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From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

date of receipt: 27 March 2024

To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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Delegations will find attached document SWD(2024) 79 final - PART 5/23.

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Brussels, 27.3.2024  
SWD(2024) 79 final

PART 5/23

## COMMISSION STAFF WORKING DOCUMENT

[...]

*Accompanying the document*

**Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions**

**on the 9th Cohesion Report**

{COM(2024) 149 final}

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# 2

## SOCIAL COHESION

EU labour markets have shown resilience in the face of the COVID-19 pandemic and Russian aggression towards Ukraine. With both national government and EU support, employment in most regions rebounded from the reduction in 2020 in just one year. In 2022, the employment rate of those aged 20 to 64 in the EU reached a record high of nearly 75 %.

Nevertheless, challenges persist and need to be addressed. Despite a reduction in regional disparities, labour markets remain more robust and social conditions better in north-western EU regions than in southern and eastern ones.

Increased labour market participation of under-represented groups played a key role in reducing employment disparities and tackling labour shortages. The employment rate of women in the EU increased from 61 % in 2013 to 69 % in 2022, helped by improved access to childcare and long-term care and more flexible working arrangements. Nevertheless, the employment gap between men and women still averaged 11 pp in 2022 in the EU and 15 pp in southern Member States.

Labour and skill shortages pose potential challenges to cohesion. Recent communications from the Commission highlight the need to tackle these shortages. This has become crucial to ensuring that all individuals are equipped with the right skills to take up opportunities and tackle the challenges the green and digital transitions bring about in such a way that no-one is left behind.

There has been a continuing increase in education levels across all regions, with the tertiary rate in the EU for those aged 25 to 64 reaching 34 % in 2022. But regional disparities persist, notably because of a concentration of graduates in large cities, and rates remain higher in more developed and transition regions (36–38 %) than in less developed ones (26 %).

The at-risk-of-poverty-or-social-exclusion rate declined from 35 % to 28 % in less developed regions between 2013 and 2019, while it remained unchanged at 19 % in more developed regions. Some 95 million Europeans were still affected in 2022 and achieving the 2030 goal of reducing the number by at least 15 million may prove difficult if stagnation persists.

## Chapter 2

# Social cohesion

### 1. Introduction

This chapter examines progress towards a more social EU. It focuses on cohesion across the main areas covered by the European Pillar of Social Rights action plan, namely employment, skill development, and poverty reduction (Box 2.1). A separate section considers gender equality and equal opportunities and attitudes towards migrants and other minorities.

The analysis indicates that while the EU is advancing towards a more inclusive and fairer society, in some areas progress has stalled. Labour markets have shown resilience and regional disparities in employment have narrowed. Increased labour market participation of under-represented groups has been important in furthering convergence and reducing labour shortages. There has been a general increase in education levels and participation in adult education and training, especially in less developed regions. However, disparities persist, notably because of a marked concentration of graduates in large cities. A tendency for the at-risk-of-poverty-or-social-exclusion (AROPE) rate to decline till 2019 was evident especially in eastern EU regions and rural areas in the southern EU. Nevertheless, some 95 million Europeans remain AROPE, including 20 million children and people in disadvantaged situations, such as people with disabilities.

Any analysis of labour market and social developments in the EU needs to start from one dimension of change in particular, the shrinking population of working age, which is projected to be some 7 % smaller by 2040, a reduction of 15 million. This has a potential macro-economic impact and affects regions and cities differentially. It emphasises the importance of increases in labour productivity for growth, closely tied to education attainment lev-

els and the skills needed by the labour market. In addition, while capital accumulation was a major driver for growth up to the 1990s, now ideas or innovation that lead to new services and products have become more important. Education and training together with creativity are pivotal in this evolving landscape, especially with regard to the skills needed to support workers and businesses in the context of the green and digital transitions.

Labour shortages linked to a limited supply of certain skills, poor working conditions and human resource management, the ageing of the workforce and gender segregation, together with skill shortages and mismatches, continue to hold back growth, competitiveness and cohesion.

### 2. Impact of COVID-19 and post-COVID years on social situation in the EU

EU labour markets remained resilient in the aftermath of the COVID-19 pandemic, despite the uncertainty created by the Russian war of aggression against Ukraine and significant inflationary pressures. Overall, more people than ever are employed in the EU, and fewer people are unemployed or looking to work longer hours.

