, time series are required that are free from major breaks.

In 2020, the German EU-SILC survey, on which the AROPE indicator is based, was integrated into the newly designed German microcensus ([15]), leading to a substantial break in the time series between 2019 and 2020, with income variables being the most affected by the break. Given the size of the German population in the EU aggregate, the break has important implications not only for assessing progress in Germany but also for the EU as a whole. Consequently, efforts have been made by Eurostat to produce an adjusted break-free time series for AROPE and its components both for Germany and the EU aggregate.

The break-free estimates of AROPE and its components are to be used for the express purpose of assessing the overall progress towards the 2030 poverty and social exclusion target, and not to assess progress on individual Member State related targets.

([15]) For EU-SILC, a new rotation scheme and a full multi-mode-design were implemented along with completely new and complex IT tools for survey management and data collection.

How are the estimates made

In 2020, DESTATIS ran two parallel data collections: a new microcensus-based data collection was started (with a new sample) ["new sample"]; the previous data collection (based on the old sample) was extended for one more year (in 2020) to ensure some continuity of the longitudinal data collection ["old sample"]. Using the old sample, the growth factor between 2019 and 2020 was estimated as the 2020 value divided by the 2019 value. This growth factor was applied to the 2020 value from the new sample to obtain a break-free 2019 value for the number of people at risk of poverty or social exclusion. The same treatment was applied to the three components, to ensure a consistent approach. The result gives re-based 2019 estimates more in line with the new survey figures for 2020 onwards.

EU-SILC figures for the EU27 aggregate also suggest a broadly stable social situation for children in 2022, with the figures showing only a marginal rise (up 0.3 million) compared to 2021 in the child population at risk of poverty or social exclusion (Figure 2). Underlying this were a very marginal decline in the child population at risk of poverty (down 0.1 million), a more substantial drop of 0.5 million in the number of children living in (quasi-)jobless households, and a rise in those experiencing severe material and social deprivation of around 0.7 million.

The slight increase of the EU-aggregate regarding the number of children at risk of poverty or exclusion results from diverse trends in Member States' performance. In FR and SK, the share of children at risk of poverty or social exclusion rose by about five percentage points between 2021 and 2022. Slight increases were recorded in six other Member States (BG, DE, LT, PL, FI, SE). At the same time, 19 other Member States recorded a decrease in the share to varying degrees, with EL, LU, and HU witnessing a decrease of around four percentage points or more.

Table 3. At-risk-of-poverty-or-social-exclusion rate for children aged 0-17 (%), evolution (in pp) 2021-2022

	EU27_2020	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY
2022	24.7	19.6	33.9	13.4	13.8	24.0	16.6	22.7	28.1	32.2	27.4	18.1	28.5	18.1
2021-2022 change in pp	0.3	-0.9	0.9	-0.3	-0.2	0.3	-0.8	-0.1	-3.9	-1.2	4.7	-0.5	-1.2	-1.1

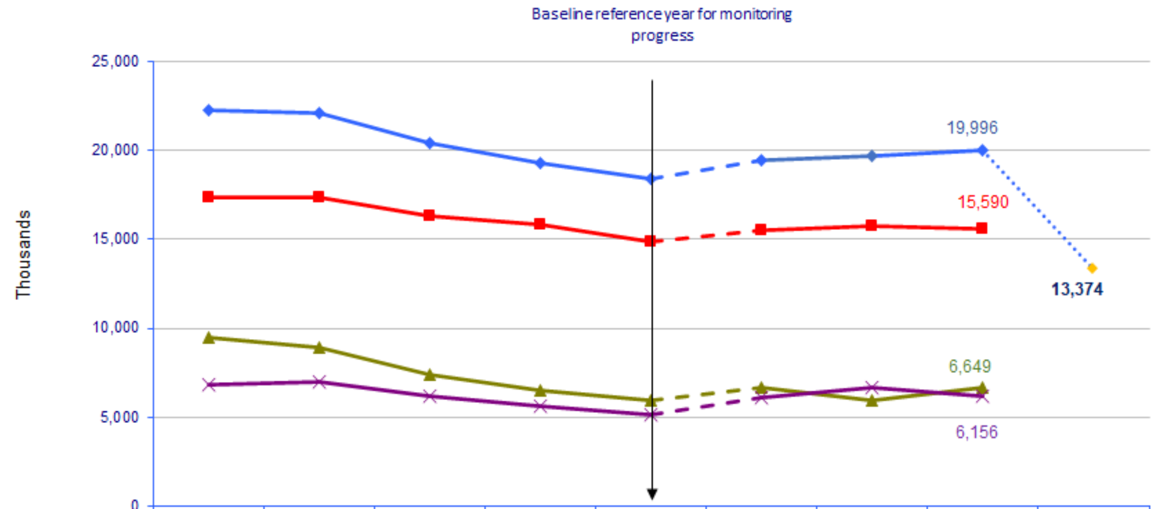
	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE
2022	19.8	22.4	24.0	18.1	23.1	13.9	21.6	16.7	20.7	41.5	10.3	24.7	14.9	19.9
2021-2022 change in pp	-0.3	0.8	-5.4	-5.2	-0.1	-1.0	-1.2	0.2	-2.2	-0.2	-0.7	5.0	1.7	0.2

Source: Eurostat (EU-SILC)

Note: i) Only significant (for the definition of this see table 12 in the section on SPPM methodology in Annex 4) changes have been highlighted in green/red (positive/negative changes).

Compared to the reference year 2019, figures published by Eurostat suggest the child population in the EU at risk of poverty or social exclusion has risen by 1.6 million, with underlying rises of around 0.7 million in the number of children at risk of poverty and in the number experiencing severe material and social deprivation, and of close to 1 million in the number of children living in (quasi-)jobless households. However, again these comparisons to 2019 are affected by a major break in series for EU-SILC data in Germany in 2020. Estimated break-free figures suggest the EU child population at risk of poverty or social exclusion in 2022 has increased by a more limited 0.9 million compared to 2019.

Figure 2. Evolution of the risk of poverty or social exclusion indicator for children and its components, EU27 (figures in 1000s), 2015-2022



	2015	2016	2017	2018	2019	2020	2021	2022	2030 Target
AROPE	22,249	22,072	20,432	19,300	18,374	19,425	19,673	19,996	13,374
AROP	17,383	17,395	16,287	15,846	14,905	15,477	15,727	15,590	
SMSD	9,480	8,912	7,431	6,502	5,966	6,656	5,989	6,649	
(Quasi-)Jobless HHs	6,823	7,005	6,213	5,625	5,187	6,123	6,680	6,156	

Source: Eurostat (EU-SILC).

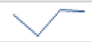
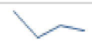
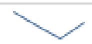
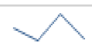
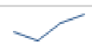
Note: Major break in series in 2020 for AROPE and its components, due to underlying breaks in DK, DE, IE, FR and LU.

Summary of developments in the AROPE populations at Member State level

Individual Member States' figures for 2022 (Table 4) show mixed trends in the population at risk of poverty or social exclusion compared to the year before. A substantial rise of 1.6 million in France, as well as noticeable rises in Finland and Sweden, were more than offset by strong falls in Spain (0.9 million), Italy (0.5 million) and Poland (0.4 million), as well as of around 0.2 million in both Greece and Portugal. Looking at developments since the reference year 2019, there have been noticeable absolute reductions in the population at risk of poverty or social exclusion of around 100 thousand or more in 9 MS (most notably in Greece, Italy, Poland and Romania), and substantial rises in only 3 (most notably France).

Further information and summary charts on the progress of Member States towards their individual national 2030 targets in the domain of poverty and social exclusion are provided in Annex 1.

Table 4. Developments across Member States in the population at risk of poverty or social exclusion [16], and comparison to national poverty reduction target

	National target (reduction of AROPE in 1000s vs 2019 figures)	AROPE population 2019 (1000s)	AROPE population 2020 (1000s)	AROPE population 2021 (1000s)	AROPE population 2022 (1000s)	*Mini charts of trends to latest available year*	Change 2019-2020 (1000s)	Change 2020-2021 (1000s)	Change 2021-2022 (1000s)	Overall change 2019-2022 (1000s)
EU27_2020+	-15,000	95,481	94,771	95,563	95,284		-710	792	-279	-197
BE	-279	2,260	2,307	2,142	2,144		47	-165	2	-116
BG	-787	2,324	2,340	2,193	2,206		16	-147	13	-118
CZ	-120	1,264	1,205	1,132	1,209		-59	-73	77	-55
DK*	(-30 VLWI)	994	970	1,000	997		-24	30	-3	3
DE*+	(-1200 VLWI)	17,401	16,735	17,255	17,336		-666	520	81	-65
EE	-39	311	300	293	332		-11	-7	39	21
IE	-90	1,005	1,002	1,005	1,046		-3	3	41	41
EL	-860	3,059	2,880	2,971	2,722		-179	91	-249	-337
ES	-2,815	12,169	12,658	13,040	12,189		489	382	-851	20
FR	-1,100	11,716	12,193	12,228	13,853		477	35	1,625	2,137
HR	-298	841	806	817	752		-35	11	-65	-89
IT	-3,200	14,803	14,821	14,834	14,305		18	13	-529	-498
CY	-10	162	156	154	150		-6	-2	-4	-12
LV	-95	506	473	488	482		-33	15	-6	-24
LT	-223	712	685	661	690		-27	-24	29	-22
LU	-4	119	119	126	121		0	7	-5	2
HU	-292	1,923	1,854	1,865	1,750		-69	11	-115	-173
MT*	(-3.1 AROPE p.p.)	100	101	103	103		1	2	0	3
NL	-163	2,809	2,739	2,862	2,863		-70	123	1	54
AT	-204	1,434	1,460	1,519	1,555		26	59	36	121
PL	-1,500	6,575	6,307	6,296	5,873		-268	-11	-423	-702
PT	-765	2,173	2,056	2,312	2,084		-117	256	-228	-89
RO	-2,532	7,032	6,897	6,586	6,525		-135	-311	-61	-507
SI	-9	279	295	275	276		16	-20	1	-3
SK	-70	795	744	841	888		-51	97	47	93
FI	-100	838	810	773	891		-28	-37	118	53
SE	-15	1,879	1,832	1,790	1,941		-47	-42	151	62

*Source: Eurostat (EU-SILC). Note: * Countries that have expressed their national target in relation to an indicator different from the EU headline target indicator (AROPE), or in a format other than absolute population reductions. Denmark and Germany express their national poverty reduction targets as a reduction in the number of persons living in (quasi-)jobless households (i.e. households with very low work intensity) that are expected to translate into similar declines in the numbers of people in AROPE over the decade. MT expresses its national poverty reduction target as a reduction of the AROPE rate by 3.1 percentage points. + For DE, major break in time series in 2020 for EU-SILC data, so figure for change compared to 2019 uses a recent Eurostat estimate of a break-free series which suggests that the AROPE population in DE in 2022 actually remained broadly unchanged compared to 2019, and that this has also been the case for the EU aggregate (down by a slight 0.2 million).*

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(16) The definition of AROPE (and its components regarding material deprivation and (quasi-)jobless households) changed in 2021 and this revised indicator is now used to monitor poverty and social exclusion. For further details see the Eurostat [Glossary: At risk of poverty or social exclusion (AROPE) - Statistics Explained (europa.eu)]) and the SPC 2021 annual report, and note that previous years' values since 2015 have been re-calculated according to the new definition.

III. Overview of developments in the social situation in the EU

This section provides, following a scene setting on the main economic and labour market developments, a review of the latest trends from the Social Protection Performance Monitor (SPPM) dashboard. It is mainly based on the July 2023 update of the dashboard, a tool that uses a set of key EU social indicators for monitoring developments in the social situation in the European Union. The latest update of the SPPM dashboard is based on the set of 2022 EU-SILC data, and the 2022 Labour Force Survey data.

In addition, some indications are also provided on the more recent developments in income, based on Eurostat flash estimates, together with a summary of the outlook for 2023 as a whole.

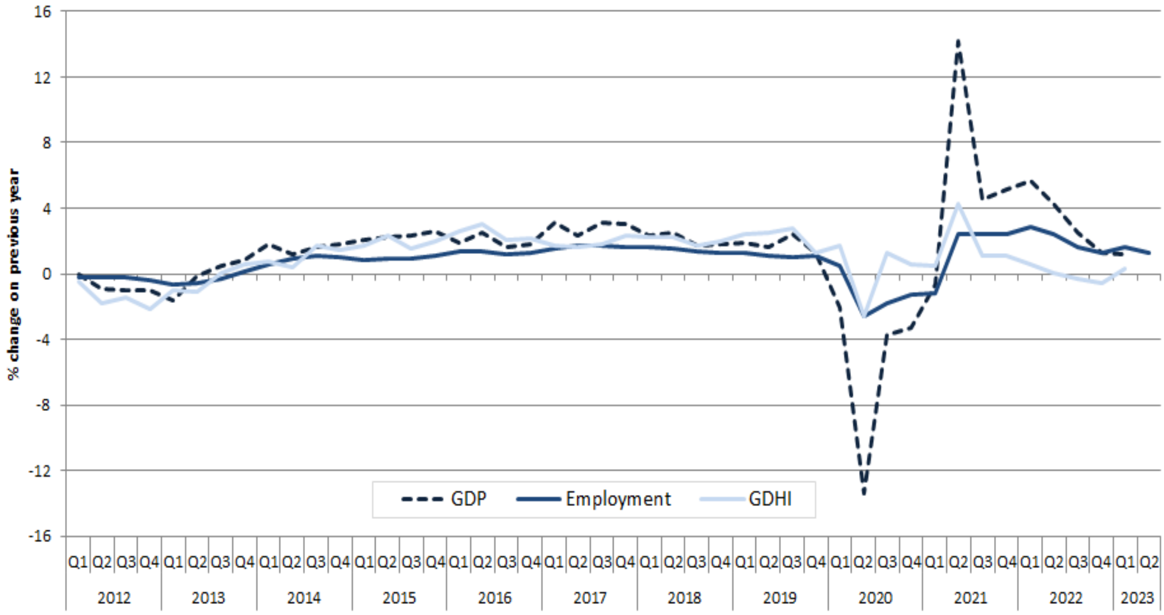
(a) Development in the social situation up to 2022

Russia's war of aggression against Ukraine that started in February 2022 has had a dramatic impact on the political, economic and social situation in Europe. It came at a time when Europe was showing strong signs of recovering from the unprecedented economic shock due to the COVID-19 pandemic, and led to a subsequent sharp downturn in economic growth and aggregate household income, although employment continued to expand at a healthy rate (Figure 3).

Economic growth in the EU started to slow down in the second quarter of 2022, with year-on-year GDP growth falling to 4.3% compared to 5.7% in the first quarter. It continued to decline over the rest of 2022, and by the fourth quarter had fallen to 1.3%. Total employment continued to expand in 2022, but growth also eased off over the course of the year. The unemployment rate in the EU remained very stable at 6.1% from May through to the end of the year, despite the balance of consumers' expectations being for unemployment to rise over the next 12 months (Figure 4). The unemployment rate fell further over the first half of 2023 (down to 5.9% by June) and is still well below the previous low of 6.5% in March 2020, just before the COVID crisis began.

Year-on-year growth in real aggregate household income in the EU27 (as measured through real GDHI, gross disposable household income) also declined over the year, turning negative in the third and fourth quarters. The declines in 2022 mainly reflected the impact of rising inflation and a strong slowdown and then falls in compensation of employees and of the self-employed, as well as a negative year-on-year contribution from (net) social benefits (Figure 5). In the first quarter of 2023, year-on-year growth in GDHI returned to slightly positive in real terms (+0.3%), reflecting that the decline in real wages (contribution of -0.9%) was mostly balanced by changes in taxes, benefits and other transfers (contribution of +0.9%).

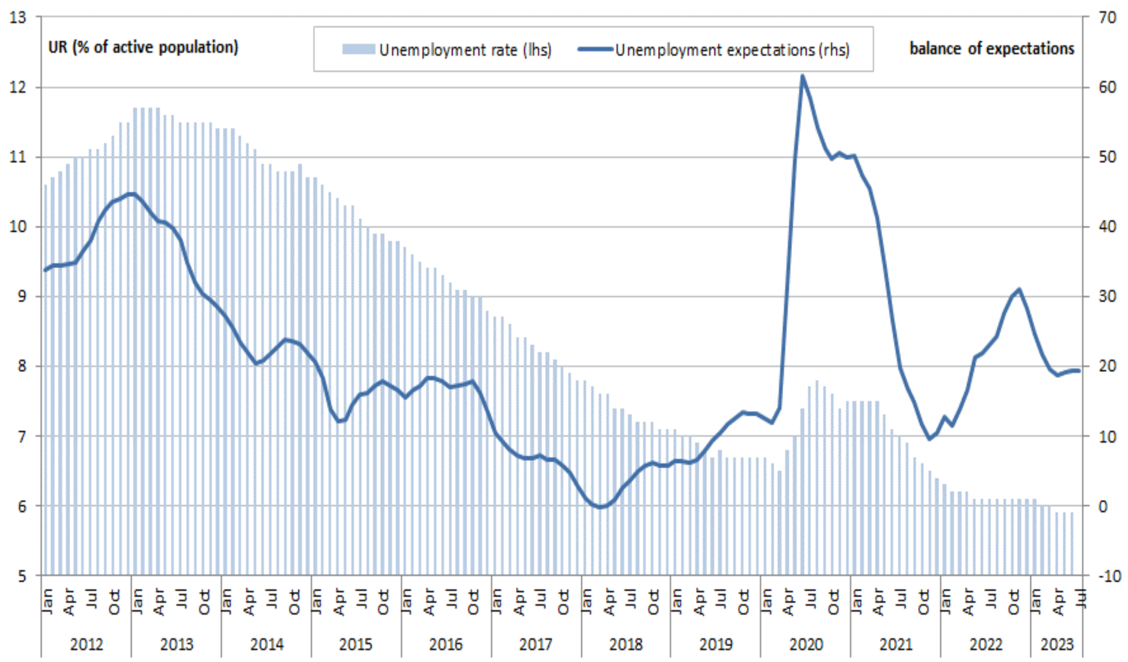
Figure 3: Real GDP, GDHI and employment growth in the EU, quarterly 2012-2023 (% change on same quarter of previous year)



Source: Eurostat, National Accounts (DG EMPL calculations for GDHI), data not seasonally adjusted.

Note: GDHI EU aggregate for Member States for which data are available. Nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure.

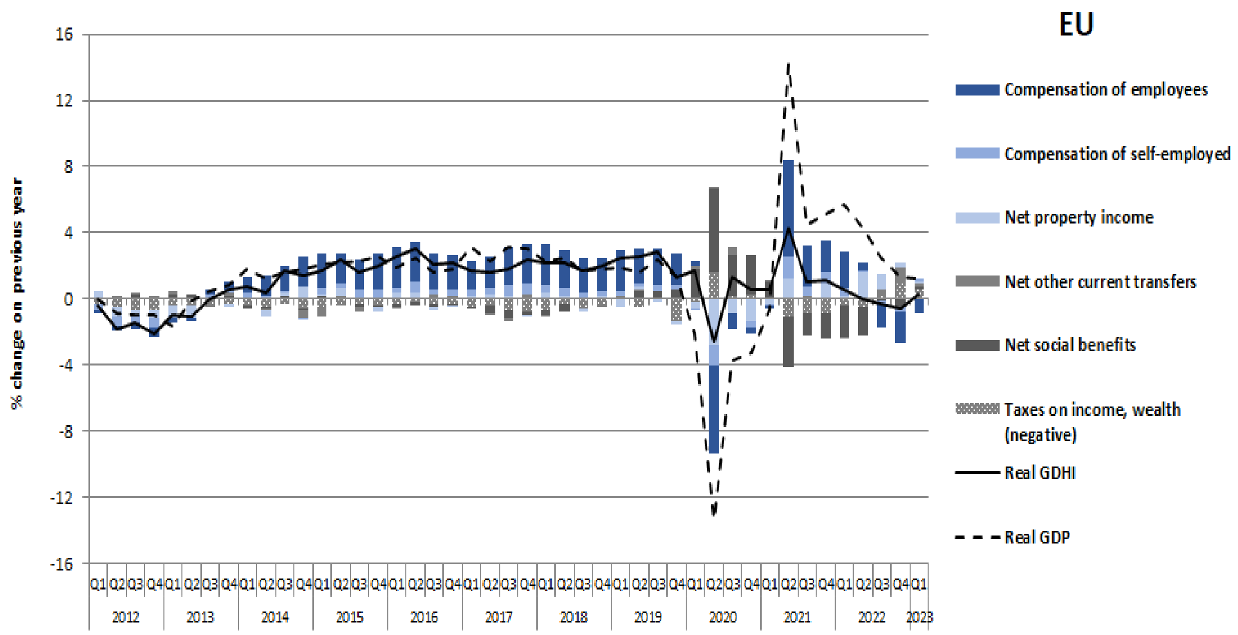
Figure 4: Unemployment rate versus unemployment expectations in the EU



Source: Eurostat, series on unemployment; European Commission, Business and Consumer Surveys [une_rt_m, ei_bsco_m]. Data seasonally adjusted

Notes: Unemployment expectations: consumers' expectations for unemployment in the country over next 12 months, moving average over past 3 months The right scale is the balance between the share of respondents who expect higher unemployment and those who expect a lower one.