The upward trend in employment from 2013 to 2019 resumed after a dip (of 1 pp) in 2020 when the COVID-19 pandemic hit. The employment rate of those aged 20 to 64 reached 74.6 % in 2022, 1.9 pp higher than in 2019<sup>1</sup>, while overall unemployment of those aged 15 to 74 went down to 6.2 % in 2022 from 7.2 % in 2020. The response of regional labour markets during the pandemic and the subsequent recovery saw narrowing differences in employment rates between

<sup>1</sup> In 2021, due to the introduction of new legislation, there was a break in the EU labour force survey (LFS) time series, which involved, among other revisions, a change in the definition of employment. Selected series of main indicators were retroactively www.parliament.gov.at

corrected for the break. However, regional series were not included in these adjustments. For this reason, national employment rates from 2008 to 2020 are extrapolated to be consistent with the country-level break-corrected time series.

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### Box 2.1 European Pillar of Social Rights and its action plan

The European Pillar of Social Rights was proclaimed by the European Parliament, the Council and the European Commission at the Social Summit for fair jobs and growth in Gothenburg on 17 November 2017. Then the President-elect of the European Commission, Ursula von der Leyen, committed to the Pillar in her speech before the European Parliament in Strasbourg in July 2019 and in her political guidelines for the mandate of the next European Commission, announcing further action to implement the associated principles and rights.

The Pillar sets out key principles and rights to support fair and well functioning labour markets and welfare systems. It supports the convergence towards better working and living conditions among participating Member States. The principles are grouped into three broad categories:

- equal opportunities and access to the labour market, which includes equal access to education and training, gender equality and active support for employment;
- fair working conditions, namely the right to secure and adaptable employment, fair wages, information on working conditions and protection in case of dismissal, consultation with social partners, support in achieving a suitable work-life balance, and a healthy and safe working environment;
- social protection and inclusion, which includes access to childcare and support for children's education, unemployment benefits and access to activation measures, minimum-income support, old-age pensions, affordable healthcare, support for people with disabilities, affordable long-term care, housing and assistance for the homeless and access to essential services.

The Pillar reaffirms rights already present in the EU but complements them by taking account of new realities arising from societal, technological and economic developments. As such, it does not affect

principles and rights already contained in the binding provisions of EU legislation. By putting together rights and principles set at different times, in different ways and in different forms, it aims to make them more visible, understandable and explicit. On 4 March 2021, the European Commission adopted the European Pillar of Social Rights action plan<sup>1</sup>, and proposed three headline targets for the EU to reach by 2030, welcomed by EU leaders at the Porto Social Summit in May 2021 and at the European Council of June 2021:

1. at least 78 % of the population aged 20 to 64 to be in employment, supported by halving the gender employment gap;
2. at least 60 % of all adults aged 25 to 64 to participate in training every year; and
3. a reduction of at least 15 million in the number of people identified as AROPE, including at least 5 million children.

Member States have set national targets for each of the targets, and progress towards both the EU-level and national targets is monitored through the European Semester.

The action plan establishes principles and rights to foster a fairer and more just society within the EU. It encompasses initiatives to combat poverty and social exclusion, which include increasing the adequacy and coverage of minimum wage protection, support for social benefits, policies aiming at labour market activation, active inclusion for minimum income recipients, adequate social protection, long-term care and pensions, the child guarantee and investment in education and training.

The action plan also includes a proposal for a revised social scoreboard, to track progress towards the Pillar principles more comprehensively. The yearly joint employment report<sup>2</sup> provides regional breakdowns (at NUTS 2 level) of the social scoreboard headline indicators for which data are available.

<sup>1</sup> European Commission (2021b).

<sup>2</sup> European Commission (2023h).

more and less developed regions and between north-western and eastern and southern Member States. Given the exogenous nature of the shock and with support from national and EU measures, it took just one year, after the decline in 2020, for the employment rate in nearly all regions to return to, or surpass, the 2019 level. By contrast, during the previous economic crisis, reductions in employment, which began in 2009, persisted until 2013, and the employment rate returned to pre-crisis levels only by 2015–2017 and only by 2019 in southern countries.

After a small fall (of 0.8 pp) in 2020, the proportion of women in employment continued to expand, helped by improved access to childcare, more flexible working arrangements and increasing education levels. Despite this, progress in closing the gender employment gap has slowed down in recent years in most regions (except those in eastern countries) and in the EU as a whole still stood at 11 pp in 2022. The employment rate of migrants (i.e. those born outside the EU), after a significant fall (of 2.5 pp) in 2020, increased faster than for other groups between 2020 and 2022 (by 4.0 pp), confirming their adaptability to changing economic conditions and their contribution to meeting labour shortages in particular sectors and regions.

The positive trend in tertiary education continued across all regions during the pandemic. The proportion of people aged 25 to 64 with tertiary education in the EU even increased in 2020 (by 1.2 pp), reaching 34.3 % in 2022. By contrast, adult participation in education and training (in the previous four weeks) decreased (by 1.7 pp) when COVID-19 hit, but rebounded the following year, especially in less developed regions and eastern Member States. Almost 12 % of those aged 25–64 parti-

pated in education and training (in the four weeks preceding the survey) in the EU in 2022, 1.1 pp more than in 2019<sup>2</sup>.

After two decades of low inflation, the COVID-19 pandemic was followed by a surge in inflation as reduced supply chains struggled to keep up with increasing demand and as the Russian war in Ukraine in early 2022 reduced energy and food supplies<sup>3</sup>. As a result, inflationary pressures accentuated concerns about the effects on lower-income households that spend a larger share of their income on energy, food and transport, on which price increases were especially large<sup>4</sup>. Accordingly, the proportion of households reporting financial distress increased from 12.5 % in December 2021 to 15.8 % in December 2022<sup>5</sup>.

The proportion of the population experiencing severe material and social deprivation (see Box 2.4 for the definition) increased marginally in the EU from 6.3 % in 2021 to 6.7 % in 2022, but by more (by 1.2 pp) in Latvia, Estonia, Romania, Germany and France. There were also large increases (from 6.8 % in 2019 to 8.3 % in 2022) in those reporting an inability to afford a decent meal (with meat, chicken, fish or a vegetarian equivalent) every second day and an inability to keep their home adequately warm (from 6.9 % to 9.3 %) – an indicator of energy poverty reversing the reduction between 2016 and 2019.

Overall, perhaps partly as a result of the policy responses at EU and Member State level, the AROPE rate, which declined consistently between 2016 and 2019 in most types of regions, has remained unchanged since 2019. Also in 2022, relative poverty and income inequality, as measured by the ratio of the income of the top 20 % of households to that of the bottom 20 %, remained unchanged<sup>6</sup>.

<sup>2</sup> Note that the EU target of achieving at least 60 % of adults participating in training each year by 2030 is based on a different indicator, covering the last 12 months rather than just the previous four weeks.

<sup>3</sup> European Commission (2023a) and Fulvimari et al. (2023).

<sup>4</sup> OECD (2023).

<sup>5</sup> European Commission (2023a). The financial distress indicator is based on the business and consumer survey and is composed of the share of adults reporting the need to draw on savings and the share of adults reporting the need to run into debt.

<sup>6</sup> Eurostat's flash estimate for 2022. The EU-SILC (EU statistics on income and living conditions) AROPE and at-risk-of-poverty (AROP) rates for year N are based on the accrual income from the previous year, N-1. Eurostat's flash estimates complement EU-SILC indicators with estimates for the latest income changes and are based on modelling and micro-simulation techniques that consider the interaction between labour market developments, economic and monetary policies, and the implementation of



### 3. Labour market developments

The EU is well on track to meeting its headline target of at least 78 % of people aged 20–64 being in employment by 2030<sup>7</sup> (Box 2.2). Overall, the rate increased by around 8 pp from the end of the recession in 2013 to 74.6 % in 2022<sup>8</sup>. Notably, in the Netherlands, Sweden, Estonia, Czechia, Germany, Malta, Hungary and Denmark, the rate was 80 % or more, with increases of 15 pp or more in Malta and Hungary. In Greece, Croatia, Spain and Romania, countries with less robust labour markets, the increase was also large (over 10 pp). In Italy, the increase was more modest (5 pp) to 65 % in 2022, the lowest in the EU. At the same time, the unemployment rate in the EU fell from 11.4 % in 2013 to 6.2 % in 2022.

Despite these positive trends, regional disparities persist, especially among some population groups<sup>9</sup>. Untapped labour potential includes young people not in employment, education or training ('NEETs') (11.7 % of those aged 15 to 29 in 2022), the long-term unemployed (2.4 %), large numbers of women (the labour market participation rate of women as a whole being 74 %, almost 11 pp less than for men), and people with disabilities (with a participation rate of just 55.8 %).

#### 3.1 Narrowing disparities in EU labour markets continue

The response of regional labour markets during the COVID-19 pandemic and the subsequent recovery was marked by some convergence of less developed regions. Between 2019 and 2020, employment rates declined more in more developed regions than in transition and less developed ones (by 1.5 pp as against 0.8 pp and 0.6 pp). The regional variations reflect the severity of the measures implemented to restrict economic activity, which varied between countries, and the nature of these measures – such as to preserve jobs as against supporting those losing their jobs. The economy was disrupted in each region differently,

and losses in some sectors (such as wholesaling and retailing; arts, entertainment, and recreation activities) in transition and less developed regions were offset to some extent by an expansion in ICT. Subsequently, over the two years of post-COVID recovery, employment increased faster than in the pre-crisis period in all three types of region (by around 1.5 pp a year on average).