Figure 5: Real GDP growth, real GDHI growth and its main components - EU



Source: Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) calculations based on Eurostat data, national accounts [nasq_10_nf_tr] and [namq_10_gdp], data non-seasonally adjusted

Notes: The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure.

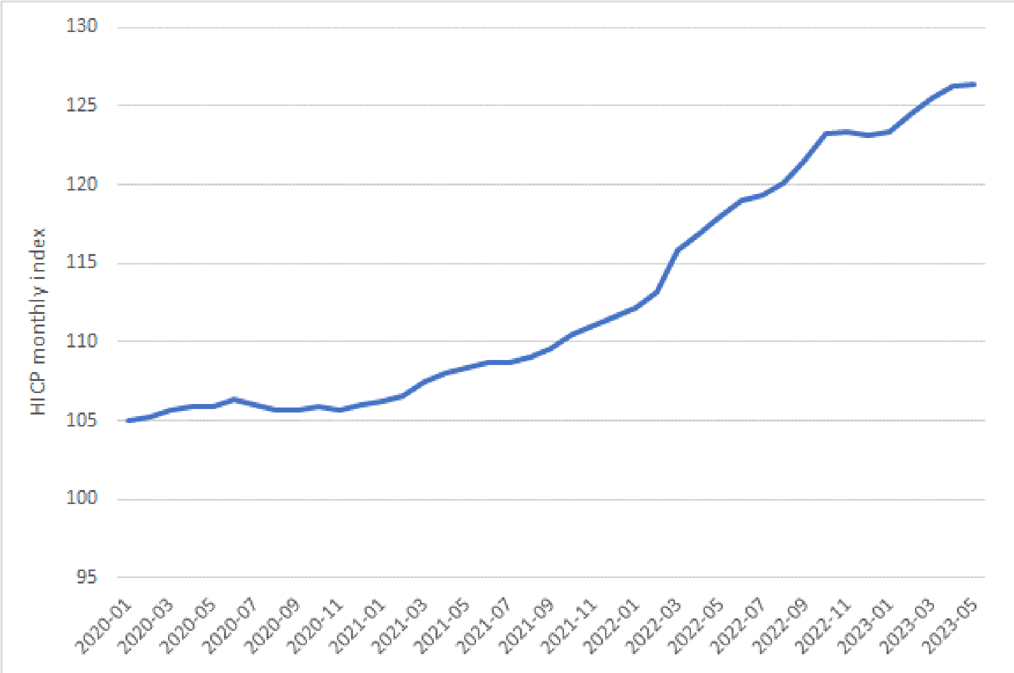
The cost of living crisis

Following the launching by Russia of its war of aggression against Ukraine, inflation has risen sharply across the EU (Figure 6). Although prices were already increasing substantially from the lows during the pandemic, especially for energy commodities, and with firms passing on rising input costs in many sectors, they rose markedly further from February 2022 when Russia launched its war of aggression. Whereas price increases were initially driven by energy price rises, which have since been retreating from recent peaks, pressures broadened as higher energy costs passed-through to food, services and other goods, impacting on measures of inflation such as the harmonised index of consumer prices (17) and consequently households' purchasing power, especially for lower income families who spend a higher fraction of their income on energy and food.

The indices of inflation have jumped markedly across Member States since February 2022, with particularly strong rises in the Baltic States and some Central and Eastern European Member States (Figure 7). As a result, the indices of inflation in May 2023 were particularly high (above the 140 mark) in Czechia, Estonia, Latvia, Lithuania, Poland and Romania, and especially high in Hungary. Although relatively more contained, important rises have also been observed in the other Member States. The Commission and Member States have taken actions taken to mitigate the impact of rising energy and commodity prices on inflation and on rising energy poverty, including via recent EU initiatives such as the Social Climate Fund, as reported on ins section V.ii of this report.

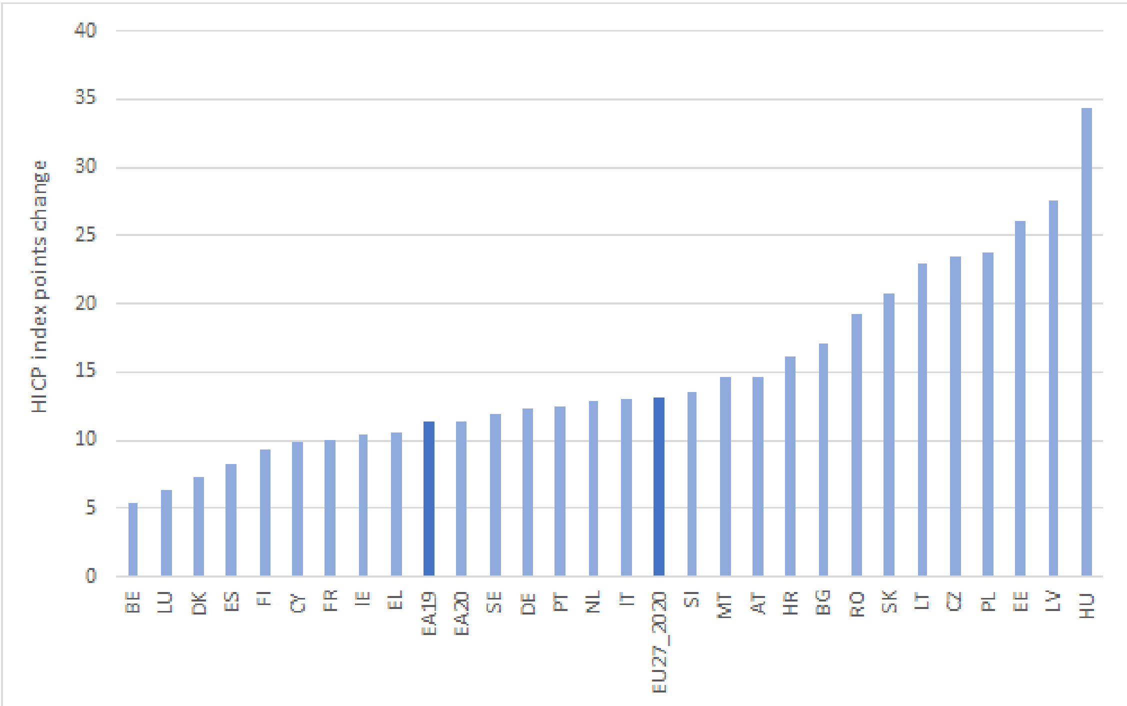
(17) Index, 2015=100

Figure 6. EU27 Harmonised Index of Consumer Prices, 2020M1 to 2023M5



Source: Eurostat, HICP - monthly data (index) [prc_hicp_midx], 2015=100

Figure 7. Changes in the Harmonised Index of Consumer Prices across Member States, 2022M2 to 2023M5

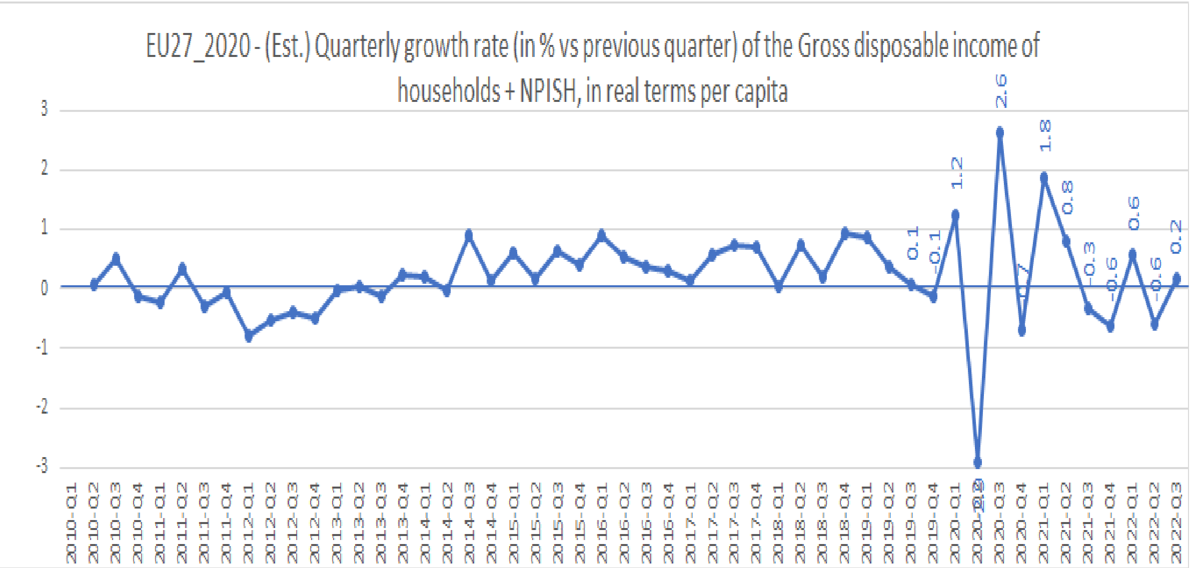


Source: Eurostat, HICP - monthly data (index) [prc_hicp_midx], 2015=100

Rising prices have been having a negative impact on the purchasing power of households. An indicator based on quarterly national accounts data - the "quarterly growth rate (in %, versus the previous quarter) of the Gross (non-adjusted ([18])) disposable income (seasonal and calendar adjusted) of households and NPISH ([19]) per capita in real terms" allows to monitor the evolution of purchasing power on a quarterly basis, although it is only available for around half of the Member States.

This indicator shows that GDHI in real terms per capita dropped slightly in some quarters (e.g. 2021 Q4 and 2022 Q2), and slightly increased in the third quarter of 2022 (Figure 8). Overall, between the third quarter of 2021 (which corresponds roughly to the start of the period of acceleration in inflation) and the third quarter of 2022, purchasing power, as shown by GDHI in real terms per capita, has been eroding by -0.5% at EU27 level.

Figure 8 – Estimated quarterly growth rate (in % vs previous quarter) of the Gross disposable income of households + NPISH, in real terms per capita



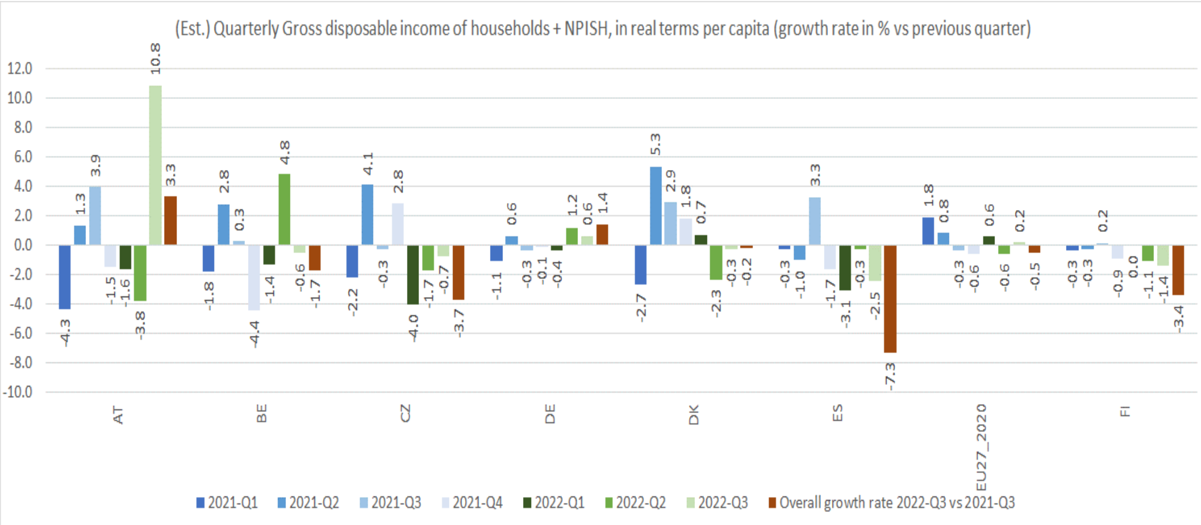
Source: DG EMPL computation on Eurostat data.

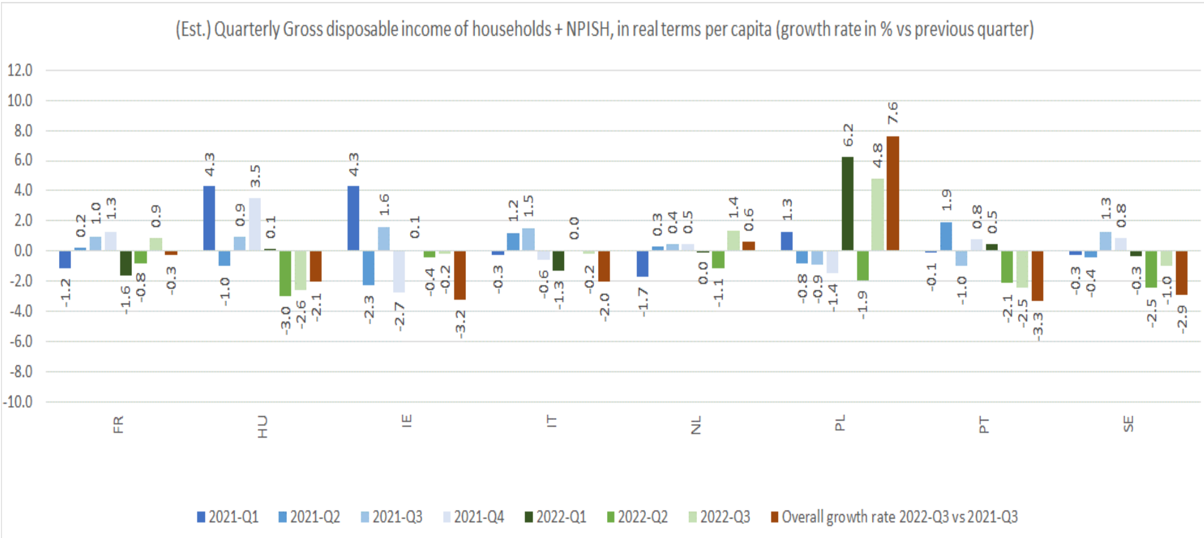
Note: Estimates have been obtained by: dividing "(non-adjusted for social transfers in kind) GDHI for households and NPISH" (in current prices in national currency, source: ESTAT) by the price deflator index of the "final consumption expenditure for households and NPISH" (in national currency, source: ESTAT) and by the total population of a Member State (source: ESTAT) (linearly smoothing over quarters the population between year's start and year's end). GDHI and price index data used are seasonally and calendar adjusted. There is no break mentioned by ESTAT in GDHI quarterly data for EU27.

This erosion in purchasing power can also be seen for the Member States for which quarterly GDHI data is available (Figure 9). It appears that, in most Member States, GDHI in real terms per capita decreased in most of the quarters between 2021 Q3 and 2022 Q3 (e.g. amongst others in CZ, ES, FI, IE, SE), and only increased in AT, DE, NL and PL.

([18]) Non-adjusted means that social transfers in-kind are not taken into account.
([19]) Non-profit institutions serving households.

Figure 9 - Estimated quarterly growth rate (in % vs previous quarter ([20])) of the Gross disposable income of households + NPISH, in real terms per capita





Source: own computation on Eurostat data.

Note: Estimates have been obtained by: dividing "(non-adjusted for social transfers in kind) GDHI for households and NPISH" (in current prices in national currency, source: ESTAT) by the price deflator index of the "final consumption expenditure for households and NPISH" (in national currency, source: ESTAT) and by the total population of a Member State (source: ESTAT) (linearly smoothing over quarters the population between year's start and year's end). GDHI and price index data used are those Seasonally and calendar adjusted. There is no break mentioned by ESTAT in GDHI quarterly data for the MS shown. Other MS are not shown as quarterly GDHI data (in current prices) is not available for them.

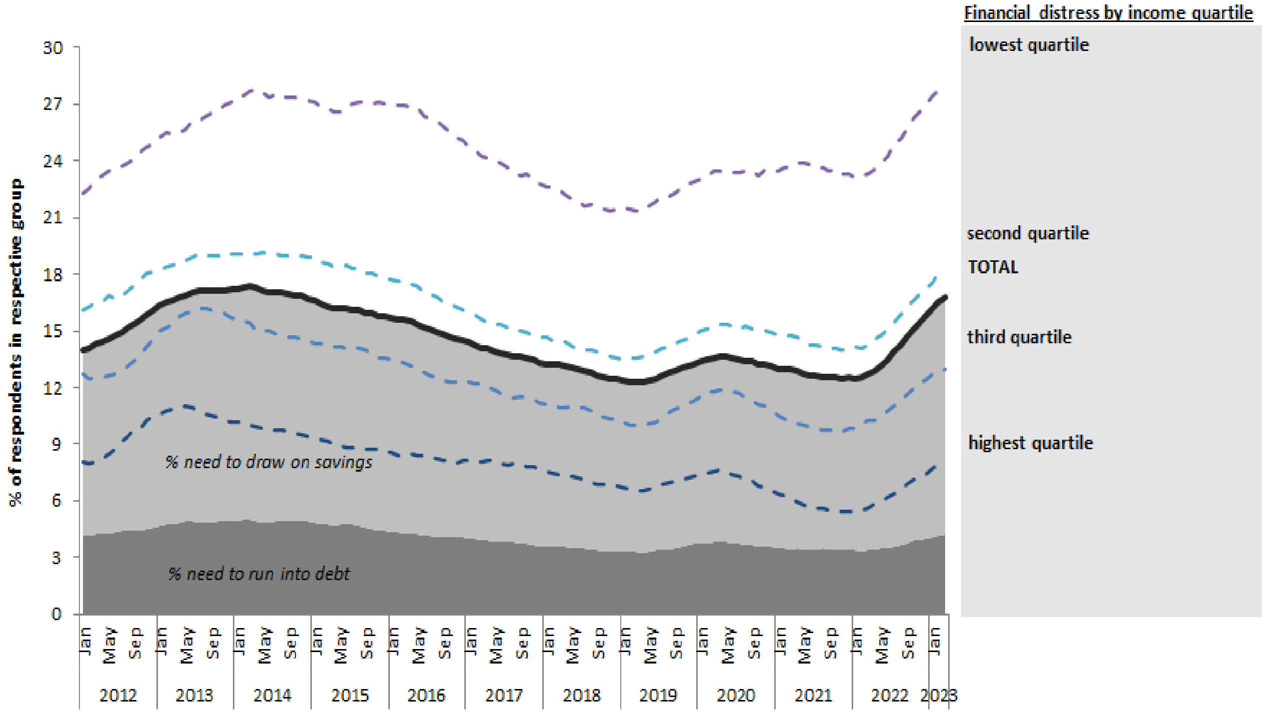
Price rises are having an impact on standards of living and the affordability of some material deprivation items have already shown an average increase in the EU. In particular, there has been an increase in energy poverty, as reflected in the share of the population declaring an inability to keep their home adequately warm, which has increased from 6.9% in 2021 to 9.3% in 2022. This reflects increases in the share in three-quarters of Member States, and with particularly strong rises of around 3 pps or more in France, Germany, Ireland, the Netherlands, Romania and Spain. Among the population at risk of poverty in the EU, the share increased even more strongly, from 16.4% to 20.2%.

([20]) The chart also shows the overall growth rate between Q3-2022 and Q3-2021.

Financial distress among consumers

In line with the sharp rise in energy prices and inflation in general, the "financial distress" indicator ([21]) derived from harmonised EU consumer surveys, which provides a timely indication of trends in the share of the population whose households are facing financial difficulties and how households in the different income quartiles have been affected, indicates that the overall share of people in the EU reporting financial distress rose sharply from March 2022 onwards. By March 2023 the share of the overall population in financial distress had risen to 16.8%, well above the previous peak during the COVID pandemic and returning to the sort of levels last seen in 2013/2014 (Figure 10), Underlying the March 2023 figure, 12.6% reported a need to draw on savings and 4.2% the need to run into debt.