Southern Member States, as a group, suffered the biggest fall in the employment rate (by 1.9 pp) in 2020, almost twice as much as in north-western ones (1.0 pp), while in eastern ones the reduction was negligible (0.2 pp). However, the rate also rebounded more quickly in southern Member States (Table 2.1, upper part).

In part, perhaps because of national and EU support measures and due to the exogenous nature of the pandemic, developments since 2020 contrast with those experienced during the earlier financial and economic crisis. From 2009, employment rates declined over a five-year period, with the largest falls in less developed regions. It took six to eight years for rates to return to pre-crisis levels (Figure 2.1). The biggest fall was in southern countries (of 7 pp), with the rate recovering to the pre-crisis level only after 10 years (Figure 2.2).

The developments since 2013 have seen a reduction in disparities between less developed regions and others, the difference in the employment rate narrowing from 15 pp to 10 pp in 2022. The gap between north-western countries and southern ones narrowed by the same amount, while between the former and eastern countries, the gap was reduced from 10 pp to only 2 pp.

Narrowing disparities are also evident across NUTS 2 regions. In several regions in Poland (5), Hungary (5), Portugal (3), Greece (Attiki), Bulgaria (Severoiztochen) and Romania (Bucureşti-IIfov), the employment rate increased by 15 pp or more between 2013 and 2022, to over 78 % in some cases. Nevertheless, marked regional disparities

<sup>7</sup> European Commission (2023h). Progress towards the target is measured through the Joint Employment Report and the Employment Committee monitoring tools.

<sup>8</sup> The reference year for time series comparison in further analysis of the labour market is limited to 2013, marking the end of the previous recession. 2013 represents the lows, not the start, as depicted in Figure 2.1 and Figure 2.2.

<sup>9</sup> European Commission (2022a).

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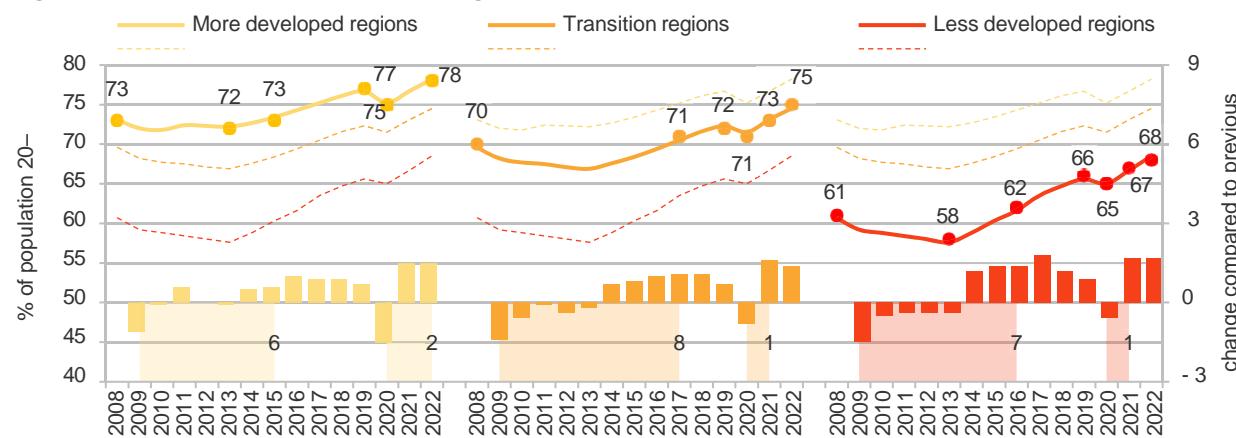
Table 2.1 Employment and unemployment rates and changes by level of development and by geographical area, 2008–2022

	2022	Change 2013–2022	Average annual change								
			2008–2013			2013–2019			2019–2020		
			%	pp	DD	years to return to 2008	pp	DD	years to return to 2019	pp	DD
<b>Employment rates, 20–64</b>											
EU-	74.6	+7.8			-0.4	7		+1.0	-1.0	1	+1.5
More developed regions	78.2	+6.0			-0.2	6		+0.8	-1.5	2	+1.5
Transition regions	74.5	+7.6			-0.5	8		+0.9	-0.8	1	+1.5
North-western EU	68.5	+10.9			-0.6	7		+1.3	-0.6	1	+1.7
Southern	78.2	+4.8			+0.1	2		+0.5	-1.0	1	+1.3
	67.9	+9.2			-1.4	10		+1.2	-1.9	1	+2.0
	75.8	+12.2			-0.1	5		+1.5	-0.2	1	+1.6
<b>Unemployment rates, 15–74</b>											
EU-	6.2	-5.4			+0.8	10		-0.8	+0.4	2	-0.5
More developed regions	5.1	-3.2			+0.5	9		-0.5	+0.9	2	-0.4
Transition regions	6.9	-6.0			+0.9	10		-0.8	+0.2	2	-0.6
North-western EU	8.0	-7.8			+1.3	10		-1.2	+0.2	1	-0.4
Southern	5.1	-2.4			+0.1	7		-0.4	+0.7	2	-0.4
	10.2	-9.1			+2.1	still higher		-1.2	+0.2	1	-0.9
	4.2	-5.9			+0.7	7		-1.0	+0.7	3	-0.2

Note: Total change 2013–2022 in second column. Average changes to compare different length periods (5, 6, 1, 2) in other columns.

Source: Eurostat [lfst\_r\_lfsd2pwc], DG REGIO calculations (employment 2008–2020 extrapolated to be consistent with country-level break-corrected data).

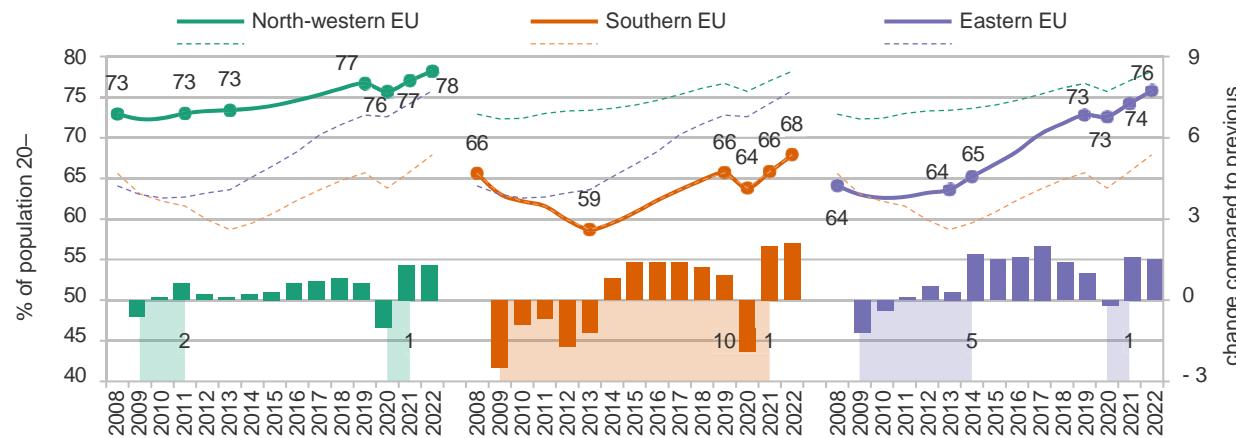
Figure 2.1 Employment rates and changes by level of development, 2008–2022



How to read the chart: In 2008, the employment rate in less developed regions was 61 % (red line). As a result of the economic recession, it started to decline in 2009 (red bars - RHS), hitting a low of 58 % in 2013 and surpassed the 2009 level in 2016, reaching 62 % - after 7 years. By contrast, as a result of COVID-19, the rate fell to 65 % in 2020, and returned to the 2019 level of 67 % in 2021 – just one year later. It continued to rise in 2022, reaching 68 %.

Source: Eurostat [lfs\_r\_lfsd2pwc] and DG REGIO calculations (employment 2008–2020 extrapolated to be consistent with country-level break-corrected data).

Figure 2.2 Employment rates and changes by geographical area, 2008–2022



How to read the chart: In 2008, the employment rate in southern EU countries was 66 % (brown line). As a result of the economic recession, it started to decline in 2009 (brown bars - RHS), hitting a low of 59 % in 2013 and surpassed the 2009 level only in 2019, reaching 66 %. As a result of COVID-19, the rate fell to 64 % in 2020 and returned to the 2019 level of 66 % in 2021 – just one year later. It continued to rise in 2022, reaching 68 %.