Figure 10: Reported financial distress in the EU by income quartile – 2012 to spring 2023



Source: European Commission, Business and Consumer Surveys. 12-month moving average (DG EMPL calculations)

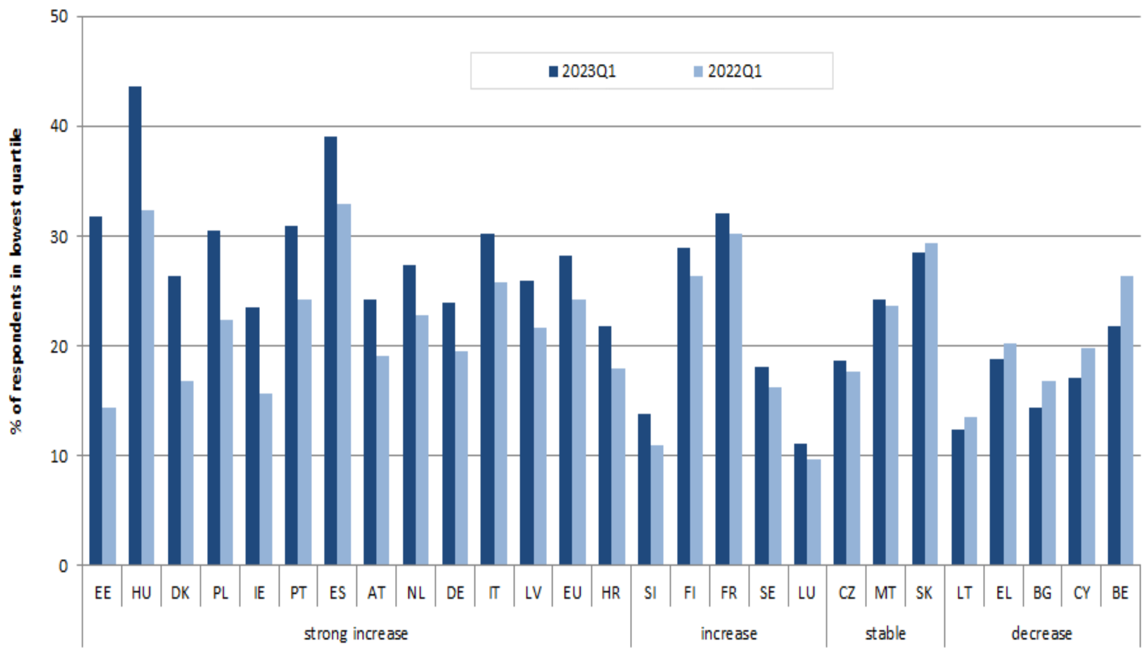
Notes: Reported financial distress by income quartile, and components of reported financial distress (share of adults reporting necessity to draw on savings and share of adults reporting need to run into debt). The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey areas, which together represent total financial distress.

([21]) European Commission joint harmonised EU business and consumer surveys include a question on household financial situations, which has been used to derive a "financial distress" indicator. The indicator focuses on households declaring that they had to "draw on their savings or go into debt in order to meet current expenditure". While subjective, it can provide a timely indication of the deterioration/improvement in the financial situation of households, and help to signal expected developments in the main indicators derived from EU-SILC. Still, both its subjective nature and the limited information on sampling and data-collection issues require some caution in the interpretation of the results.

Financial distress was particularly high for those on low incomes, affecting more than one in four of those in the lowest income quartile, and with the rise in the financial distress indicator since spring 2022 being the strongest for those in this income group (up 4.8 percentage points). In March 2023, 28% of those in the lowest income quartile reported being in financial distress, compared to 8.0% for those in the highest income quartile, and with the gap between them increasing almost continuously since March 2022 (to almost 20 percentage points). Shares of those in financial distress in the second and third quartiles were 18.2% and 13.0% respectively. The financial impact of the sharp rise in the cost of living is clearly felt much more strongly by those in the lower part of the income distribution.

Financial distress among people in the lowest income quartile increased in most Member States between the first quarter of 2022 and that of 2023. For around half of Member States, reported financial distress increased strongly, most notably in EE, HU, DK and PL (Figure 11). As a result, in the first quarter of 2023, Hungary was the country with the highest overall share of people in the lowest income quartile reporting financial distress (43.5%), followed by Spain (39.0%), France (32.1%) and Estonia (31.8%).

Figure 11: Reported financial distress in the lowest income quartile across Member States, 2022 Q1 and 2023 Q1



Source: European Commission, Business and Consumer Surveys. 3-month moving average (DG EMPL calculations)

- Main trends to watch from the SPPM dashboard update

Main latest year trends

The update of the Social Protection Performance Monitor (SPPM) dashboard [22], which is mainly based on the latest annual 2022 EU-SILC data and 2022 LFS data [23], generally points to stability overall in the social situation in 2022, although with mixed developments for some areas (Figure 12). For most social indicators any significant improvements or declines observed affected fewer than a third of Member States.

Positive developments in the social situation, with significantly more Member States registering positive changes than those recording negative ones, could be observed in the following areas:

- reductions in the share of the population living in **(quasi-)jobless households** in 13 Member States, in **long-term unemployment** in 8 MS, and continued rises in the **employment rate of older workers** in almost all Member States (in 24 MS), reflecting improvements in the labour market;

- the **situation for youth also improved**, with declines in the NEETs [24] rate in 13 MS;

- during the reference period there were also significant declines in the **depth of poverty** [25] (i.e. the relative median poverty risk gap) for the general population (11 MS) as well as for the child population (11 MS).

Nevertheless, there were some areas to watch concerning the latest developments, namely

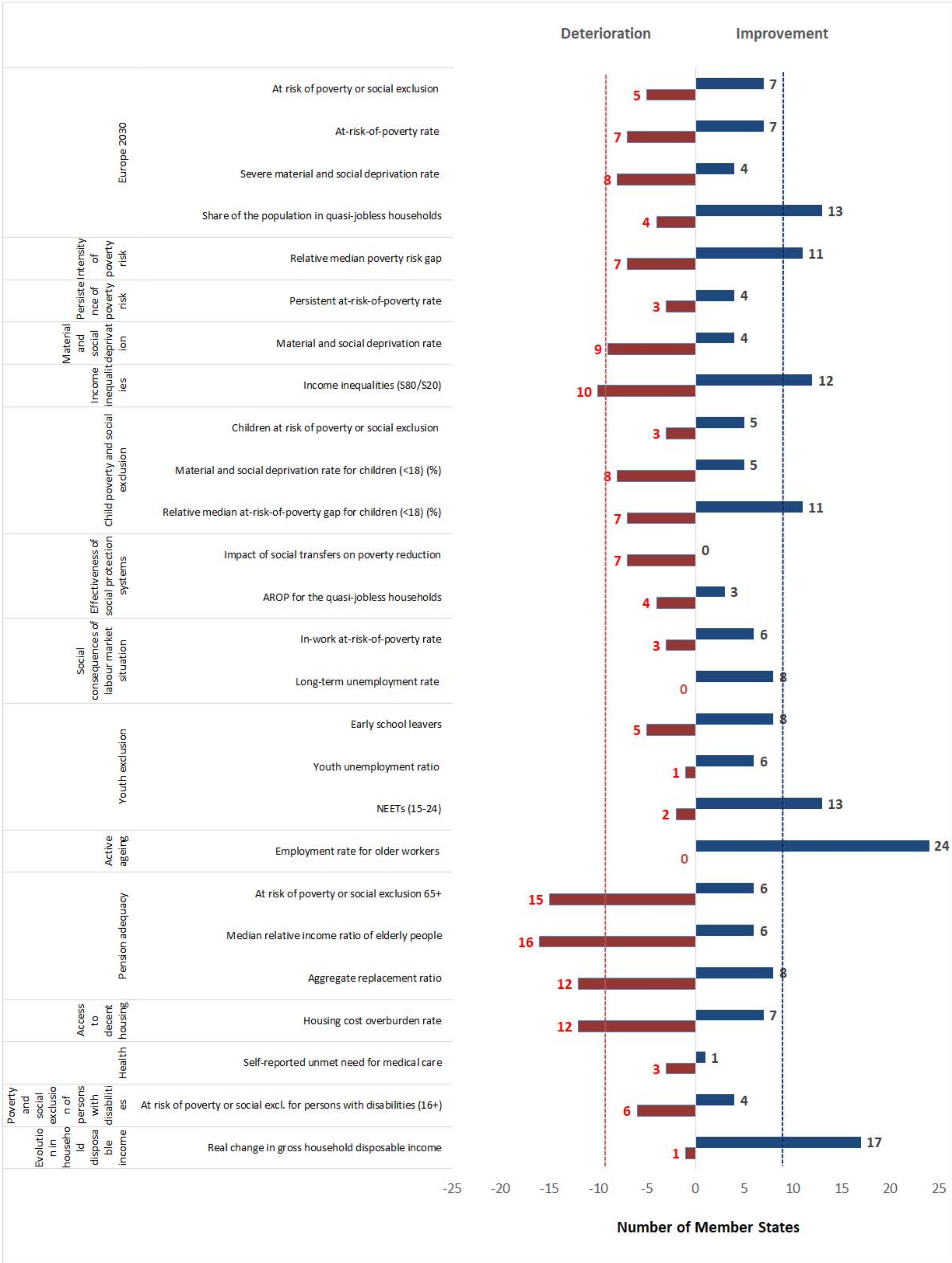
- increases in the **severe material and social deprivation rate** and in the **standard material and social deprivation rate** for the general population and for children in around a third of MS, reflecting that financial conditions of households worsened in 2022 [26] as the affordability of many items declined due to the rise in inflation. This was also reflected in significant rises in the **housing cost overburden rate** in many countries (12 MS);

- a deterioration in the **poverty and relative income situation of older people** (65 or older), with rises in their at-risk-of-poverty-or-social-exclusion rate in 15 MS. Relative incomes from pensions as reflected by the aggregate replacement ratio and the median relative income ratio worsened in a similar number of Member States. This decline in the relative income situation of older people is a reversal of the general trend observed in recent years, and reflects to a large extent the evolution of the income situation of the working age population as the labour market situation and incomes from work have improved;

- mixed developments with regard to **income inequalities**, with deterioration in 10 MS but improvements in a similar number (12 MS).

(22) The SPPM dashboard is a tool which uses a set of key EU social indicators for monitoring developments in the social situation in the European Union (for details on the methodology see the appendix "SPPM dashboard methodology")
(23) Generally 2021-2022, but for healthy life years at 65 and real change in gross household disposable income the year refers to 2021 and the changes to 2021-2022, as no 2022 figures available.
(24) Those not in employment, education nor training.
(25) EU-SILC 2022 survey results actually refer to income in the previous year, i.e. 2021.
(26) Note that the available figures for the real change in gross household disposable income actually refer to 2020-2021 and not the latest year change 2021-2022.

Figure 12: Areas of deterioration (social trends to watch) and improvement for the period 2021-2022 (or latest year available)+

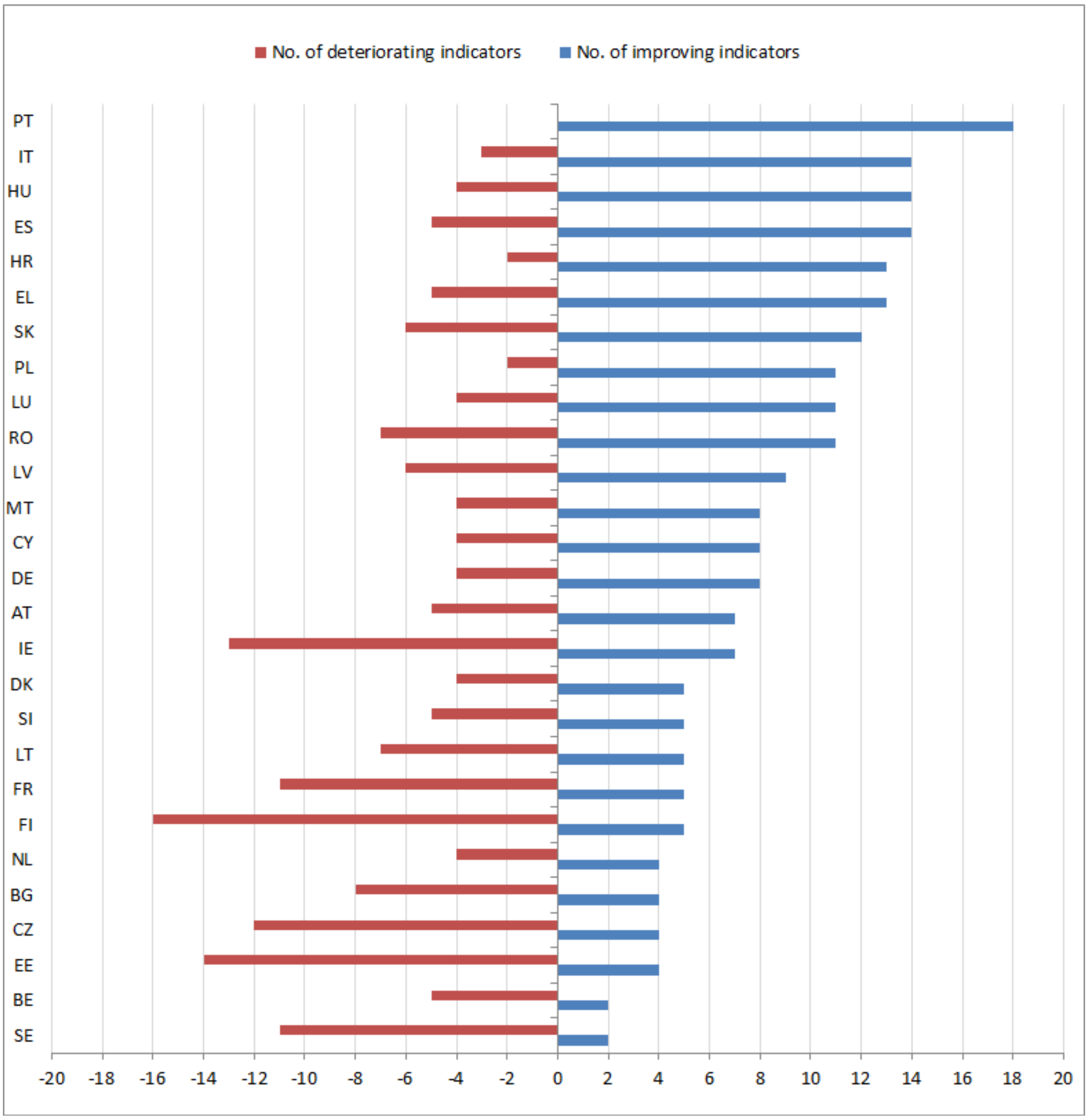


Source: Social Protection Performance Monitor

Notes: + The changes generally refer to changes for 2021-2022 (although for income and household work intensity indicators the changes actually refer to the change 2020-2021). At-risk-of-poverty rate (AROP), severe material and social deprivation rate (SMSD) and the share of the population in (quasi-)jobless households indicators are components of the AROPE indicator. Figures for healthy life years at 65 and real change in gross household disposable income refer to 2021 and the change to 2020-2021 as no 2022 figures available.

Figure 13 highlights per country the number of significant improvements or deteriorations that have taken place in the social indicators in the SPPM dashboard in the latest reference period. Around two thirds of MS recorded a higher number of indicators showing improvements than declines. The Member States with the highest number of significant positive changes were Croatia, Greece, Hungary, Italy, Portugal and Spain, all recording improvements on at least 13 indicators and generally with relatively few indicators showing a deterioration. In contrast, developments in Czechia, Estonia, Finland, France, Ireland and Sweden were much less positive, with significant improvements only registered on a few indicators and with a larger number of deteriorating indicators.

Figure 13. Number of SPPM key social indicators per Member State with a statistically significant improvement or deterioration from 2021 to 2022+



Source: Social Protection Performance Monitor

Notes: (i) Bars refer to the number of SPPM indicators which have registered a statistically and substantively significant deterioration or improvement between 2021 and 2022 (or 2020-2021 where 2022 figures not available); (ii) + For EU-SILC based indicators for income and household work intensity, changes actually refer to the year before the survey. (iii) Figures for healthy life years at 65 and real change in gross household disposable income refer to 2021 and the change to 2020-2021 as no 2022 figures available.

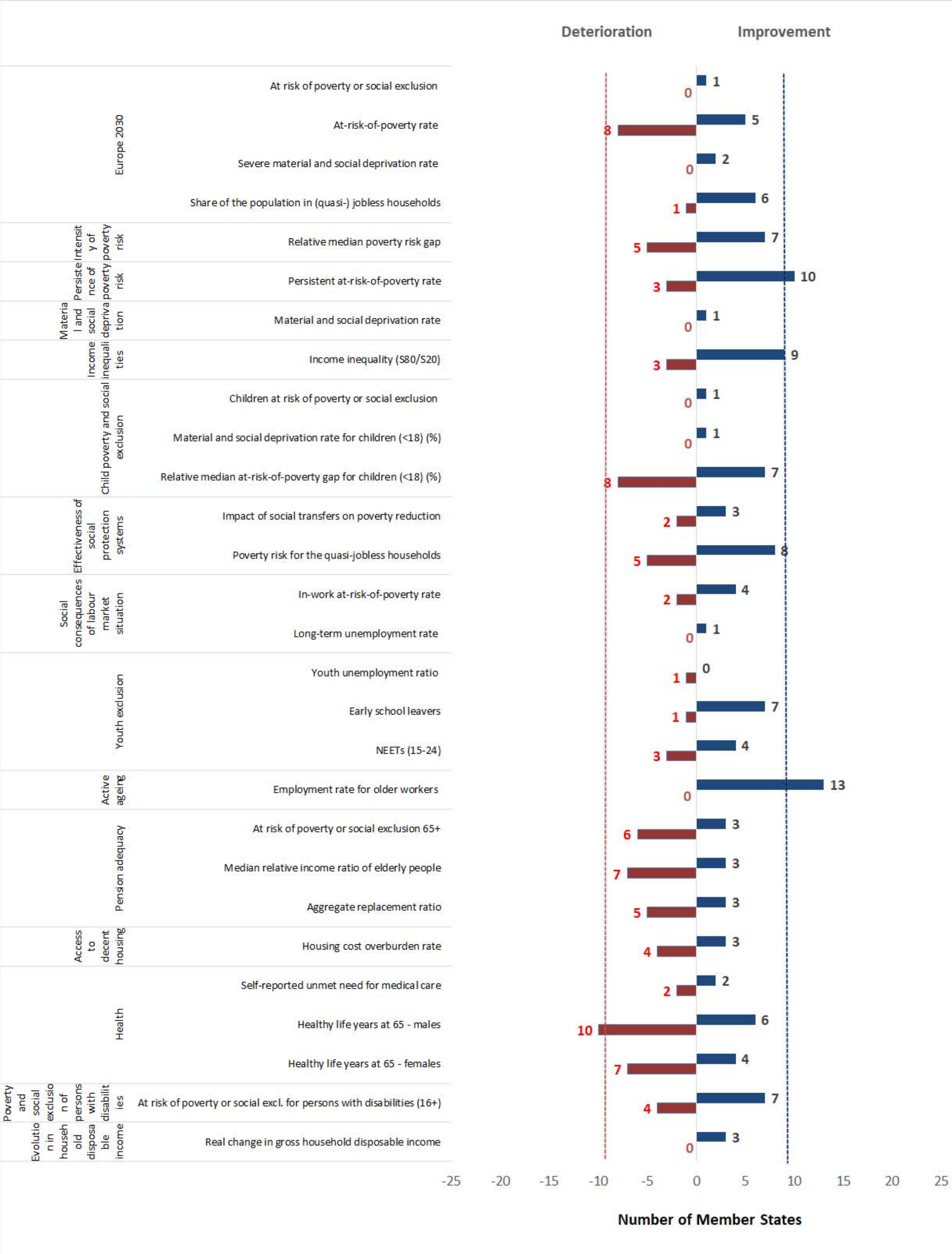
Main trends from the SPPM compared to 2019

Looking at developments compared to 2019, the reference year for the European Pillar of Social Rights Action Plan's poverty and social exclusion target for 2030, the overall picture in the latest SPPM update is one of generally little change except for a few areas (Figure 14). The COVID pandemic, the impacts of the Russian war of aggression against Ukraine, and the substantial rise in inflation over the last year have all acted as brakes to making significant improvements in the social situation. As a result, there have not been many Member States recording substantial improvements in the risk or poverty or social exclusion or the related components, but on the other hand there have also not been many recording deteriorations in the situation, with the EU passing through the crises in reasonably good shape.

Nevertheless, the dashboard shows there have been improvements in raising the employment rates for older workers across many Member States (13 MS) compared to 2019 and in reducing income inequality (9 MS) and the risk of persistent poverty (10 MS). In contrast, several Member States have witnessed declines in the healthy life years indicator, especially for men, and in the overall at-risk-of-poverty rate and the poverty risk gap for children.

Figure 15 shows the number of indicators in the SPPM dashboard for which a given country registered a significant deterioration or improvement over the period 2019 to 2022. For most Member States, there is a significantly higher number of indicators showing positive developments rather than negative ones, most notably in Belgium, Greece, Italy, Hungary, Poland, Romania and Slovakia. On the other hand, Member States such as Czechia, Estonia, France, the Netherlands and Sweden have a significantly larger number of indicators showing a deterioration compared to 2019, and with few indicators showing an improvement.

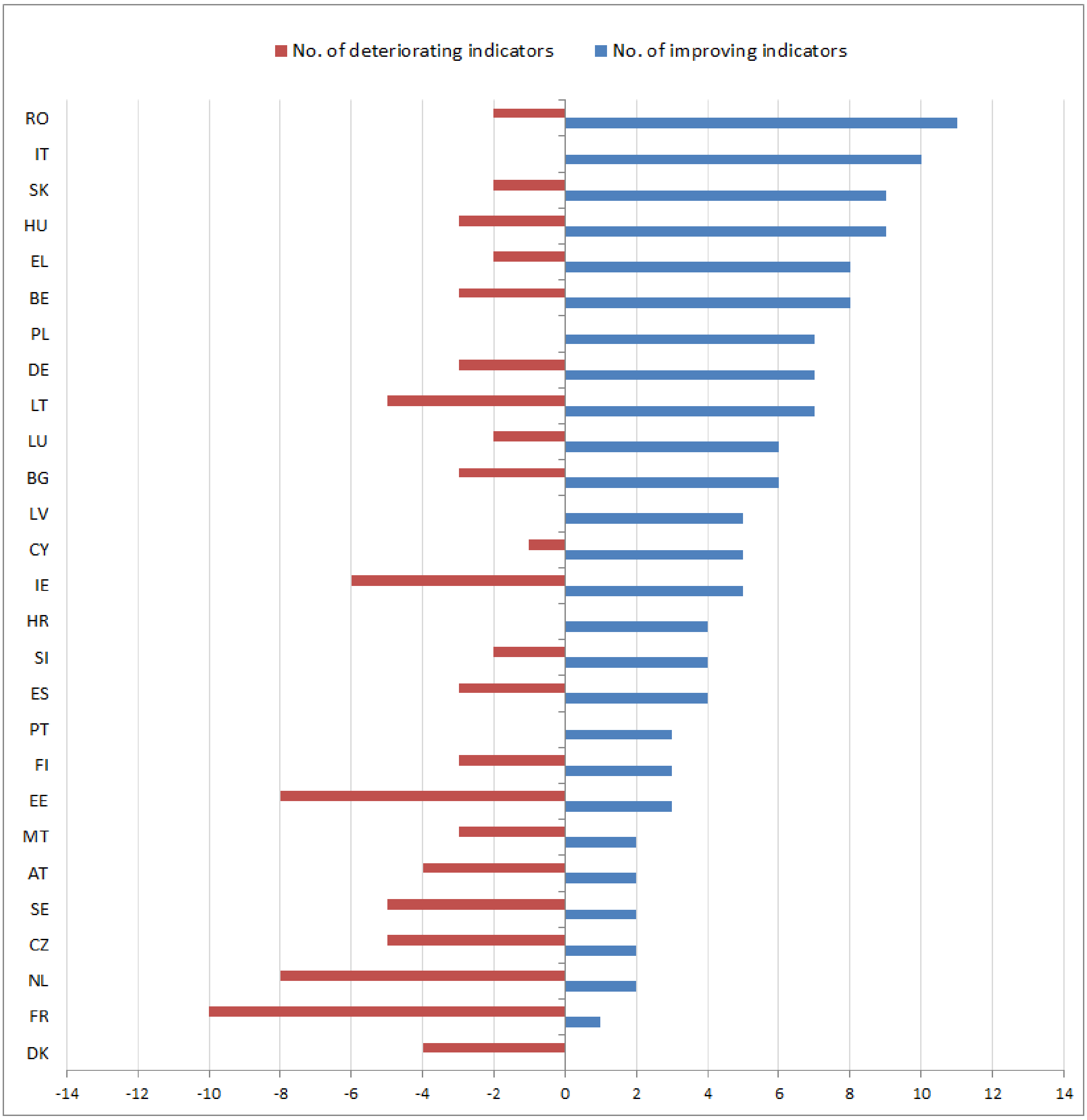
Figure 14. Areas of deterioration (social trends to watch) and improvement for the period 2019-2022+



Source: Social Protection Performance Monitor

Notes: + For EU-SILC based indicators the changes generally refer to 2019-2022 (although for income and household work intensity indicators the changes actually refer to 2018-2021). AROP, SMSD and (quasi-)jobless households indicators are components of the AROPE indicator. Figures for healthy life years at 65 and real change in gross household disposable income refer to 2021 and the change to 2019-2021 For DE, major break in the time series in 2020 for EU-SILC, so changes for 2020-2022 are used.. For IE, break in EU-SILC series in 2020, due to a change in the income reference period for Ireland and a change in the household definition, as well as due to the fact that the survey in 2020 was conducted primarily via telephone as opposed to in-person. Results should therefore be interpreted with caution.

Figure 15. Number of SPPM social indicators per Member State with a significant deterioration or improvement between 2019 and 2022



Source: Social Protection Performance Monitor

Notes: The bars refer to the number of SPPM indicators which have registered a statistically and substantively significant deterioration or improvement between 2019 and 2022. For DE, major break in the time series in 2020 for EU-SILC, so changes for 2020-2022 are used.. For IE, break in EU-SILC series in 2020, due to a change in the income reference period for Ireland and a change in the household definition, as well as due to the fact that the survey in 2020 was conducted primarily via telephone as opposed to in-person. Results should therefore be interpreted with caution.

- SPPM dashboard update (2022 EU-SILC and LFS data)

Dimensions		EU27_2020	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE
2030 target	At risk of poverty or social exclusion (in %)																												
	2022	21.6	16.7	32.2	11.8	17.1	20.9	25.2	20.7	26.3	26.0	21.0	19.9	24.4	15.7	26.0	24.6	19.4	18.4	20.1	16.5	17.5	15.9	20.1	34.4	13.3	16.5	15.3	16.5
	2021-2022 change in pp	~	~	~	1.0	~	~	3.0	~	-2.0	-1.8	1.8	-1.0	~	~	~	~	-1.7	-1.0	~	~	~	-0.9	-2.3	~	~	~	2.1	1.4
	2019-2022 change in pp	~	~	~	~	~	~	~	~	-2.7	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~
	At-risk-of-poverty rate (in %)																												
	2022	16.5	13.2	22.9	10.2	12.4	14.7	22.8	14.0	18.8	20.4	15.6	18.0	20.1	13.9	22.5	20.9	17.4	12.1	16.7	14.5	14.8	13.7	16.4	21.2	12.1	13.7	12.7	16.0
	2021-2022 change in pp	~	~	0.8	1.5	~	-1.3	2.2	1.1	-0.8	-1.3	1.3	-1.2	~	~	~	~	~	~	~	~	~	-1.1	-2.0	-1.3	~	1.4	1.9	~
	2019-2022 change in pp	~	-1.6	~	~	~	-1.4	1.1	0.9	0.9	~	2.0	~	~	~	~	~	~	~	~	1.3	1.5	-1.7	~	-2.5	~	1.8	1.1	-1.1
	At-risk-of-poverty threshold for a single person household (levels in pps, changes as real change in national currency in %)																												
	2022	n.a.	14485	5803	9212	13945	13918	10238	12124	6505	10353	12345	7366	11083	11831	7707	8521	19929	5130	12419	15262	15072	6944	7350	5020	11275	5896	12565	12344
	2021-2022 change in %	n.a.	~	~	8.3	~	~	12.4	~	8.2	~	~	5.8	~	~	5.3	~	~	~	5.8	~	~	5.3	~	11.8	5.2	~	~	~
	2019-2022 change in %	n.a.	~	19.4	~	~	~	21.8	~	16.4	~	~	17.6	~	~	18.0	24.3	18.5	19.1	14.7	~	~	20.7	~	36.8	~	~	~	~
	Severe material and social deprivation rate (in %)																												
	2022	6.7	5.8	18.7	2.1	3.2	6.1	3.3	5.8	13.9	7.7	7.5	4.0	4.5	2.7	7.8	6.0	2.0	9.1	4.9	2.5	2.3	2.8	5.9	24.3	1.4	6.3	1.9	2.3
	2021-2022 change in pp	~	~	~	~	~	1.8	1.4	0.7	~	-0.5	1.6	~	-1.4	~	2.5	~	~	-1.1	~	~	~	~	-0.7	1.2	~	~	0.8	0.9
	2019-2022 change in pp	~	~	-3.4	~	~	~	~	~	~	~	~	~	~	~	~	-3.7	~	~	~	~	~	~	~	~	~	~	~	~
	Population living in (quasi-) jobless households (in %)																												
	2022	8.3	11.5	8.6	4.5	8.8	9.7	5.7	10.5	9.5	8.7	9.9	6.3	9.8	4.1	7.2	8.3	3.5	6.2	3.6	8.4	5.7	3.8	5.6	4.2	3.8	3.6	10.1	8.2
	2021-2022 change in pp	-0.7	~	~	-0.9	-0.9	~	0.6	-2.5	-2.6	-2.9	-0.8	-1.2	-1.0	-1.7	~	~	-2.0	0.8	-1.5	~	-1.7	~	~	0.7	~	-1.1	1.5	~
	2019-2022 change in pp	~	~	~	~	~	~	~	-3.3	-3.2	-2.2	2.8	~	~	-2.5	~	~	-3.4	~	~	~	~	~	~	~	~	-2.5	~	~
Intensity of poverty risk	Relative median at-risk-of-poverty gap (in %)																												
	2022	23.1	18.2	26.0	18.3	19.4	20.1	23.4	18.1	23.8	27.8	20.2	25.3	26.1	15.0	27.7	22.8	18.4	19.6	16.5	19.2	23.9	20.7	21.7	32.0	17.1	18.4	14.8	21.7
	2021-2022 change in pp	-1.4	3.0	~	2.2	~	-2.4	3.1	3.7	-2.6	-1.9	~	-1.3	-1.1	~	1.1	~	-1.4	-9.0	-1.8	~	1.7	~	-5.4	-6.1	~	-9.3	1.6	~
	2019-2022 change in pp	~	1.9	~	4.2	~	-4.4	~	3.3	-3.2	~	3.7	~	-3.9	~	~	-3.2	-6.2	-9.3	~	2.1	~	~	~	~	~	-6.8	~	~
Persistence of poverty risk	Persistent at-risk-of-poverty rate (in %)																												
	2022	n.a.	9.0	16.8	6.7	6.9	n.a.	15.3	7.1	12.0	12.6	8.3	12.8	13.0	8.1	15.8	14.3	7.7	4.7	13.3	9.0	9.5	5.0	n.a.	15.4	6.8	4.8	8.7	8.7
	2021-2022 change in pp	n.a.	~	~	2.2	~	n.a.	1.0	n.a.	~	~	n.a.	~	~	-1.1	-0.9	n.a.	-1.2	n.a.	~	~	~	~	n.a.	-1.9	n.a.	n.a.	2.0	n.a.
	2019-2022 change in pp	n.a.	-1.4	~	~	~	n.a.	-1.4	-1.7	~	-2.5	~	-1.8	-1.1	~	~	-4.9	~	~	~	-1.1	1.2	~	n.a.	-1.4	~	-2.3	2.2	1.3
Material and social deprivation	Material and social deprivation rate (in %)																												
	2022	12.7	9.5	30.4	4.8	6.8	11.5	7.5	12.3	29.7	15.4	14.4	8.4	9.0	11.0	14.1	12.7	3.7	16.5	9.6	5.6	5.2	6.4	11.9	36.4	4.4	10.5	4.7	4.7
	2021-2022 change in pp	~	~	~	~	~	2.5	2.4	2.6	~	~	3.0	~	-2.3	~	3.0	~	-1.6	-1.2	~	~	~	~	-1.6	1.9	~	1.3	1.1	1.2
	2019-2022 change in pp	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	-7.4	~	~	~	~	~	~	~	~	~	~	~	~

Dimensions		EU27_2020	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE
Income inequalities	**Income quintile ratio (S80/S20)**																												
	2022	4.7	3.6	7.3	3.5	4.0	4.3	5.4	4.1	5.2	5.6	4.6	4.5	5.6	4.3	6.3	6.4	4.7	4.0	4.8	3.9	4.3	3.9	5.1	6.0	3.3	3.1	3.8	4.4
	2021-2022 change in %	-5.0	4.4	~	~	2.5	-12.7	7.2	6.3	-9.3	-9.0	4.3	-4.2	-4.1	~	-4.5	4.1	3.1	-3.9	-5.6	~	4.7	-3.0	-9.4	-16.0	~	-2.5	4.7	7.9
	2019-2022 change in %	~	~	-9.9	~	~	-10.7	6.1	~	~	~	7.7	~	-6.5	-6.6	~	~	-11.4	-5.7	13.6	~	~	-10.5	~	-15.3	~	-6.6	~	~
Child poverty and social exclusion	**At-risk-of poverty or social exclusion rate of children (% of people aged 0-17)**																												
	2022	24.7	19.6	33.9	13.4	13.8	24.0	16.6	22.7	28.1	32.2	27.4	18.1	28.5	18.1	19.8	22.4	24.0	18.1	23.1	13.9	21.6	16.7	20.7	41.5	10.3	24.7	14.9	19.9
	2021-2022 change in pp	~	~	~	~	~	~	~	~	-3.9	-1.2	4.7	~	~	~	~	~	-5.4	-5.2	~	~	~	~	-2.2	~	~	5.0	1.7	~
	2019-2022 change in pp	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	-6.0	~	~	~	~	~	~	~	~	~	~
	Material and social deprivation rate for children (<18) (%)																												
	2022	14.5	10.8	27.2	6.2	5.8	14.4	5.5	15.5	31.5	18.7	18.6	6.3	8.9	14.4	10.5	10.1	4.4	19.8	9.2	5.0	6.3	4.9	11.1	41.8	3.8	14.1	4.1	5.5
	2021-2022 change in pp	1.6	~	~	~	~	3.2	2.5	3.1	~	~	5.8	~	-3.9	-2.6	1.7	-3.2	-2.6	-2.3	~	1.8	~	~	~	5.5	~	4.4	~	~
	2019-2022 change in pp	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	-7.0	~	~	~	~	~	~	~	~	~	~
	Relative median at-risk-of-poverty gap for children (<18) (%)																												
	2022	24.4	21.2	42.8	22.9	17.0	16.8	23.2	21.5	24.9	31.8	19.8	23.6	27.9	18.1	25.7	21.1	18.4	14.5	21.0	26.0	25.9	20.9	26.1	33.1	17.1	25.0	12.3	21.4
	2021-2022 change in pp	~	7.0	9.1	1.6	-2.4	-3.3	-1.9	4.9	-2.2	-2.7	~	-1.7	~	~	2.1	~	~	-21.5	-3.8	~	~	4.1	-5.5	-6.0	~	-3.7	3.1	~
	2019-2022 change in pp	~	5.8	4.1	7.9	5.4	-6.8	2.6	4.6	~	~	2.8	~	-5.6	~	~	-4.2	-5.2	-17.7	~	10.8	~	~	~	-9.5	~	-2.9	~	~
Effectiveness of social protection system	**Impact of social transfers (excl. pensions) on poverty reduction (%)**																												
	2022	35.3	46.8	24.4	40.0	50.4	42.1	28.1	56.4	20.3	27.4	42.0	20.4	25.6	30.8	25.0	30.3	33.6	35.6	26.4	33.8	42.0	38.6	23.7	16.5	37.3	33.8	49.8	39.9
	2021-2022 change in pp	~	~	-5.4	-7.9	~	~	~	~	~	~	~	~	~	-6.7	~	~	~	-13.9	~	~	~	~	~	~	-7.5	-9.2	-7.8	~
	2019-2022 change in pp	~	7.1	~	~	~	7.6	~	~	~	~	~	~	5.6	~	~	~	~	~	~	~	-7.3	~	~	~	-8.1	~	~	~
	At-risk-of-poverty rate for the population living in (quasi-) jobless households																												
	2022	61.9	60.0	73.2	69.2	54.1	51.3	75.6	50.6	68.6	62.1	68.1	81.4	60.7	44.3	79.0	77.6	46.4	67.2	73.3	78.4	51.6	59.7	62.0	75.0	75.3	82.6	59.5	73.3
	2021-2022 change in pp	~	~	~	10.2	~	~	~	3.7	~	~	~	~	-3.5	~	~	~	~	~	~	~	-8.7	~	~	~	~	7.9	7.8	-6.1
	2019-2022 change in pp	-3.8	-3.9	-4.5	8.2	~	-5.6	~	~	5.5	~	5.5	~	-8.9	~	~	~	-9.9	5.8	~	15.1	~	-5.6	~	-9.3	~	~	~	-11.3
Social consequences of labour market	**In-work at-risk-of poverty rate (in %)**																												
	2022	8.5	3.6	10.0	3.5	5.4	7.0	10.7	5.3	10.6	11.8	7.4	4.7	11.5	8.1	9.6	7.8	12.9	7.0	7.2	5.0	8.2	9.3	10.2	14.3	4.8	7.2	2.5	7.4
	2021-2022 change in pp	-0.4	~	~	~	~	-1.6	~	1.0	-0.5	-0.9	0.7	~	~	~	~	~	~	-0.5	~	~	~	~	-1.1	-0.9	~	~	~	0.8
	2019-2022 change in pp	~	-1.2	~	~	~	-1.5	~	~	~	~	~	~	~	1.3	~	~	~	-1.5	~	~	~	~	~	-1.1	~	2.8	~	~
	Long-term unemployment rate (in %)																												
	2022	2.4	2.3	2.3	0.6	0.5	1.0	1.3	1.3	7.7	5.0	2.0	2.4	4.6	2.3	2.0	2.3	1.3	1.2	1.0	0.7	1.2	0.9	2.7	2.2	1.7	4.1	1.5	1.9
	2021-2022 change in pp	-0.4	~	~	~	-0.5	~	~	-0.5	-1.5	-1.2	~	-0.4	-0.8	~	~	~	-0.5	~	~	~	-0.8	~	~	~	~	~	~	~
	2019-2022 change in pp	~	~	~	~	~	~	~	~	-3.6	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~

Dimensions		EU27_2020	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE
Youth exclusion	Early school leavers (in %)																												
	2022	9.6	6.4	10.5	6.2	10.0	12.2	10.8	3.7	4.1	13.9	7.6	2.3	11.5	8.1	6.7	4.8	8.2	12.4	10.1	5.6	8.4	4.8	6.0	15.6	4.1	7.4	8.4	8.8
	2021-2022 change in pp	~	~	-1.7	~	~	~	1.0	~	0.9	0.6	~	~	-1.2	-2.1	-0.6	-0.5	-1.1	~	-0.6	0.5	~	-1.1	~	~	1.0	~	~	~
	2019-2022 change in pp	~	-2.0	-3.4	~	~	~	~	~	~	-3.4	~	~	-2.0	~	-2.0	~	~	~	-3.8	~	~	~	-4.6	~	~	~	~	2.3
	Youth unemployment ratio (15-24)																												
	2022	5.9	5.1	2.4	1.9	6.6	3.2	8.3	5.3	7.3	9.7	7.3	6.3	6.2	7.9	5.5	4.3	5.9	3.3	4.7	6.2	5.4	3.4	5.9	5.8	3.6	5.3	7.7	12.4
	2021-2022 change in pp	~	~	~	~	~	~	1.6	-2.0	~	-1.3	~	~	-1.2	~	~	~	~	~	~	-1.2	~	~	-1.1	~	~	~	-1.4	~
	2019-2022 change in pp	~	~	~	~	~	~	3.2	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~	~
	NEETs (15-24)																												
	2022	9.6	6.6	12.5	8.0	6.7	6.8	10.7	6.8	10.6	10.5	10.1	11.9	15.9	12.9	8.6	9.7	6.7	9.9	7.1	2.8	8.1	8.0	6.6	17.5	8.4	9.6	7.6	4.9
	2021-2022 change in pp	-1.2	-0.8	-1.5	1.5	~	-1.0	~	-0.9	~	~	~	-0.8	-3.9	~	~	-1.6	-2.0	-0.7	-2.7	~	~	-3.2	-1.0	~	1.8	-1.4	~	~
	2019-2022 change in pp	~	-2.0	~	2.3	~	~	3.0	-3.3	~	~	~	~	-3.1	~	~	~	~	~	~	-2.7	~	~	~	~	2.1	~	~	~
Active ageing	Employment rate of older workers (55-64) in %																												
	2022	62.3	56.6	68.2	72.9	72.9	73.3	73.7	66.7	51.9	57.7	56.9	50.1	55.0	65.0	69.5	69.8	46.6	65.6	54.5	73.1	56.4	56.4	65.9	46.7	55.2	64.1	71.2	77.3
	2021-2022 change in pp	1.8	2.1	3.4	3.1	~	1.5	2.1	3.9	3.6	1.9	1.0	1.5	1.6	1.6	1.7	1.8	~	2.8	2.2	1.7	1.0	1.7	2.5	2.9	2.5	3.5	2.9	~
	2019-2022 change in pp	~	4.5	4.7	6.2	~	~	~	5.0	9.0	~	~	6.2	~	~	~	~	~	8.9	~	~	~	8.1	7.4	6.3	7.0	5.3	5.3	~
Pension adequacy	At risk of poverty or social exclusion for the elderly (65+) in %																												
	2022	20.2	20.0	45.5	16.6	14.3	19.8	53.1	25.7	21.0	21.3	15.3	33.5	20.0	21.3	42.6	41.4	11.9	18.4	33.3	17.9	15.4	16.8	20.5	37.2	19.5	11.9	15.5	16.1
	2021-2022 change in pp	~	3.0	~	5.8	1.6	~	11.5	4.4	1.7	~	1.8	~	1.9	1.3	-3.3	2.7	2.6	-1.3	3.4	~	~	-1.8	-3.7	-1.5	1.4	-2.0	2.4	3.0
	2019-2022 change in pp	~	~	~	~	4.4	~	8.5	6.6	~	3.2	~	~	~	-3.6	-8.2	4.5	~	~	~	4.7	~	~	~	-7.3	~	~	~	~
	Median relative income of elderly people																												
	2022	0.90	0.73	0.68	0.73	0.77	0.84	0.53	0.80	0.97	1.01	0.93	0.72	0.98	0.77	0.64	0.63	1.10	0.96	0.72	0.73	0.95	0.89	0.96	0.97	0.80	0.96	0.79	0.81
	2021-2022 change in %	~	-5.2	-2.9	-8.8	~	~	-13.1	-5.9	-3.0	-1.9	-2.1	-2.7	-7.5	-2.5	4.9	-3.1	-9.8	10.3	-5.3	~	-2.1	2.3	3.2	12.8	-4.8	3.2	~	~
	2019-2022 change in %	~	-6.4	~	~	~	~	-8.6	-5.9	~	~	-7.0	~	~	~	n.a.	-7.4	-12.0	6.7	~	-8.8	~	~	~	16.9	~	12.9	~	~
	Aggregate replacement ratio																												
	2022	0.58	0.48	0.36	0.49	0.45	0.47	0.44	0.34	0.75	0.76	0.57	0.37	0.75	0.42	0.42	0.33	0.89	0.48	0.53	0.52	0.59	0.61	0.66	0.52	0.43	0.60	0.50	0.54
	2021-2022 change in %	~	~	2.9	~	4.7	~	~	-12.8	-2.6	-3.8	-3.4	-2.6	-2.6	-6.7	~	-2.9	9.9	-11.1	-3.6	4.0	-4.8	3.4	3.1	36.8	~	5.3	~	-3.6
	2019-2022 change in %	~	~	~	~	~	~	~	-10.5	~	~	-12.3	~	~	~	10.5	-23.3	~	-12.7	~	~	-9.2	~	~	23.8	~	13.2	~	~