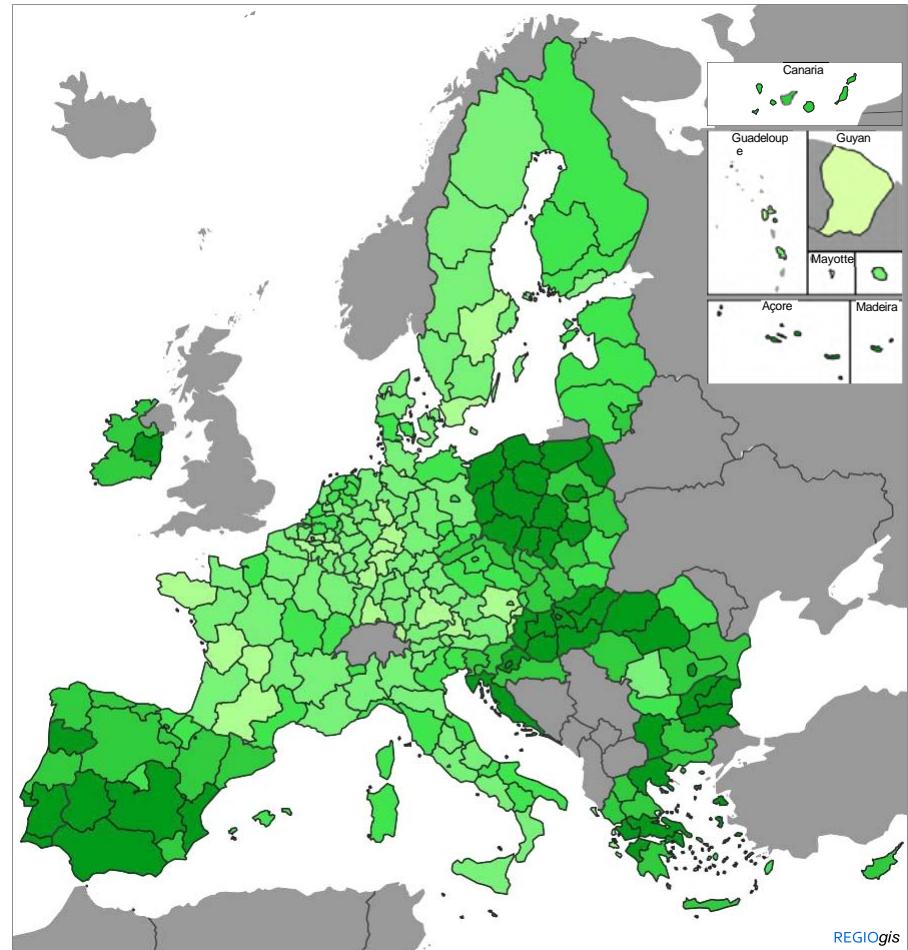
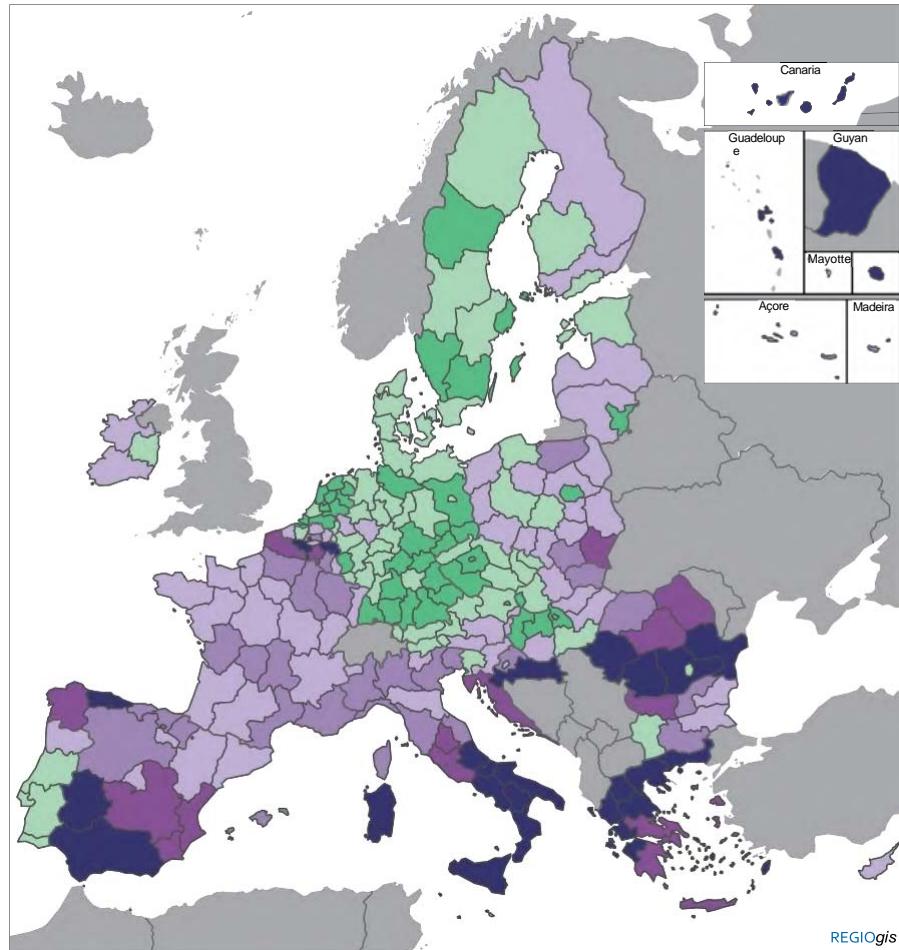
Source: Eurostat [lfs\_r\_lfsd2pwc] and DG REGIO calculations (employment 2008–2020 extrapolated to be consistent with country-level break-corrected data).