Dimensions		EU27_2020	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE
Health	Self reported unmet need for medical care																												
	2022	2.2	1.0	1.0	0.2	2.1	0.3	9.1	2.6	9.0	1.2	3.2	1.3	1.8	0.1	5.4	2.9	0.5	1.4	0.3	0.2	0.5	2.3	2.9	4.9	3.7	2.8	6.5	1.8
	2021-2022 change in pp	~	~	~	~	~	~	~	~	2.6	~	~	~	~	~	1.4	~	~	~	~	~	~	~	~	~	-1.1	~	2.1	~
	2019-2022 change in pp	~	~	~	~	~	~	-6.4	~	~	~	2.0	~	~	~	~	~	~	~	~	~	~	-1.9	~	~	~	~	1.8	~
	Healthy life years at 65 - males																												
	2021	9.5	11.0	7.7	7.0	9.5	10.2	6.2	12.3	7.6	10.7	11.3	5.1	10.8	9.1	4.4	5.2	10.7	7.1	12.2	9.2	9.3	7.7	8.4	4.0	10.0	4.8	10.3	14.5
	2020-2021 change in %	~	~	-10.5	~	-8.7	~	~	8.8	~	-7.8	10.8	8.5	~	19.7	~	-7.1	~	~	~	-8.0	16.3	~	~	-29.8	6.4	~	9.6	-5.8
	2019-2021 change in %	~	~	-16.3	-12.5	-11.2	-11.3	~	~	~	-13.7	8.7	10.9	~	12.3	~	-13.3	~	~	-15.3	-9.8	20.8	~	~	-40.3	14.9	~	10.8	-8.8
	Healthy life years at 65 - females																												
	2021	9.9	11.3	9.0	8.2	10.2	11.4	7.6	13.0	7.7	10.3	12.6	5.2	10.7	9.3	5.0	6.6	11.2	7.8	11.6	9.7	9.7	8.9	7.4	4.0	11.4	5.1	11.4	14.8
	2020-2021 change in %	~	~	-9.1	~	-14.3	~	~	~	~	-10.4	6.8	~	~	32.9	13.6	10.0	~	~	-10.8	~	16.9	~	~	-33.3	~	8.5	10.7	-9.8
	2019-2021 change in %	~	~	-13.5	~	-13.6	-10.9	~	~	~	-16.3	~	~	~	31.0	~	~	~	~	-23.2	~	26.0	~	~	-38.5	32.6	~	18.8	-10.8
Poverty and social exclusion of persons with disabilities	At risk of poverty or social exclusion for persons with disabilities (% of people with disabilities above 16 years)																												
	2022	28.8	33.8	49.9	21.1	24.7	27.9	47.8	39.5	29.1	30.0	27.8	35.3	26.9	28.0	41.8	44.3	23.5	30.0	36.0	25.9	22.7	24.6	26.4	42.9	22.3	18.8	22.2	30.6
	2021-2022 change in pp	~	~	4.6	3.2	~	-3.1	10.7	~	~	-3.0	~	~	~	~	~	5.4	~	~	~	~	~	-2.3	-3.3	~	~	~	3.7	5.2
	2019-2022 change in pp	~	~	~	-3.6	~	~	8.5	~	-2.9	-4.9	2.8	~	-2.3	~	~	3.8	~	~	~	~	~	-3.0	-2.4	-2.5	~	~	~	4.4
Access to decent Housing	Housing cost overburden rate																												
	2022	9.1	7.7	15.1	6.9	14.7	11.8	4.9	3.9	26.7	9.2	6.5	3.8	6.6	2.5	5.4	3.5	15.3	8.4	2.9	21.7	7.4	5.6	5.0	8.5	4.1	2.2	5.4	9.1
	2021-2022 change in pp	~	~	3.5	0.6	-0.8	0.8	~	1.4	-2.1	-0.7	~	-0.7	-0.6	~	~	0.8	10.2	6.0	~	9.2	1.3	~	-0.9	0.9	~	-4.9	1.1	0.6
	2019-2022 change in pp	~	~	~	~	~	2.8	~	~	-9.5	~	~	~	-2.1	~	~	~	5.2	4.2	~	11.8	~	~	~	~	~	-3.5	~	~
Evolution in real household disposable income	Real change in gross household disposable income (in %)																												
	2020-2021 change in %	1.6	~	n.a.	4.3	~	~	4.1	2.9	7.2	~	2.4	7.8	1.8	2.9	7.5	~	~	7.3	n.a.	2.3	2.1	-3.6	2.4	n.a.	4.1	1.8	1.6	4.3
	2019-2021 change in %	~	~	n.a.	~	~	~	~	9.3	~	~	~	~	~	~	9.5	~	~	~	n.a.	~	~	~	~	n.a.	8.7	~	~	~

Note: i) Figures are for data extracted from the relevant source on 6 July 2023; ii) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change), "n.a." refers to data not being available. See table at end of document for full details of significance tests; iii) The method used to estimate the statistical significance of the net changes, based on regression and developed by Net-SILC2 (an EU funded network consisting of a group of institutions and researchers conducting analysis using EU-SILC) is still under improvement; iv); Figures for healthy life years at 65 and real change in gross household disposable income refer to 2021 and the latest changes to 2020-2021 and to 2019-2021; vii) For the LFS-based indicators Long term unemployment rate, Youth unemployment ratio, NEETs rate (15-24) and Employment rate of older workers, published recalculated data to avoid breaks in series are used. For "Early school leavers", data prior to 2021 aren't recalculated, so break in series for 2021; viii) For FR, EU-SILC based figures are provisional; ix) For DE, major break in the time series in 2020 for EU-SILC, so figures for changes in EU-SILC based indicators are for 2020-2022. Break also in time series for LFS-based indicators, but figures for changes versus 2019 can be shown. The reduction of "healthy life years at 65 - males" and "the reduction of healthy life years at 65 - females" in Germany is mainly attributed to methodological adjustments. Therefore, comparability to previous years is limited; *x) For IE, there is a break in the EU-SILC based indicators in 2020, due to a change in the income reference period for Ireland, and a change in the household definition, as well as due to the fact that the survey in 2020 was conducted primarily via telephone as opposed to in-person. Results should therefore be interpreted with caution; xi) In many Member States, the COVID-19 pandemic emerged during the data-collection period for the main social indicators. Although often difficult to clearly assess possible impacts on the final results, caution is warranted regarding the 2020, and probably to a lesser extent, the 2021 figures.*

- Latest indications from Eurostat flash estimates of income developments in 2022

In July 2023, Eurostat published flash estimates (27) of the expected developments in income and poverty for the income year 2022 (28). These provide a general indication of the expected annual change in certain income-related indicators (29) compared to 2021. Results are based on microsimulation and nowcasting techniques taking into account both the impact of the labour market evolution on employment income and the effect of social protection schemes and special crisis support measures put in place by national governments. In particular, assessment of the relative evolution of different sub-groups is supported by detailed information on labour market changes and the simulation of policies via EUROMOD to support workers and households.

The early flash estimates for 2022 incomes indicate that the at-risk-of-poverty rate remained stable at EU level, while disposable income in nominal terms increased in all EU countries. However, while the EU median disposable household income increased by about 7% in nominal terms, it decreased by about 2% in real terms. Moreover, the at-risk-of-poverty rate adjusted by the price evolution in 2022 signals a deterioration of living standards in several countries.

The detailed findings from the early estimates are as follows:

- Estimates for 2022 show a significant overall increase of 6.8% in median equivalised disposable income at EU level, with positive changes estimated for all countries. The increase in disposable income is supported by the positive evolution of the labour market and by several income support measures put in place to mitigate the impact of inflation, in particular to help low-income households.

- The at-risk-of-poverty rate is estimated to have remained stable at EU level (down 0.2 percentage points). At country level, statistically significant increases were estimated for only two EU countries (Greece and Croatia). Most countries showed stability or non-significant changes, while a statistically significant decrease was estimated for Italy, Bulgaria and Romania.

- It should be noted that the above indicators are based on nominal values of disposable income and therefore do not incorporate changes in the cost of living and purchasing power. Despite the high nominal increases, the nowcasted median disposable income decreased in real terms in most EU countries. It is estimated that inflation led to a 1.9% decrease for EU median disposable income in real terms in 2022. At country level, the largest decreases were estimated in Estonia, Latvia, the Netherlands, Denmark, Slovakia and Czechia.

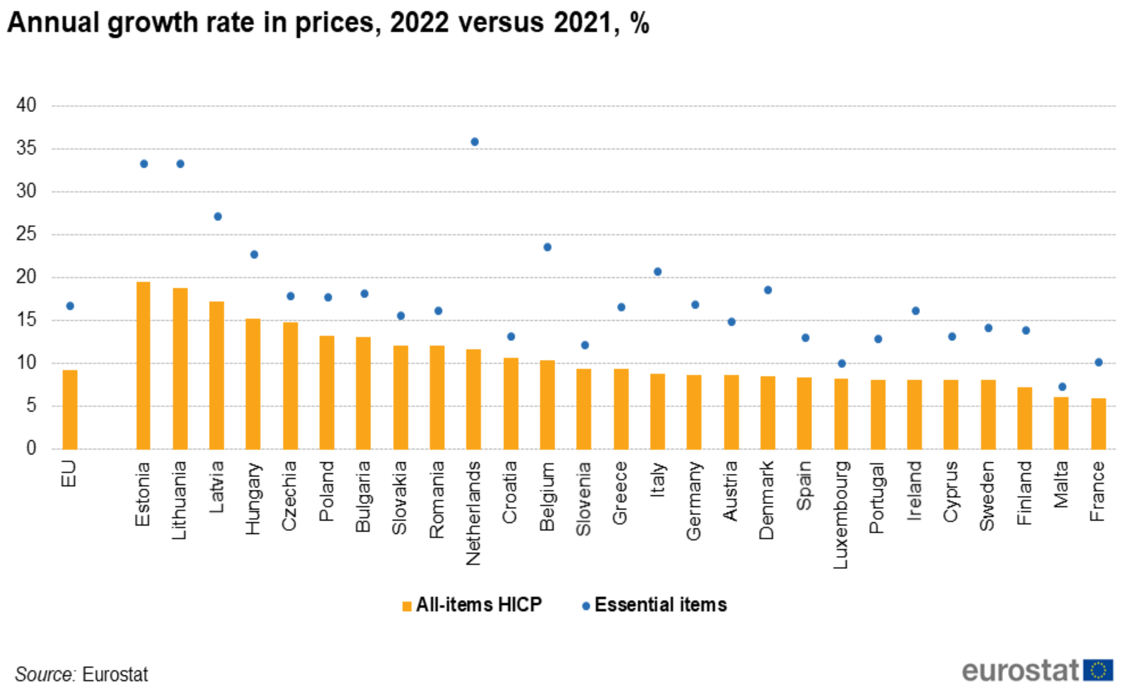
(27) For details on the methodology see here: e669ae1e-f130-d876-5cab-371d57246abb (europa.eu)

(28) For further details see the main document here: Early estimates of income inequalities - Statistics Explained (europa.eu)

(29) All figures provided are part of the experimental statistics produced by Eurostat in the frame of advanced estimates on income inequality and poverty indicators. The flash estimates give a general message on the expected change, and estimates are currently produced for the at-risk-of-poverty rate (and some breakdowns including in-work poverty), the at-risk-of-poverty threshold for a single person household, and the income quantile ratio (S80/S20).

- To assess the asymmetrical effects of inflation along the income distribution it is relevant to consider both the commodity groups most impacted by high inflation and the structure of expenditure of different household groups. Figure 16 provides the annual rate of change in 2022 of the overall harmonised index of consumer prices (HICP) and a specific index that reflects the overall increase in selected product categories considered as essential items, such as food, energy and transport, which were the main reason for the decrease of real income. This latter index registered in 2022 an annual rate of change of 16.8 % at EU level with the largest increases (>30%) in the Netherlands, Lithuania and Estonia, and the lowest (<11%) in France, Luxembourg and Malta.

Figure 16: Annual rate of change in 2022 of overall HICP and a specific index that reflects the overall increase in selected product categories considered as essential



- The effect of inflation is likely stronger for low-income households, as essential items represent a higher share of their overall consumption, and they have little margin for adjusting their consumption. The higher impact of inflation on low-income households is confirmed by additional indicators that take into account the distributional effects of inflation. In this context, the at-risk-of-poverty rate anchored in 2021, which partially captures the evolution in the cost of living, is estimated to show statistically significant increases for about half of the EU countries.

- In 2022, flash estimates show a stable trend in income inequalities, as measured by the quintile share ratio (S80/S20). This can be explained by the joint movement of the deciles, i.e. by changes along the different parts of the income spectrum not being particularly unbalanced.

(b) Economic and labour market outlook setting the context for developments in the social situation over 2023

Russia's war of aggression against Ukraine that started in February 2022 has dramatically changed the political, economic and social outlook in Europe. The shocks unleashed by the war hit the EU economy both directly and indirectly, setting it on a path of lower growth and higher inflation, with further upward pressures on commodity prices, renewed supply disruptions and increasing uncertainty. All this significantly eroded the purchasing power of households.

However, according to the European Commission's Spring 2023 Economic Forecast ([30]) the European economy continues to show resilience in a challenging global context. Lower energy prices, abating supply constraints and a strong labour market supported moderate growth in the first quarter of 2023, dispelling fears of a recession and lifting the growth outlook for 2023 and 2024.

The better-than-expected starting position lifts the growth outlook for the EU economy for 2023 and marginally for 2024. EU GDP growth is revised up to 1.0% in 2023 and 1.7% in 2024. However, inflation in the EU also surprised again to the upside, and it is now expected at 6.7% in 2023 and 3.1% in 2024. Core goods and services have now replaced energy as the primary driver of headline inflation in the EU. While indexation measures and measures to support purchasing power in general were necessary to maintain living standards, in particular for those on lower incomes, it appears that so far these have not caused a wage-price spiral or 'further surges in inflation' and are not expected to do so at this point.

The labour market has remained resilient, and the slower pace of economic expansion in the EU is set to have a limited impact on employment. Continued labour market tightness, labour hoarding due to skill shortages as well as strong demand, especially for services, are expected to cushion the impact of the economic slowdown on the labour market. Employment growth is still forecast at 0.5% in the EU this year. In 2024, employment is set to keep growing moderately (0.4%), implying a less job-rich growth than in 2022. The unemployment rate is expected to remain close to its historical low, at 6.2%, in the EU in 2023, before edging down to 6.1% in 2024.

After growing by 5.0% in 2022, the annual growth rate of compensation per employee is projected to increase to 5.9% in 2023 before falling to 4.6% in 2024. This means that real wages are still set to decrease this year, though a slight pick-up in real wages is expected towards the end of the year.

([30]) European Economic Forecast. Spring 2023 (europa.eu)

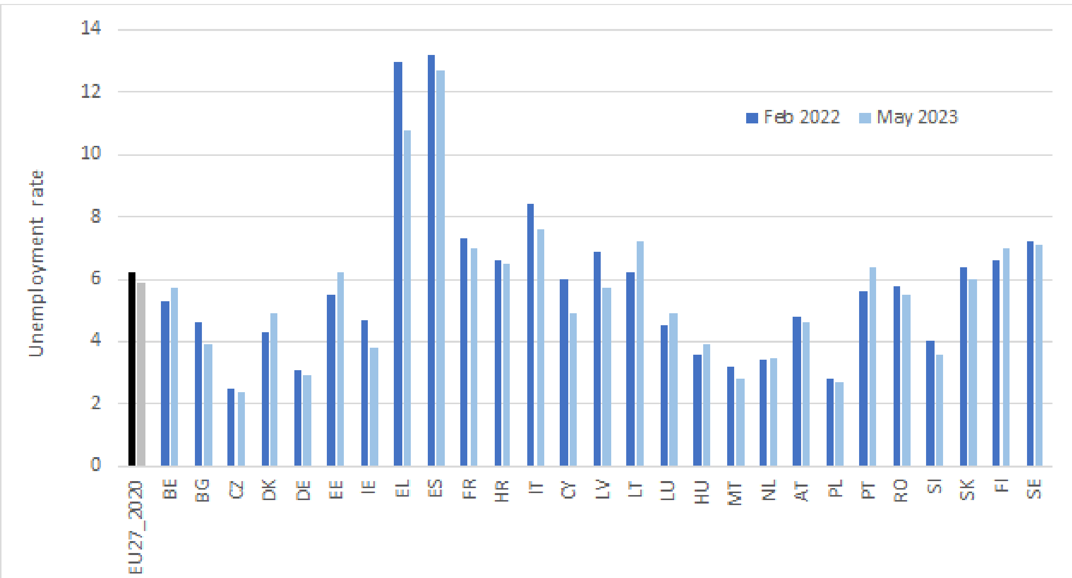
(c) Trends in the take-up of selected standard social benefit schemes

Since the financial crisis of 2008, the SPC has been collecting data on the number of social benefit recipients for different social schemes ([31]) (generally unemployment, social assistance and disability benefits). From this data, it is possible to get an idea of how recent crises have put pressure on social security systems across the EU, and whether this has reduced over time.

The latest figures available, generally covering up to spring or early summer 2023 for around two-thirds of Member States, suggest the following main recent developments identified from the administrative data:

- The labour market has demonstrated strong resilience following the start of the war of aggression launched by Russia against Ukraine in February 2022, with the unemployment rate in the EU remaining very stable at around 6.1% over 2022 and then edging down to 5.9% by May 2023. For around two-thirds of Member States the unemployment rate also declined over this period, most notably in EL, CY and LV. Rates only rose markedly (more than 0.5 pp) in DK, EE, LT and PT (Figure 17).

Figure 17: Unemployment rates in the EU and Member States in February 2022 and May 2023



Source: Eurostat, LFS - monthly data (UNE_RT_M)

- In line with the general trend of no marked increases in unemployment, the number of unemployment benefit recipients in Member States has mainly declined, and particularly so (in relative terms) in AT, CZ, IE, EL, HR, LV, NL, PT, RO and SI, with only a few exceptions (DE, EE, LT and LU) where the number rose (Table 5).

([31]) Although this information needs to be assessed with due caution (as it does not offer cross-country comparability due to the diversity of concepts and underlying definitions used) the numbers of beneficiaries are available every month in most Member States, and help to observe trends and the timing of the impact of crises.)

- For the number of recipients of social assistance benefits the picture is more mixed. There were marked rises in recipient levels in CZ, EE, ES, IE, LV and SK following the start of the Russian war of aggression (Table 6). For some (e.g. EE, LV and SK) this was linked to the inclusion of refugees from Ukraine under the regular social assistance schemes. In contrast, notable reductions in the number of social assistance benefit recipients were recorded in BG, EL, HR, HU, SI and SE.