remain within Member States. In many regions in Greece (8), Romania (4), Italy (8), Spain (6), the outermost regions in France, Belgium (3) and Croatia (Panonska Hrvatska), the rate was still below 66 % in 2022 (Map 2.1 and Map 2.2). Some of the lowest employment rates in the EU are in the outermost regions with some having rates below 50 %.

### 3.2 Unemployment at record lows in many regions

Mirroring employment developments, the decline in overall unemployment, youth unemployment and NEETs resumed in 2021 and 2022 after increasing in 2020. The overall unemployment rate of those aged 20 to 64 fell to 6.2 % in 2022 0.4 pp lower than in 2019 and a substantial 5.4 pp lower than in 2013 (Table 2.1, lower part). After the recession in 2009, unemployment took until 2017–2018 to

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return to pre-recession levels in north-western and eastern Member States and it was still above its 2008 level in southern ones in 2022.

The youth unemployment rate for those aged 15 to 24 declined from 25.7 % in 2013 to 14.4 % in 2022, while the NEET rate for those aged 15 to 29 fell from 16.1 % to 11.7 %. Regional disparities diminished between 2013 and 2022, primarily because of larger reductions than elsewhere in less developed regions and in southern countries. While, however, the youth unemployment rate remains lower in more developed regions than in others, it was still the case till 2022 that 5–6 % of young people aged 15–24 (the youth unemployment ratio in Table 2.2) were unemployed, the same as in other types of regions (Table 2.2). Youth unemployment remains particularly high in the outermost regions<sup>10</sup>.

Reductions in unemployment are evident across almost all NUTS 2 regions. In a number of regions, many in Greece and Spain, both the overall and youth unemployment rates declined by more than

10 pp between 2013 and 2022. Nevertheless, many of these regions, as well as some (the outermost ones) in France<sup>11</sup> and Italy, still have both overall and youth unemployment rates that are more than double the EU average (Map 2.3 and Map 2.4).

The downward trend in labour market slack<sup>12</sup> has also resumed after the increase in 2020. In 2022, the rate of slack in the EU fell to 12 % of the extended labour force, 2.6 pp lower than in 2019 and 7.3 pp lower than in 2013.

### 3.3 Labour market challenges include skill shortages

The unemployment rate fell to record lows in the EU in 2022, while the number of job vacancies reached record highs. In north-western Member States, job vacancy rates have been consistently high in the recent past in ‘professional, scientific and technical activities; administrative and support service activities’ (5.5 %), ‘construction’ (5 %) and ‘ICT’ (4.7 %). Rates have also been higher in these sectors than others in eastern countries (2.3 %, 2.4 % and 2.1 %, respectively) and they have been increasing in southern countries. There is a consistent pattern of high job vacancies, along with a substantial wage premium, in the ‘ICT’ sector in all three groups of regions, suggesting a shortage of supply of the relevant skills. The high job vacancy rate in the ‘professionals’ and ‘construction’ sectors might imply a need to adjust wages to attract and retain workers (Figure 2.3).

Although there are signs of some cooling down, with job vacancy rates declining in north-western and eastern countries<sup>13</sup>, skill shortages and a mismatch between available jobs and available workers have become a major issue for labour markets across EU regions. This might intensify with ongoing demographic trends (see Chapter 6), and the effects of the green and digital transitions<sup>14</sup> (see Chapters 4 and 5) on selected occupations and across all skills levels<sup>15</sup>. The 2023 demography toolbox<sup>16</sup> (Box 2.2) outlines a comprehensive approach that empowers all generations to realise their talents and personal aspirations, also with a view to filling labour shortages. This Communication on Skills and Talent Mobility enhance the EU’s

<sup>10</sup> Youth unemployment reached levels as high as 55.4 % in Mayotte in 2020, and 43.9 % in Canarias, 41.9 % in La Reunion, 38.7 % in Martinique and 37.8 % in Guadeloupe (all 2022). Source: Eurostat.