Table 5: Change in unemployment benefit recipient numbers from February 2022 to latest month of data available

	Change in unemployment benefit recipient numbers from February 2022 to latest month of data available		
	Absolute change (1000s)	Relative change (%)	Latest month of data
BE	-27	-8.5	Dec 2022
BG	-3	-5.0	Mar 2023
CZ	-11	-12.6	Aug 2023
DK	na	na	-
DE	294	6.8	May 2023
EE	2	13.8	June 2023
IE	-20	-13.2	May 2023
EL	-158	-74.2	April 2023
ES	-145	-7.9	April 2023
FR	-11	-0.4	Dec 2022
HR	-10	-35.1	May 2023
IT	na	na	-
CY	na	na	-
LV	-8	-21.6	June 2023
LT	10	15.0	May 2023
LU	1	8.4	May 2023
HU	-3	-4.4	June 2022
MT	na	na	-
NL	-30	-18.9	April 2023
AT	-39	-14.6	Mar 2023
PL	-7	-5.8	June 2023
PT	-45	-21.5	June 2023
RO	-12	-23.1	April 2023
SI	-5	-26.9	May 2023
SK	-3	-7.1	May 2023
FI	-43	-12.5	Dec 2022
SE	-17	-6.3	Dec 2022

Source: SPC data collection on social benefits recipients
Note: No recent data for DK, IT, CY and MT.

Table 6: Change in social assistance benefit recipient numbers from February 2022 to latest month of data available

	Change in social assistance benefit recipient numbers from February 2022 to latest month of data available		
	Absolute change (1000s)	Relative change (%)	Latest month of data
BE	0.1	0.1	Dec 2022
BG	-2.0	-10.0	May 2023
CZ	4.0	6.7	May 2023
DK	na	na	-
DE	na	na	-
EE	3.2	59.4	June 2023
IE	2.0	20.0	May 2023
EL	-78.5	-20.2	June 2023
ES*	537.8	73.0	May 2023
FR	0.2	0.0	Dec 2022
HR	-5.0	-9.8	May 2023
IT	na	na	-
CY	na	na	-
LV	3.0	23.1	May 2023
LT	-0.2	-0.2	Mar 2023
LU	-0.3	-2.6	May 2023
HU	-26.0	-26.5	June 2023
MT	na	na	-
NL	-10.0	-2.5	April 2023
AT	-3.9	-2.0	(Apr 22 - Nov 22)
PL	na	na	-
PT	-8.0	-4.0	June 2023
RO	3.0	1.9	May 2023
SI	-10.3	-11.9	June 2023
SK	7.7	13.3	May 2023
FI	-2.9	-2.0	May 2023
SE	-12.1	-13.9	Dec 2022

Source: SPC data collection on social benefits recipients
*Note: * For ES the data refers only to the monthly data for the IMV (Minimum Vital Income) national scheme, but there exist also regional minimum income schemes (RMI) that are included in social assistance but for which the data is only available annually. No recent or monthly data for DK, DE, IT, CY, MT and PL..*

Trends in individual Member States regarding the number of recipients of standard benefits can be found in the related chart in the country profiles produced as a separate annex (Annex 1) to this SPC annual report.

Of course the main impact of the war in Ukraine has been on the cost of living, and special measures were put in place in most EU countries to address increasing energy poverty and to cushion the impact of rising prices in general and these are discussed in detail in section V.ii of the report, while the data on recipients and financing of such measures is summarised in annex 3. In this context, while the numbers of recipients under standard schemes may not have risen in many Member States, the level of benefits paid out may have increased in several, or the situation may have been addressed instead via the special measures.

IV. Overview of key social challenges and good social outcomes in EU Member States

This section presents the findings concerning the main social challenges and good social outcomes in the EU Member States ([32]) as highlighted in the SPPM Country Profiles annexed to the report. Due to the time constraints in producing the assessment **([33])**, it is mainly based on 2021 EU-SILC data. The assessment is built on a qualitative and quantitative analysis of the levels for the selected indicators, together with the changes over a three-year reference period (2018-2021), according to the methodology of the Joint Assessment Framework ([34]). Further analysis is conducted to complement these results with other relevant findings, emerging from national sources, policy documents, reports or studies (referred to as "non-JAF analysis").

Regarding breaks in series in some indicators for certain Member States, it has been clarified with the relevant Member States for which indicators time comparisons can be made in the context of this exercise in spite of the break and those indicators for which it cannot take place. In the former case, appropriate caveats/footnotes were added. In the latter case, where time comparisons may not be appropriate, the exercise was focused on an assessment of levels only.

The SPPM analysis of Member States' key social challenges and good social outcomes, which considers 2021 levels and trends from 2018 to 2021, continues to point to a heterogeneous performance of social protection systems across the European Union, along with a positive broad stability in the social situation that was ensured also during the most difficult year of the pandemic crisis (as shown by SILC 2021 data mainly reflecting the income situation in 2020).

The SPC-ISG is currently reviewing the social monitoring frameworks, including the analytical tools used in this report. It will reflect, jointly with EMCO-IG, on the scope to simplify and consolidate the existing tools in line with the findings from the assessment report of the EMCO and SPC on the Europe 2020 Strategy. In this context the SPC-ISG is also following developments related to the Belgian-Spanish proposal for a Social Imbalances Procedure (now renamed as Social Convergence Framework), in particular with regard to the technical aspects, and will reflect as necessary on the related possible implications for the existing monitoring tools and reports.

<u>Poverty, social exclusion and inequality</u>

While all member States, but Finland, have at least one challenge in the area of poverty or social exclusion, in 24 Member States a JAF key challenge has been observed, considering all age groups, with good outcomes registered in 20 Member States. This set of challenges encompasses various specific challenges, ranging from the share of people living in (quasi)-jobless households, the at-risk-of-poverty rate, the severe material deprivation rate, the persistent at-risk-of-poverty

([32]) For further details on the assessment methodology see section 2 of Annex 3 (technical annex) "SPPM methodology used for the identification of Member States' key social challenges and good social outcomes"
([33]) Despite the improvement in timeliness of the EU-SILC data, publication of EU-SILC 2022 figures in early June 2023 did not allow to elaborate the Country Profiles of this exercise by using the very latest SILC data.
([34]) https://ec.europa.eu/social/main.jsp?catId=1538&langId=en

rate, and the relative median poverty risk gap. **Inequality** appears as a key challenge in 8 Member States, while 5 Member States have good social outcomes in the area. The **housing** situation, notably issues related to housing deprivation and housing cost overburden, for various age groups, is a key challenge in 13 Member States, with 5 Member State registering good social outcomes in this area. Regarding non-JAF analyses, challenges concerning the social situation of **persons with disabilities** were identified in 9 Member States, notably in relation to their risk of poverty and social exclusion and their employment gap relative to people without disability. **Roma** inclusion features as a challenge in 9 Member States. The social situation of **migrants and refugees** is a key concern in 9 Member States, including sometimes their labour market situation. The territorial dimension of poverty and social exclusion, in relation to its **regional dimension** or the divide between urban and rural areas, is flagged as a key social challenge for 7 Member States. The analysis on **energy** poverty highlighted key social challenges in 6 Member States.

Effectiveness of social protection

Under this area, the **social inclusion of children** has been analysed from the perspective of the effectiveness of social protection for children and that of equal opportunities for children, especially for those from a disadvantaged socio-economic background. Overall, in these areas, 15 Member States registered key challenges, with 8 showing good outcomes. Challenges in the area of **active inclusion** are related to the effectiveness of **social benefits** for the working age population, the effectiveness of **social services**, and **inclusive labour markets**. The adequacy, coverage and take up of social assistance were found to remain limited, while the access to social services and links to social services left room for improvement. Overall, in these non-JAF areas, 8 Member States registered key challenges. From the perspective of **gaps in access to social protection** for some categories of non-standard workers or self-employed, challenges were observed in 9 Member States regarding effective access or linked to adequacy.

Pensions

The analysis in the area of pensions encompassed issues related to the effectiveness of social protection in old age, as well as pensions adequacy issues. As concerns the **effectiveness of social protection** in old age, in terms of poverty prevention or income replacement, 9 Member States registered key challenges, and 8 showed good outcomes. Key challenges were observed for 6 Member States concerning **pension adequacy** issues, in particular related to high gender pension gaps.

Long-term care

The insufficient access to long-term care services, their affordability, quality, or the sub-optimal design of long-term care systems has been identified as a key challenge in 9 Member States.

Healthcare

The health status analysed by life expectancy of the population proves to be a key challenge in 16 Member States, while 7 Member States display good results. As concerns **access to health care**, challenges have been identified for 9 Member States.

V. Main recent social policy developments in EU Member States

V.i Overview of social policy developments

Multilateral reviews of the implementation of Country Specific Recommendations (CSRs) under the European Semester

As part of its treaty-based mandate, the Social Protection Committee systematically monitors Member States' reform activities. One of the key instruments used in this task are the Multilateral Implementation Reviews (MIR), which entail reviewing Member States' reform implementation efforts in the context of the European Semester. Such reviews provide a shared understanding of interrelated challenges and support Member States' reform efforts through exchanges of policy knowledge and best practices.

During the 2023 Semester cycle, the SPC conducted 31 country-specific reviews, with challenges of common interest being reviewed jointly with the Employment Committee (EMCO). 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. In addition, the Committee held in-depth thematic discussions on each policy area under its competence, focusing on issues with relevance to the current socio-economic context.

The horizontal findings from the country-specific reviews and thematic discussions are presented in the sections below.

In addition, peer reviews, dedicated to exploring specific aspects of the policy areas covered by the Committee can be held upon initiative of a host country and supported by the Commission. The results of peer reviews conducted in 2022/2023 are highlighted in boxes where relevant.

BOX 2 – Distributional impact of Member States' policies: Mutual learning events and national developments

In September 2022, the European Commission published a Communication on Better assessing the distributional impact of Member States' policies and a related Staff Working Document that stress the importance of Distributional Impact Assessment (DIA) analyses to assess and maximise the impact of reforms and investment on poverty and inequality reduction across the EU. The Communication presents a few elements to guide Member States to undertake, strengthen and enhance the quality of DIA, while the Staff Working Document also takes stock of the state of play of DIA across Member States. While reliance on DIA varies across countries, about half Member States apply DIA quite extensively, making moderate or more frequent use of such analysis.

Last year, the Thematic Social Reporting of the SPC was dedicated to DIA, as reported in the SPC Annual Report 2022. In addition, to support Member States and promote the exchange of good practices in DIA, the Commission has initiated a series of Mutual Learning Events (MLE), involving mainly representatives from Member States' Ministries of economy and Finance and of employment and social affairs, as well as national budgetary institutions, independent fiscal institutions, and related national bodies. Six MLEs have taken place, between December 2021 and June 2023 (in 2023, two MLE have taken place so far, in March and June, and one more is planned for October). The topics covered in 2023 where both methodological (e.g. accounting for behavioural responses, non-take up, second-round effects in DIA analysis) and thematic (e.g. application of DIA to child benefits or to the extraordinary measures taken to face the energy and cost of living crisis), based on inputs from Commission (e.g. DG EMPL, JRC) and Member States (BE, FI, IT, SE, ES in 2023). The events have registered very good participation and high-quality expertise, also at technical level, which have resulted in lively in-depth discussions and continuous interest, including for identifying topics to be explored in forthcoming events.

In the context of the MLE programme, a questionnaire allowed to take stock of DIA developments in Member States in 2023. It appears that four Member States (BE, FI, IT, NL) experienced developments in DIA methods (e.g. enrichment of the models with new policy measures options or outcome indicators, new models on climate policies or energy poverty measures, behavioural modules, new data sources), while one Member State (LV) reported developments in the integration of DIA in the policy making process (e.g. inclusion of DIA in the draft budgetary plan), and another one (IE) in both DIA methods and its integration in policy making (e.g. sharing DIA across government offices).

Reforms in the areas 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 work ([35]) 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.

([35]) 2021 Annual Report of the Social Protection Committee

Box 3: Peer review on active inclusion measures targeted at young adults receiving social assistance benefits

In 2022, a Peer Review was hosted by the Norwegian Ministry of Labour and Social Inclusion on the active inclusion measures targeted at young adults receiving social assistance benefits([36]). It was held in Oslo on 23 and 24 November and brought together government representatives and local-level social services representatives of the host country (Norway), five peer countries (Belgium, Bulgaria, Cyprus, Malta, and the Netherlands), representatives of the European Commission and independent thematic experts with representatives of the European Social Network facilitating the exchanges. Participants discussed barriers to activation of young people and their needs beyond employment, as well as measures and programmes to facilitate entry into education or labour market, methods of coordination among service providers, and balancing conditionalities with incentives in the design of inclusive activation policies.

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 States ([37]). 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.

Horizontal findings from the country- specific reviews on social protection and social inclusion

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

([36]) https://ec.europa.eu/social/main.jsp?langId=en&catId=1024&furtherNews=yes&newsId=10662
([37]) Austria, Belgium, Croatia, Cyprus, Czechia, Denmark, Finland, France, Germany, Greece, Italy, Latvia, Lithuania, Portugal , Romania, Slovakia, Spain, Sweden

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.

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 in a 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 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.

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 ([38])

Horizontal findings from the country- specific reviews on pensions

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

([38]) Belgium, Germany, Spain, Croatia, Latvia, Lithuania, Malta, the Netherlands, Austria, Poland, Romania, Slovakia, Slovenia and Sweden.

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.

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.

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 year ([39]).

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 places 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 groups in vulnerable situations 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

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

- o 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.

- o 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.

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.

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 those in the most vulnerable situations, 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 older 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.

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 problems or disorders are considered to be often 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 many ([40]). 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 anxiety ([41]). 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.

- A number of additional steps were taken during the pandemic. Many Member States focused on self-care and on improving mental health literacy by developing 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

([40]) 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,

([41]) 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.

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.

Reforms in the area of long-term care

As emphasized in the 2021 Long-term care report of the SPC and the European Commission ([42]) 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.

The 2022 *Council Recommendation on access to affordable and high-quality long-term care* ([43]) 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 countries ([44]) reaching a total amount of 7.3 billion Euros, including reform measures on long-term care. Progress in implementing this Recommendation will be monitored in the context of the European Semester and the Social Open Method of Coordination.

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

([42]) 2021 Long-term Care Report
([43]) Council Recommendation on access to affordable and high-quality long-term care
([44]) Austria,, Belgium, Bulgaria, Cyprus, Czechia, Estonia, Spain, France, Croatia, Italy, Lithuania, Latvia, Poland, Portugal, Romania, Sweden, Slovakia, Slovenia

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.

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.

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 in many Member States 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 and 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 subgroup 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.

V.ii Policy measures to tackle energy poverty and rising energy prices across the Member States.

Every year, the members of the Social Protection Committee engage in thematic social reporting, which involves the collection of information on a topic selected according to the current policy priorities. In 2023, the SPC chose as the topic taking stock of the measures implemented to tackle energy poverty and rising energy prices. The main findings stemming from the collected information are summarised below.

2023 SPC Thematic Social Reporting: synthesis

Context and background

The rise and volatility of energy prices since 2021, aggravated by Russia's war of aggression against Ukraine, has put pressure on household incomes and highlighted the issue of energy poverty in the EU, especially (but not only) for those in the most vulnerable situations. **The prevalence of the inability to keep your home adequately warm (embedded in the "material and social deprivation" indicators) ([45]), increased from 6.9% of the EU population in 2021 to 9.3% in 2022, and from 16.4% in 2021 to 20.2% of those at risk of poverty in 2022**, though with significant differences across countries. ([46]) People at risk of poverty are also more frequently in arrears on their utility bills (heating, electricity, gas, water, etc.) than the overall population (15.9% compared to 6.4% in 2021). The increase in energy prices also contributed significantly to the **overall inflationary pressures**, impacting on households' purchasing power. Overall, in 2022, 93% of EU citizens considered rising energy prices to be a serious problem. Of the 14.3% increase in living costs between 2021 and 2022, more than a third was due to energy price increases. Lately, the slowdown in energy prices contributes to an average slowdown of inflation which is however also driven by other factors, such as food prices, or other factors, described above.

Principle 20 of the European Pillar of Social Rights establishes that everyone has the right to essential services, including energy services. As such, tackling energy poverty ([47]) is also a component of the 2030 EU poverty reduction target of at least 15 million people at risk of poverty and social exclusion. Addressing energy poverty is indeed key to ensuring fairness in the green transition, as *per* the **Council Recommendation on ensuring a fair transition towards climate neutrality**, which encourages Member States to provide access to affordable essential services and housing for people most affected by the green transition, in particular those in vulnerable situations.

To help address energy poverty and mitigate the negative social impacts of rising prices, the Commission put forward the **REPowerEU Plan** and presented a toolbox for action and support in

([45]) For more info, see the SPC-ISG Fiche on available energy poverty indicators at EU level.

([46]) Surveys are generally conducted in the first half of the year, so data from 2022 do not yet reflect yet the situation of last winter (2022-23).

([47]) Energy poverty can be defined as "a household's lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies".

the **Communication on "Tackling rising energy prices"**. In October 2022, the Council agreed on a regulation for an **emergency intervention to address high energy prices**, which includes a revenue cap and a solidarity contribution that should provide approximately EUR 140 billion for supporting households, in particular vulnerable consumers, and businesses. In addition to measures already in place, **Member States have introduced exceptional measures** to tackle energy price increases and protect people from energy poverty and purchasing power deterioration. Such measures should protect those groups in the most vulnerable situations, while avoiding misleading price signals on the energy market. These measures interact with broader social protection measures, and can contribute to reducing poverty and inequality, for which ensuring the availability of distributional impact assessment remains important.

Against this background, the purpose of the 2023 Thematic Social Reporting (TSR) of the Social Protection Committee (SPC) was to take stock of the measures in place and of the approach taken by Member States in facing the energy and cost of living crisis, also with a forward-looking view. As such, the information gathered for the TSR feeds into the EMCO and SPC progress review on fair transition.

Overview of the process, replies and analytical framework

Following the discussion at the SPC meeting on 6-7 March 2023 and the approval of a questionnaire, the **TSR on "Policy measures to tackle energy poverty and rising energy prices"** was launched in April 2023. Practically all Member States have circulated their replies. In parallel, and in an effort to complement the information, collected through the SPC, the Commission launched an *ad-hoc* request to the *Expert Network for Analytical Support in Social Policies* (the Expert Network). The measures in scope ([48]) were collected for the period between July 2022 and February 2023 and covered both temporary and permanent measures (with or without amendments). The 27 country fiches produced by the Expert Network were shared with SPC delegates for review, and to inform their replies to the TSR questionnaire. The feedback provided by delegates was reflected in the country fiches. This note relies on the national replies to the TSR questionnaire as well as on the overview of measures in the country fiches prepared by the Expert Network ([49]). A first version of the TSR synthesis was circulated and discussed with SPC delegates on 29 June. Most of them provided feedback including additional information in oral or written form.

In addition, in spring 2023 a data collection was carried out via the Indicators Sub-Group of the SPC to collect administrative data on the number of recipients of government measures to address energy poverty and high energy prices in Member States and the related expenditure (see Box 4).

([48]) See list of the categories in Table 1. For the scope of the TSR, "energy" should be understood as "energy for the household", as the focus is on measures to address the impact on households of rising energy prices. However, some measures indirectly impacting households are also considered (e.g. supporting providers of public services such as healthcare, long-term care). Measures tackling the effects of transport fuel prices (as part of the effects of rising energy prices on households) are also included. Moreover, measures to tackle general price increases are covered, including when related to standard increase (i.e. indexation) or exceptional changes to existing social benefits. The focus is on measures adopted at national level, including when implemented at local/regional level.

([49]) The counting and overview of measures in the following sections are based on a summary report prepared by the Core Team of the Expert Network as part of the ad-hoc request.

Box 4: ISG data collection on the number of recipients of government measures to address energy poverty and high energy prices in Member States and the related expenditure

The information gathered through Expert Network and the SPC thematic reporting was complemented by an ad hoc data collection in the ISG. This exercise focused on the collection of administrative data related to the amount spent for support measures and the number of beneficiaries receiving support during the energy and cost-of-living crisis, either through new temporary emergency measures or to permanent ones. Information was also collected on the indexation of various social benefits.

19 Member States have participated in the data collection and submitted a response to the questionnaire circulated by the Commission. The information gathered does not allow for a comprehensive analysis since data are still scattered and not comparable. It is summarized in the tables in annex 2.

Although not allowing for a systematic analysis, the first administrative data available and the information provided confirm and reinforce the findings of the Expert Network mapping and the SPC thematic reporting discussions.

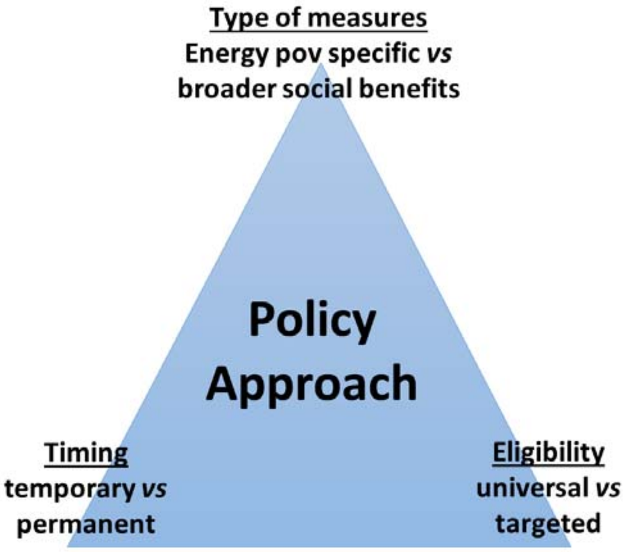
Member States have initially dedicated the largest amount of money allocated to deal with the energy crisis to universal emergency support in the form of temporary price caps and tax reductions. Targeted support, in the form of extraordinary contributions or top-ups of existing support schemes targeting vulnerable groups (energy vouchers and subsidies, social tariffs, minimum provisions) represented a smaller share of the resources mobilized and were generally adopted in a second stage.

14 countries have also submitted information on the indexation of social benefits in response to the inflationary pressure and the cost-of-living crisis. Most of this Member States reported to have increased benefits such as minimum income, family and child benefits, pensions and unemployment benefits. Only Slovenia reported adjustments in the housing benefits. Indexation usually took place automatically, at predetermined quarters, thought indexation rates varied significantly across countries and benefits. France also reported an exceptional indexation which complemented the standard one (this took place in Q3 2022). Greece and Slovakia did not provide information about indexation but reported one-off extra payments and additional instalments for various social benefits throughout 2022. Finally, Sweden has been provided an extra amount to the housing benefits of families with children since the pandemic and has increased this amount further since June 2023 as a response to the cost-of-living crisis.

In total, **the mapping of policy measures identified 364 measures** in place in the EU Member States between July 2022 and February 2023. These measures are meant to tackle energy poverty specifically, or to protect households' incomes from price increases more generally, often through existing broader social benefits systems. Among the design features, measures were of a temporary or permanent nature and rather universal or targeted to specific (vulnerable) groups (including when means-tested).

These three dimensions (energy poverty specific or more geared towards households' incomes, temporary/permanent, targeted or not) are interlinked, forming the cornerstones of the policy approaches adopted to face the energy and cost of living crisis (see Figure 17).

Figure 17: Features of the policy measures and policy approach in Member States



Overall policy approach and types of measures

All Member States reported a mix of policy measures to face the energy and cost of living crisis. In most cases, this includes a balanced proportion of measures specifically addressing energy poverty (which are often emergency measures to tackle the energy price shock), and existing social benefits that were modified either through automatic (i.e. indexation) or exceptional (e.g. lump-sums payment) mechanisms, to protect household incomes from general price increases. In fact, all Member States have adopted both support measures to combat energy poverty and measures to cushion the impact of high inflation (including those linked to existing social benefits, see Table 5).

Some Member States (BE, CZ, DK, FI, SE, SK) reported a policy approach that more markedly relied on existing social benefits systems, even if adjusted to face the crisis and without excluding emergency measures. For example, BE reported on the role of the standard automatic indexation of wages and social benefits, while DK and SK reported mainly exceptional short-term increases in existing social benefits. Other Member States (e.g. DE and IT), instead, highlighted that the bulk of the measures of their policy approach to face the crisis were of an emergency nature, focused on addressing the energy price shock. Other countries (e.g. AT) highlighted that emergency measures were mainly one-off payments, but accompanied by permanent tax measures, or (e.g. EL) stressed that temporary measures were designed to smoothly integrate into the established social protection system, ensuring no exclusion criteria among benefits (e.g. receiving one benefits does not exclude the beneficiary from receiving another).

Looking at the objective of the intervention, measures were nearly equally split between those directly addressing energy poverty and those focusing on cushioning the impact of high inflation in general (Figure 18). However, the proportion between the two varies across countries, also linked to the policy approaches described above.

To address energy poverty, Member States have put in place measures improving the affordability of energy, including income support (e.g. vouchers, allowances, deductions from energy bills), caps to energy prices or tariffs and VAT or other tax reduction on energy, as well as measures ensuring access to a minimum level of residential energy. The former was much more common (45% of all measures, present in all Member States) than the latter (7%, in 16 Member States). In particular, while bans to disconnection or favourable payment schemes are in place in most Member States, in-kind energy supply is a much rarer measure, present only in two Member States (HU, SI; see Table 1). In some cases, measures to improve energy affordability applied to specific energy sources. For example, energy allowances may have applied to e.g. fuel, oil, pellets, wood (e.g. BE, EL, FR, IE, LT, LU, LV, PT, SI). Price caps and reductions of energy tariffs applied to: a) only electricity (e.g. AT, BG, DK, FI, HR); b) only gas (e.g. IT); c) both (e.g. DE, EE, EL, ES, FR, HU, IT, LT, LU, LV, MT, NL, PL, PT, RO, SI); and, more rarely, d) other energy sources such as heating oil, diesel, oil derivatives, wood (e.g. EE, EL, ES, HR, HU [only in state-owned forests] LU, MT, SI). VAT or other tax reductions applied also to specific energy source in several countries (e.g. AT, BE, BG, DE, ES, HR, IE, IT, SE, SI).

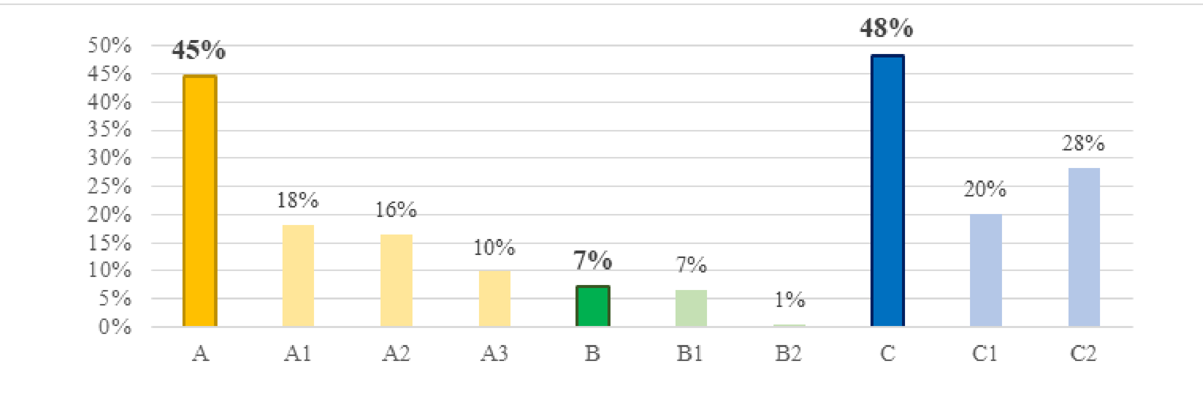
Among the measures to cushion the impact of high inflation in general (48% of all measures mapped, in all Member States), a large part consisted in ad-hoc income support measures. This type of measures was quite heterogeneous, including often exceptional cash benefits, but also, though more rarely, specific vouchers or subsidies for specific items such as food (EL, HU) or public transport (e.g. DE, ES, IE, IT). However, the most common measures reported under this type were (automatic) indexation of wages (e.g. BE, LU, MT, SI), increase of (minimum) wages (e.g. CZ, DE, EE, ES, FR, IE, LT, LU, LV, NL, PL, SI), as well as other wage-related measures such as bonuses, specific work-related allowances and social security exemptions (e.g. DE, IT, HR). Most measures to protect households from high inflation, however, consist in modifications to existing social benefits, and this shows that interventions on existing social benefits are an important part of the policy response to the crisis.

Table 5: General overview of the categories of policy measures

Cat. A Government support measures to specifically combat energy poverty by directly improving the affordability of energy			**Cat. B Government support measures to ensure access to a certain (minimum) level of residential energy**		**Cat. C Government support measures to cushion the impact of high inflation in general (and indirectly to combat energy poverty)**	
All Member States			BE CY DE DK EL ES FR HR HU IE LT MT NL PL RO SI (16)		All Member States	
Per subcategory						
A1 Specific income-support measures to help people cope with high energy prices	A2 Caps on energy prices or a reduction in energy tariffs	A3 Reduction of VAT or other tax(es) on energy consumption	B1 Measures against energy disconnection	B2 In-kind supply of energy	C1 Ad hoc income-support measures aimed at cushioning the impact of high inflation in general	C2 Measures that increase social benefits, whether or not these increases are related to indexation strictly speaking
AT BE BG CY CZ DE DK EL ES FI FR HR HU* IE IT LT LU LV MT NL PL PT RO SE SI SK (26)	AT BE BG CY CZ DE DK EE EL ES FI FR HR HU IE LT LU LV MT NL PL PT RO SI SK (25)	AT BE BG CY DE DK ES FI HR HU IE IT LT MT NL PL PT SE SI (19)	BE CY DE DK EL ES FR HR HU IE LT MT NL PL RO SI (16)	HU SI (2)	AT BE CY CZ DE DK EE EL ES FI FR HR HU IE IT LT LU LV MT NL PL PT RO SI (24)	All Member States

Source: Expert Network for Analytical Support in Social Policies Ad-hoc request. * In Hungary the measure is not national, but only available in Budapest.

Figure 18: Share of measures by category (*)



*Source: Expert Network for Analytical Support in Social Policies Ad-hoc request. * Rounded percentages.*

Most Member States reported indexation mechanisms on existing social benefits (AT, BE, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HU, IT, LT, LU, LV, MT, NL, PL, PT, RO, SE, SI, SK). (Minimum) pensions tend to be the most common category indexed across Member States, and in some, pensions are the only one subject to regular indexation (e.g. IT, EL). A wider set of social benefits has been reported as indexed in several Member States, however (e.g. AT, BE, FI, FR, LU, NL, PT, SE). The indexation rule replies most often either on an index based on consumer prices (e.g. EL, PT, SE), sometimes excluding certain goods like alcohol and tobacco (e.g. BE, FR), or on wage-related indices, based for example on statutory minimum wages or average wages (e.g. LU, NL). In the latter case, indexation or increases of wages have therefore also an indirect impact on social benefits. In Hungary, several social benefits are indexed following the increase in minimum wages, as well as following the indexation of pensions.

In many Member States, the indexation rule or frequency were modified to face the exceptionally high inflation or complemented by on-top increases, at least for some of the existing benefits (e.g. CY, DE, EL, FI, FR, IT, LT, LU, NL, SK). The additional increases tend to be one-off and therefore temporary in nature, while the modifications to the indexation mechanisms are introduced either temporarily or permanently. In some other cases, indexation was not modified explicitly in relation to the energy and cost of living crisis (e.g. BE, CZ, LV, SE, SI). Some Member States stated that the indexation mechanism, at least for some of their benefits, allows to take into consideration exceptional changes in cost of living (e.g. DK, DE, FI, SE). While having indexation in place for a core set of benefits (e.g. pensions, social assistance), Austria, for example, introduced annual indexation permanently since 2023 for a new set of social benefits (e.g. family allowance, childcare allowance and sickness allowance). Greece did the same, but introducing it only for pensions, while increasing the other benefits one-off (e.g. minimum income). Also, Romania, starting from 2022, introduced indexation of social assistance and unemployment benefits.

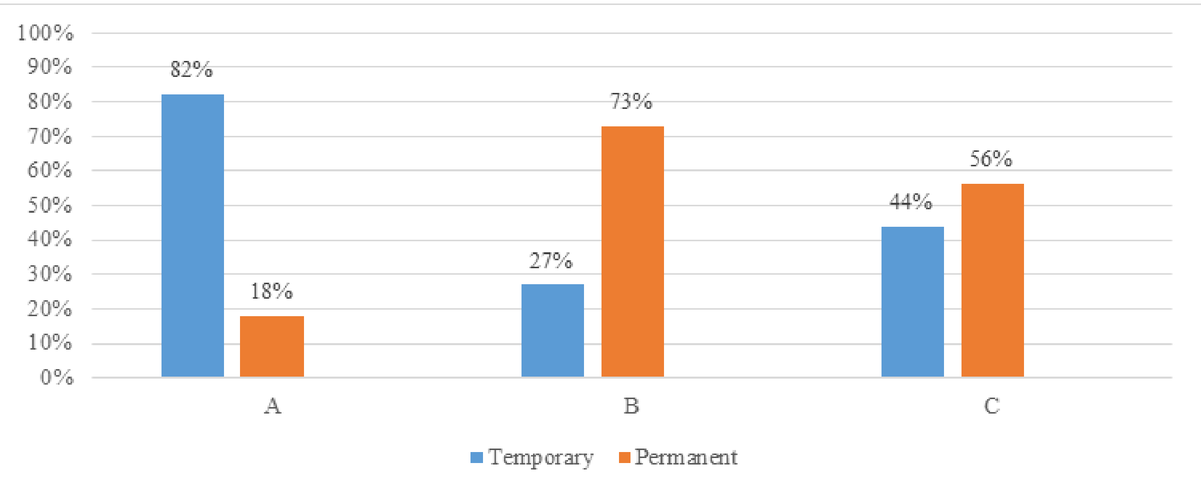
Although originally outside of the scope of the mapping, a few Member States reported also on measures to support renovations, improving energy efficiency and reducing energy consumptions and needs – such as vouchers, tax credits and other lump-sum payments – as a way to structurally address energy poverty (ES, LU, PT). Austria reported a recently adopted (i.e. in June 2023) Federal Law on energy efficiency, including energy consumption monitoring aimed at reducing energy consumption in the long-term. In addition, extensive subsidies to support the switch to energy-efficient heat supply systems are provided, with special support for low-income households.

Timing: permanent versus temporary measures

All Member States reported both temporary and permanent measures, but most of the measures mapped are temporary (60%), while 40% are permanent. Most temporary measures mapped have either already ended at the end of 2022 or in March/April 2023, or will be terminated at the end of 2023. Half of the permanent measures have been modified, either temporarily or permanently. Such modifications entail an improvement (e.g. increasing amounts and enlarging the eligibility criteria) to mitigate the negative effects of the crisis. The distribution of permanent and temporary measures depends largely on the category (Figure 19). The observed temporary or permanent nature of the measures also changes according to the targeting of the measures (i.e. whether the measure is universal or, on the contrary, targeted to low-income population or other specific target groups), as universal measures tend to be more temporary and targeted ones more permanent (see also next section).

The Government support measures to specifically combat energy poverty by improving energy affordability (A) are mostly temporary (82%). Those that are mostly temporary are measures reducing energy prices and tariffs as well as VAT and other taxes reduction, although the temporary measures are also very common among the income-support measures to help coping with rising energy prices. However, there are some exceptions. In some cases (e.g. IE), energy allowances are permanent (i.e. those targeting specific population groups or linked to social benefits). Also, the so-called "social tariffs", mainly targeting low-income or other groups in vulnerable situations are often permanent (e.g. BE, PT). In Belgium, however, this permanent measure was modified temporarily (from February 2021 to June 2023) by broadening the eligibility conditions, therefore almost doubling the targeted population. A minority of permanent measures are found also among VAT and other taxes reductions as well as the abolition of surcharges in a few Member States (BE, DE, HR, MT). For instance, in Croatia, the reduction in the VAT rate for the supply of natural gas and heating from thermal cells, firewood, pellets, briquettes and wood chips is a permanent measure (started April 2022), and in Malta, since 1998, there has been a permanently reduced 5% VAT rate on electricity. In Hungary, a reduced VAT rate of 5% applies to district heating from 15 January 2010. In Belgium, the VAT rate reduction on gas and electricity was introduced first temporarily and then permanently, but with a plan to offset it (if energy prices fall back to their 2021 level) by the introduction of a system of excise duties on gas and electricity, to better manage the impact of fluctuations in gas and electricity prices. To that purpose, new excise duties apply for two consumption brackets: one for basic consumption (up to a certain level of kWh per year), a second one for additional consumption (beyond these levels). The response to future price fluctuations will be differentiated: excise duties on basic consumption decrease if prices for electricity and gas rise above a certain ceiling, while excise duties on additional consumption increase if the bottom price for gas falls below a certain threshold.

Figure 19: Share of temporary/permanent measures by category (*)



*Source: Expert Network for Analytical Support in Social Policies Ad-hoc request. * Rounded percentages*

The category of government support measures to ensure access to a certain (minimum) level of residential energy (B), by contrast, are mostly permanent (73%). In particular, measures against energy disconnection tend to be largely permanent but apply mostly during the heating period each year. The two measures for in-kind energy supply in Hungary and Slovenia are permanent.

There is a more mixed picture regarding measures taken to cushion inflation in general (C), 56% of the measures being permanent and 44% temporary. Among the ad hoc income-support measures aimed at cushioning the impact of high inflation, those related to wage indexation or minimum and public sector wage increases are permanent (e.g. BE, LU), and in some cases procedures have been modified by law or social partners' agreements on the percentage of the increases or the frequency. Bonuses or allowances linked to wages or social security exemptions are all temporary measures (e.g. IT), while changes in the tax system are new but intended as permanent (e.g. AT), apart from Luxembourg, which introduced an energy tax credit lasting only until April 2023. The majority of targeted or universal cash allowances were new and temporary measures, offering income support mainly in the winter months (CZ, DK, EL, ES, FI, FR, HR, IT, PT, SL), while in a few cases (CZ, LU, MT, NL, RO), the measures identified in this category were permanent and dated back some time. Austria is the only country where the regional climate bonus is a new and permanent measure. In Ireland and Spain, public transport ticket reductions or subsidies are new measures but with a limited duration. While Germany initially introduced a temporary public transport ticket subsidy scheme, it later transitioned to a permanent approach. The rare cases (e.g. EL, HU) of new measures helping directly with food prices (i.e. vouchers to buy food) were temporary. Luxembourg introduced a rent freeze in the second half of 2022. Student aid measures were permanent and long-standing, but have been updated (DK, FI, LU). For instance, in Denmark, the increase of the ceiling for study grants is a new measure included in the agreement on compensating students for higher energy prices, applied in 2022 and 2023. The measures modifying existing social benefits are both permanent and temporary, but mostly permanent. The indexation measures are most often permanent at least for some social benefits (e.g. BE, DE, DK, EE, EL, FI, LT, LU, LV, MT, SI), while additional increases tend to be temporary (e.g. EE, HR). Changes to eligibility rules, like for example means-tested criteria, (e.g. DE) or other changes like increases in minimum income (CZ, EE, ES, RO) and in child benefits (DE, DK, EE, RO) or pensioner's living allowance (EE) or non-contributory pensions (ES, IE) or other benefits (e.g. LT) are often introduced on a permanent basis.

Eligibility: targeted versus universal measures

All Member States reported a mix of both targeted and universal measures. Member States that relied mainly on existing social benefits system tended to have an approach more targeted to vulnerable households. In fact, all measures that entail changes to social benefits are by definition targeted to specific groups and in most cases means-tested. In particular, Denmark highlighted to have adopted a strongly targeted approach to avoid pushing the inflationary pressures and to help those most in need. Finland, however, considered that, despite relying on indexation and existing social benefit system which was well prepared to absorb the shock, some measures could not target vulnerable households adequately. Especially for low-income households, energy bills did not reach the threshold for tax deduction despite being a large share of the household disposable income. Some other countries (DE, EL, LT, LV, PL) stressed that the response was mainly universal through emergency and temporary measures, although some targeted measures were put in place for specific groups. Hungary reported to have applied universal measures, but only below a certain threshold of energy consumption.

Several Member States reported to be further considering whether and how to best target measures in the future. For example, Denmark highlighted the necessity to strike the right balance between the desired level of targeting and the administrative feasibility in implementing the measure, for which targeting those already identified by the social benefits system seems a viable solution for the future. Finland reckoned necessary to have models and background information on household characteristics, such as income, to rapidly deploy emergency support measures when needed in the future. In fact, the Finnish government is working to adapt the social security system so that it can be used promptly also in times of shocks. Germany reported to be working on the development of a mechanism for direct transfers to private households to allow for swift, targeted and differentiated support measures in the future. In the Netherlands the decisions on targeting possible measures in the future is expected to be made later this year, but also depend on EU level decisions.

Targeted measures represent 63% of all measures mapped, with the remaining 37% being universal. ([50]) It should be noted that other available exercises and studies ([51]) assessing the degree of targeting of the policy response may have a different scope, for example not accounting for measures related on existing social benefits, or for example including also measures directed to businesses. In addition, it is important to note that this methodology is different from the one used to account for policy measures to address the energy and cost of living crisis adopted by Member States in the context of the European Semester, whereby the shares of measures that are targeted or universal is based on their budgetary impact, measured as a share of GDP allocated to those policies ([52]). Indeed, when considering the share of measures that are targeted or universal based on their budgetary impact, the picture is reversed, with most of the budgetary impact being for universal measures. This is not inconsistent with the findings of the TSR, as it indicates that universal measures, although not prevalent in number, have had, overall, a higher budgetary

([50]) These shares refer to the number of measures that qualify in one or the other group, not to their budgetary impact.

([51]) Several mapping exercises of national policy measures aimed at cushioning increasing energy prices have been conducted since mid-2021, usually proceeding to a classification into universal/targeted measures. References include: the EU inventory of energy emergency measures produced by the EU Agency for the Cooperation of Energy Regulators (ACER) (ACER's inventory of 400+ energy emergency measures seeks to aid policy makers going forward | www.acer.europa.eu), the mapping by Bruegel (National fiscal policy responses to the energy crisis: National fiscal policy responses to the energy crisis), the Eurofound's EU PolicyWatch (EU PolicyWatch | Eurofound (europa.eu)), OECD policy briefs "Income support for working-age individuals and their families" (2022a) and "How inflation challenges pensions" (2022b), the IMF Working Paper "Surging Energy Prices in Europe in the Aftermath of the War: How to Support the Vulnerable and Speed up the Transition away from Fossil Fuels" (2022) and related shorter and more updated article "Helping Europe's households" (2022), and the thematic focus in the Employment and Social Developments in Europe Quarterly Review on "Impact of rising prices on households" (2022).

([52]) The Commission monitors fiscal policy measures to reduce the impact of energy price increases on households and firms and presents an updated estimate of their budgetary costs. The Commission assesses the budgetary impacts of 'energy measures' adopted to address the crisis, which primarily focus on price and income measures targeting households and small businesses, whereby targeting is defined as selective application of the measure, based primarily on a means-test.

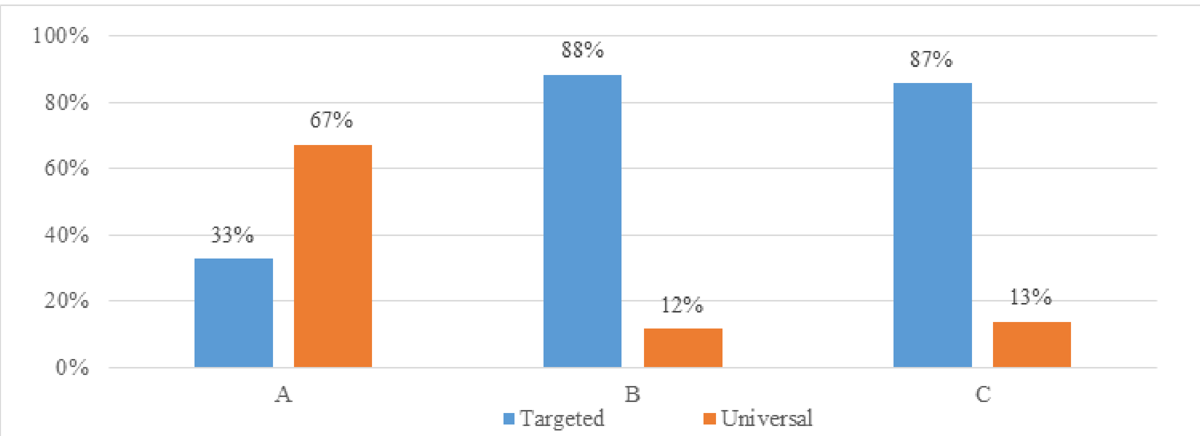
impact. This can be due in part to their broader coverage (e.g. universal energy allowances), but also to their nature that entails higher expenditure (e.g. VAT reductions).

Measures are considered targeted when only certain groups of the population with specific characteristics are eligible. The criteria to consider a measure targeted are eligibility to some income groups (e.g. low-income households), benefit recipients (e.g. pensioners, minimum income recipients) or other specific groups (e.g. students, single parents, households with children) ([53]).

The most frequently targeted group are benefit recipients. In some cases, benefit recipiency was used as eligibility criteria for temporary emergency measures (e.g. AT, IT, PT). Among these, beneficiaries of old-age pensions are the most frequently targeted, followed by recipients of minimum income/social assistance benefits, recipients of family benefits and those receiving more than one benefit. Another common target of the measures were other specific groups, which however is a quite heterogeneous group, including beneficiaries of the "social tariff/rate" or similar measure, people with disabilities/health conditions, students, households with children.

The shares of targeted and universal measures vary considerably across different type of measures (Figure 20). **Measures improving the affordability of energy (A) overall are mostly universal (67%).** However, the income support measures (e.g. energy allowances) tend to be more targeted than the others within this category, and in particular means-tested (e.g. AT, BE, BG, CY, DK, EL, ES, FI, FR, HR, HU, IE, IT, LU, LV, MT, NL, PL, RO) or targeted to benefit recipients (e.g. BG, EL, ES, HR, IE, LU, LV, PT, SI, SK). Targeting may also be at the discretion of the local entities providing the benefit (only in AT). Price caps and energy tariff reductions are almost all universal measures, applying to all consumers. These make the largest share of the universal measures among all measures. However, some measures such as the so-called "social tariffs" apply only to specific targeted, mostly low-income, individuals (e.g. BE, CY, EL, FR). Measures such as reductions in VAT or other taxes are exclusively universal (except for one measure: in Cyprus, where VAT on electricity bills was reduced from 19% to 5% for vulnerable consumers and to 9% for the rest of the population).

Figure 20: Share of universal/targeted measures by category (*)



*Source: Expert Network for Analytical Support in Social Policies Ad-hoc request. * Rounded percentages*

([53]) The energy source is not considered as a criterion for targeting. For instance, if a measure covers all consumers of a certain type of energy (e.g. electricity, gas, fuel), it is considered as a universal measure.

Government support measures to ensure access to a certain (minimum) level of residential energy (B) are mostly targeted (88%). The two measures for in-kind supply of energy (HU, SI) are both targeted and means-tested. Measures to prevent energy disconnection are in general targeted at people on low incomes in vulnerable situations, through means-testing (e.g. BE, DE, EL, ES, FR, HR, IE, LT, MT, RO, SL). In some Member States, these measures are aimed at the so-called "protected energy consumer category", mostly recipients of minimum income or other benefits (BE, DK, EL, HR, HU, IE, LT, PL, RO), or people who hold specific certificates issued by the public authorities attesting to their vulnerable situation, or who follow specific procedures (e.g. BE, ES, SL). In some MS, dependence on medical devices (CY, EL, IE, MT, PL, RO) or health issues (IE) are eligibility criteria for this type of measure. Universal energy disconnection bans are in place in only three Member States (BE, HU, IE). In addition, in Austria, the *Wohnschirm* ("housing umbrella") scheme was expanded since January 2023 to cover energy costs through income support to targeted beneficiaries based on means-testing, with the key objective to prevent energy disconnections.

Measures designed to cushion the effect of high inflation (C) in general are mostly targeted (87%) and make by far the largest share of all targeted measures. However, wage indexation in same cases concern all wage earners (BE, LU, MT), but in other Member States it applies to people on minimum wage (CZ, ES, FR, IE, LT, LV, NL, PL, SI) or to public sector employees (FR, PL, SI). Cash allowances were targeted based on income, benefits recipiency or for other specific target groups such as self-employed, long-term unemployed, students, etc., while other residual measures in this category are universal, such as public transport reductions (DE, ES, IE), caps on food prices (e.g. HU) and rent freezes (e.g. LU). When looking at measures that modified existing social benefits, as said before, their targeted nature is intrinsic, often linked to income criteria specifically. In fact, all measures of this type are targeted.

Funding

The state budget is the primary source of financing for policy measures tackling energy poverty and rising energy prices. All Member States report using this source – through a mix of general taxation, new debt and reduction of other expenses - to finance existing benefits (and their increase) as well as most of the temporary emergency measures.

Central government funding is the main source used, with some Member States explicitly reporting also using regional and municipal budgets to fund specific benefits, depending on the administrative organisation and the distribution of competences in the various countries. In some cases (ES, LT), regional and local budgets have benefitted from transfers and top-ups from the state budget to cope with the increased expenses. Some Member States also report using resources regularly collected through the distribution of electricity in the energy market (SE, IT) and by the imposition of new temporary solidarity contributions on energy companies and the taxation of their so-called extra profits (BE, ES, FR, IT). Finally, some Member States report using EU funding instruments to cover expenses at least partially. This is true for both temporary emergency measures, using cohesion funds and other resources made available via the EU's REACT-EU instrument (BG, HU, PL), and for longer-term structural measures to promote renovation and the green transition, using RRF funding (PT).

Assessment

Measures tend to be granted both on the basis of active take-up or automatically. The situation largely varies between countries and measures. As general trends, indexation is attributed automatically to recipients of the respective benefits or wage earners. The increases in salaries and benefits are also automatic. Moreover, measures aimed at social benefit recipients (e.g. additional allowances) are also in general granted automatically. Nevertheless, some of the additional benefits have a target population which is larger than the group already receiving the respective category of benefit; eligible beneficiaries can therefore apply for and receive the one-off payment as emergency measure. Automatic granting of allowances is found to lead to higher take-up (e.g. PT).

Member States have usually not reported serious implementation issues. This reflects that most of the measures considered are either top-up increases of existing benefits – with the pool of beneficiaries already identified – or universal measures. For new benefits and for the extension of the coverage of existing ones, procedures have generally been simplified and/or digitalised (BG, CZ, EL) and outreach campaigns have been organised (EL, IE), precisely to avoid non-take-up issues. In some cases, new or extended benefits have been automatically granted or the identification of the pool of beneficiaries was linked to that of existing measures (BE, IT).

When difficulties have been reported, those are mostly related to administrative capacity and other constraints due to the sudden increase of the pool of beneficiaries and of the requests/payments to be processed (LV, PL, SK) or the tight schedule for formulation and implementation of the measures (FI). Only a few countries report issues related to difficulties in the identification of beneficiaries or the targeting of the benefits (DK, FI). In addition, some Member States (e.g. ES) raised concerns about identifying beneficiaries due to data protection policy and laws.

Finally, some Member States stress that the evaluation of the measures implemented has still to be conducted and that information on possible difficulties related to administrative capacity, technical/digital constraints and targeting and outreach of beneficiaries will only be available in the future (AT, EE).

More than one third (36%) of measures were subject to publicly available impact assessments, although this share varies for different types of measures. Impact assessments were undertaken for 59% of the support measures to specifically combat energy poverty by directly improving the affordability of energy, for 19% of the measures to ensure access to a certain (minimum) level of residential energy and for 34% of the measures to cushion the impact of high inflation.

Across Member States, impact assessments of at least one measure in place was undertaken and made publicly available by the large majority of Member States (AT, BE, BG, CY, CZ, DE, DK, EE, ES, FI, FR, HR, HU, IE, IT, LT, LU, LV, MT, NL, PT, RO, SE, SI, SK). In some Member States (e.g. BE, IE, IT, LU) impact assessments were undertaken and made available on a combination of different types of measures or a package of measures all together. In some Member States, impact assessments on the measures put in place will become available at a later stage.

In particular, Distributional Impact Assessments (DIA) were reflected upon in about half of Member States. In total, 16 Member States mentioned it in their replies (AT, BE, CZ, DE, FI, HU, ES, IE, IT, LT, LU, LV, PL, RO, SI, SK), but only 7 of them (BE, FI, ES, IE, IT, LT, LU) reported to have carried out DIA on (at least some) of the measures in place. Also in Greece, the DIA of the measures put in place to mitigate the negative impacts of the energy and cost of living crisis is integrated in the regular DIA in policy making. Some Member States stressed that (ex-ante) DIA was not undertaken because of time constraints and the need to implement the measures promptly to react to the crisis. The available DIA studies are produced either by public authorities (e.g. IT) or by (independent) research bodies (e.g. FI). The models used include EUROMOD (e.g. BE, LT), but also other types (e.g. FI, IE, IT). Data are also heterogenous ranging from survey (e.g. EU-SILC in LT, national HBS in IT) to administrative data, in some cases complemented by data on energy consumption from the electricity market (e.g. FI). In all Member States, DIA studies assess the impact of a group of measures, in some cases explicitly discussing their interaction (IT, BE).

Belgium carried out an ex-ante impact assessment after the introduction of the measures, to study the interaction of the automatic indexation of social benefits and wages and the energy-specific measures (e.g. social tariff, premiums and the VAT reduction). It shows that automatic indexation has a higher mitigation effect than energy-specific measures, although benefiting more the middle- and high- income groups, however, the latter, interacting with the former, erodes these larger benefits for the higher income groups ([54]). The results of the study show that measures such as the extension of the eligibility conditions of the social tariff made a real difference for the lower-income groups. The results of the study led the government to consider turning temporary provisions into permanent and to use it in integrated manner also in the context of the green transition. In particular, making the VAT reduction on gas and electricity permanent, compensating through the introduction of an excise duty (see more details above), can fulfil twin objectives: the social objective (decreasing excise duties on basic consumption levels when energy prices increase) and the green objective (increasing excise duties on additional consumption levels when energy prices are low). Spain conducted an ex-post DIA comparing how government measures contribute to reducing energy prices to the same situation without any action taken. The assessment showed a reduction of 34 % in energy invoices regarding the rise in energy prices compared to no action being taken, while the reduction for vulnerable and severely vulnerable consumers reached 64 % and 91 % respectively. In Finland, an independent unit of VATT Institute for Economic Research produced a report on electricity price increase and electricity subsidies' estimated effects on households. It combined electricity consumption data from a centralized data exchange system for the electricity retail market with microdata from Statistics Finland. The report calculates how the effects of the temporary VAT reduction, tax credit, assistance and lump sums for electricity are distributed by income deciles. In Italy, the latest DIA available was produced by the Parliamentary Budget Office considering all the temporary measures in place to face the crisis (e.g. VAT and other tax reduction, allowances, social security exemptions, pensions indexation, social bonuses). It allows to estimate the effective and counterfactual increases (i.e. without policy

([54]) Full results available in Capéau, B., Decoster, A., Vanderkelen, J. & Van Houtven S. (December 2022), "*Distributional impact assessment of the energy crisis: the interaction between indexation and compensation*", BE-PARADIS working paper, 22.4, 33 p. (see weblink) measures) of total household expenditure between June 2021 and December 2022, showing how different measures have a progressive effect while others have no redistributive effects ([55]). Lithuania carried out DIA on the inflation negative effects mitigation package in 2022, comparing to the counterfactual scenario. The assessment shows that measures have positive impact on poverty and inequality reduction. The biggest positive impact is on persons with disabilities and children. Income change across quintiles shows that the package benefits the lower income groups. In Luxembourg assessments focus, on the one hand, on energy poverty and specify how government measures contribute to reduce the energy poverty rate against the counterfactual without emergency/temporary measures taken in September 2022. Moreover, there is an ex-ante study available on the combined effects of some of the measures. According to the report, the average purchasing power is higher in 2022 and 2023 than 2019, with or without measures. Nevertheless, for those on low-income, the measures have a favourable impact on purchasing power. In Ireland, the ESRI used microsimulation and taxes satellite models to assess the distributional impact of tax and welfare measures implemented as part of Budgets 2022 and 2023 ([56]). The ESRI argues that targeted measures are more beneficial, resulting in gains that are larger for lower households, rather than for higher-income, while avoiding blunting the incentive to invest in energy-saving technologies. This DIA analysis shows that one-off measures would protect households from rising prices. The social benefits increase in 2022 and 2023, together with these one-off measures, were large enough to leave the lowest income households better off on average than they would have been, had the welfare payment rates risen in line with inflation both this year and next. It concludes that the Irish Government's approach has been effective, in combining targeted welfare measures with universal household energy credits and that by providing support for household incomes and for businesses, the budgetary package can mitigate the impact of impending energy costs on domestic economic activity. According to the Minimum Essential Standard of Living, these supports are welcome and will ease pressure on many households. In several Member States (e.g. BE, CZ, DE, EE, ES, FR, IE, IT, LT, LU, LV, NL, SI) measures to protect wages are assessed to have provided systematic protection to a wide range of wage-earners.

Looking ahead: social protection in the green transition

About half of the reporting Member States refer to long-term national strategies as the main framework for reflections on how to adapt social protection systems. This is the case for Portugal (National Long-Term Strategy for Combating Energy Poverty 2022-2050), Romania (National Strategy on Social Inclusion and Poverty Reduction and the Action Plan for the period 2022-2027 and National Strategy for the Sustainable Development of Romania 2030), Estonia (Welfare Development Plan 2023-2030) and Slovenia (Resolution on the National Social Security Program for the period 2022 - 2030). In some cases, reference is also made to the 2030 National Energy and Climate Plans (IE, PT, RO) or to other national frameworks in the energy sector (Estonian Energy Sector Development Plan until 2030). Poland has a Strategy to combat energy poverty towards 2040 mostly through building renovations, energy efficiency and access to clean energy.

([55]) The results are available in the audition of the President of the Italian Parliamentary Budget Office (PBO) of 5 December 2022, which is based, in turn, on Flash Report No 2/2022 of 18 October 2022 by PBO.
([56]) Study available at this link.

Three Member States also report having set up dedicated structures to assess, monitor and address energy poverty, such as an interdepartmental working groups (BG, SI) or a steering group (IE), and one launched a comprehensive consultation process for a fair green transition, with academics and technical experts as well as with citizens and stakeholders (BE). Austria plans to establish a coordination office to address energy poverty within the framework of an office by the Climate and Energy Fund. For this, an amount of 1 million per calendar year until 2030 shall be allocated from the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology. The tasks of the office will include networking with local authorities, social organisations and actors in the energy market, issuing of recommendations to policy makers and advisory/information material to households and other stakeholders, publication of reports including definition and monitoring of energy poverty indicators. In Poland the Ministry of climate, in cooperation with experts and stakeholders, has created a "repository" of good practices against energy poverty, as tool to support activities of local authorities in this field. The Netherlands has adopted a cross-ministerial approach to tackle energy poverty, which involves cooperation in goal settings and includes also research programmes.

Many Member States refer to social assistance, especially safety nets, as a key social protection tool to adapt to climate change (CZ, DK, FI, IT, RO, SI), in some cases with explicit mention of care services and infrastructures (EE) and more generally social services (IT), while others (AT) have put forward specific measures, such as a permanent climate bonus scheme. Another priority reported for long-term structural social protection adaptation is support to renovation and improving energy efficiency (BE, EE, EL, ES, SE), in some cases with explicit reference to earmarked/targeted support to the most vulnerable households (LU, NL, PT). Upskilling and reskilling to adapt to the new labour market is mentioned by some (EE, IT), including through EU funding (EL).

Conclusions

The number of measures mapped show that a lot was in place to tackle energy poverty and mitigate possible negative effects of the rise of energy prices and inflation in general. A lot has been done to increase the affordability of energy and directly address energy poverty. At the same time, the policy response to high inflation has been substantial, and in particular through the modifications to existing social benefits (i.e. improvements in terms of adequacy or coverage). These latter represent an important part of the picture in the policy response to the energy and cost of living crisis, including in the approach taken by Member States in relying on existing social protection and inclusion systems to absorb the shock.

Most of the measures mapped are temporary and most of the temporary measures will be over by the end of 2023. Especially those that more directly relate to energy poverty and energy prices are temporary, that points to a potential need to further strengthen policies tacking energy poverty more structurally, beyond the crisis period. The prevalence of permanent measures among those to mitigate the effects of high inflation, and especially indexation mechanisms, also relates the general policy response towards higher inflation, rather than only to the specific energy price shock. As such, these measures can provide some protection also when inflation is driven by other factors, like food prices.

The number of targeted measures is higher than those of the universal measures among those mapped. However, the measures to increase affordability of energy tend to be most often universal – especially because of caps to energy prices, tariff reductions, and energy-related VAT and taxes reductions are by large mostly universal. By contrast, measures to address high inflation tend to be more often targeted (such as in particular those linked to social benefits). When considering the share of measures that are targeted or universal based on their budgetary impact, as done in the context of the European Semester, the picture is reversed, with the majority of the budgetary impact being related to universal measures. This indicates that universal measures, although not necessarily prevalent in number, have had, overall, a higher budgetary impact. This can be due in part to their broader coverage (e.g. universal energy allowances), but also to their nature that entails higher expenditure (e.g. VAT reductions). It also appears that measures that are permanent tend to be more often targeted (such as indexation of social benefits, energy allowances for benefits recipients) and that measures that are temporary and in particular short-term ones tend to be more universal, which points to possible difficulties reported by some Member States in identifying and targeting those groups in the most vulnerable situations in need of support in an emergency that requires swift policy action. Several Member States have indicated to be further reflecting on how to better target emergency policy measures, when needed in future, including through relying more on the social benefit system, improving models and data to identify the population to target and smoothening the benefit transfers through automatic procedures.

State budget is the primary source of financing for policy measures tackling energy poverty and rising energy prices. All Member States report using a mix of general taxation, debt and reduction of other expenses to finance existing benefits (and their increase) as well as most of the temporary emergency measures. Some Member States, also report using EU funds.

Looking ahead at the adaptation of the social protection systems to the green transition, many Member States refer to long term strategies that take into account the green transition, while some have set up dedicated bodies or working groups to reflect on this. The policy responses mentioned tend to refer broadly to the social protection and social inclusions systems, but also to energy efficiency measures to address energy poverty in the long run.

On a final note, while almost all Member State implemented impact assessment studies to at least some of the measures in place, only about one-third of the overall measures in place across all the Member States have been subject to impact assessment and less so to more systematic assessments, which also points to room for further strengthening Impact assessment in general and distributional impact assessment (DIA) in particular.