<sup>11</sup> Mayotte has one of the highest unemployment rates in the EU (27.8 % in 2020, the latest year for which there are data).

<sup>12</sup> Eurostat refers to four groups of individuals as labour market slack: unemployed people according to the International Labour Organization definition, those actively seeking a job but not immediately available for work, those available for work but not seeking it, and under-employed part-time workers. The extended labour force includes the labour force (unemployed and employed) and the potential additional labour force (the two categories outside the labour force, i.e. those available but not seeking, and those seeking but not available). Eurostat (2023).

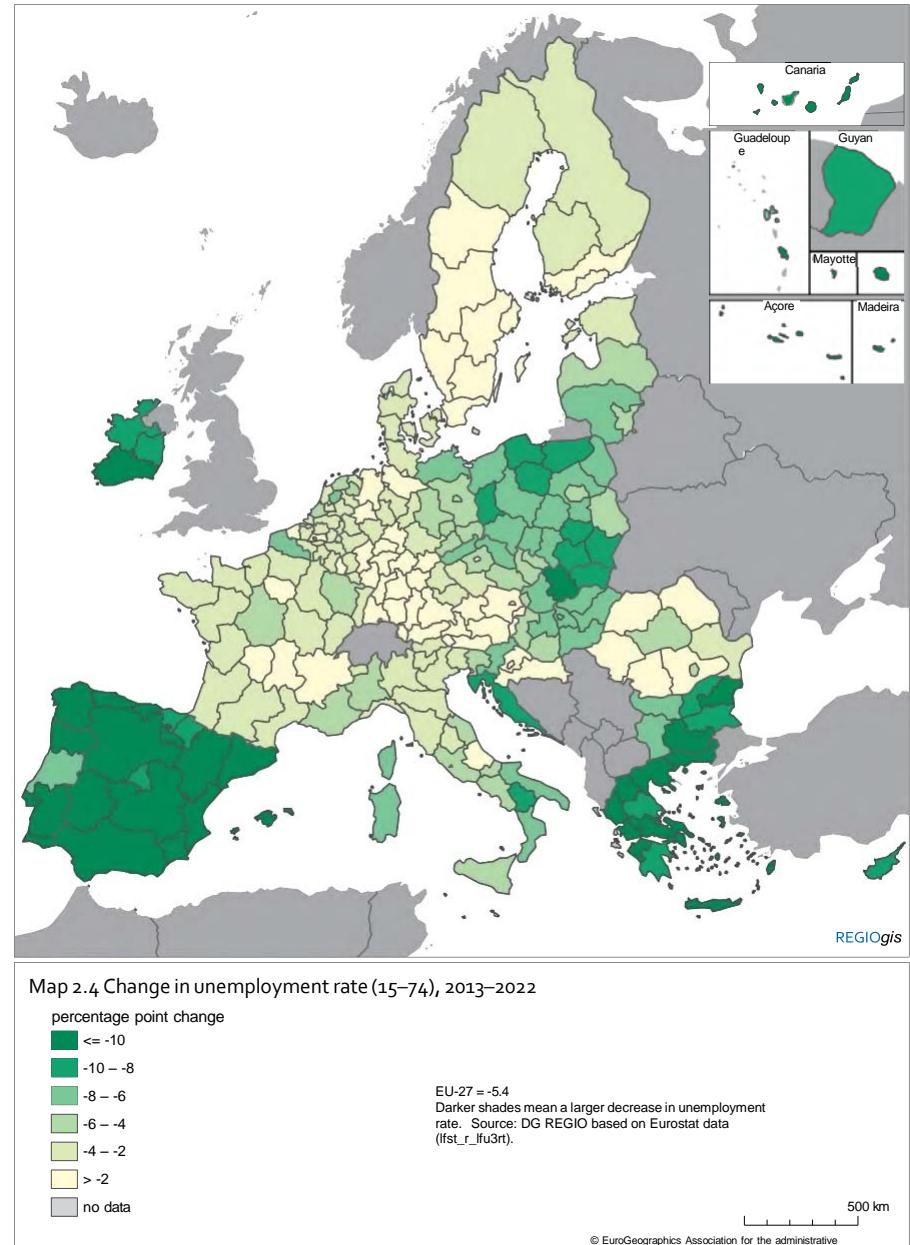
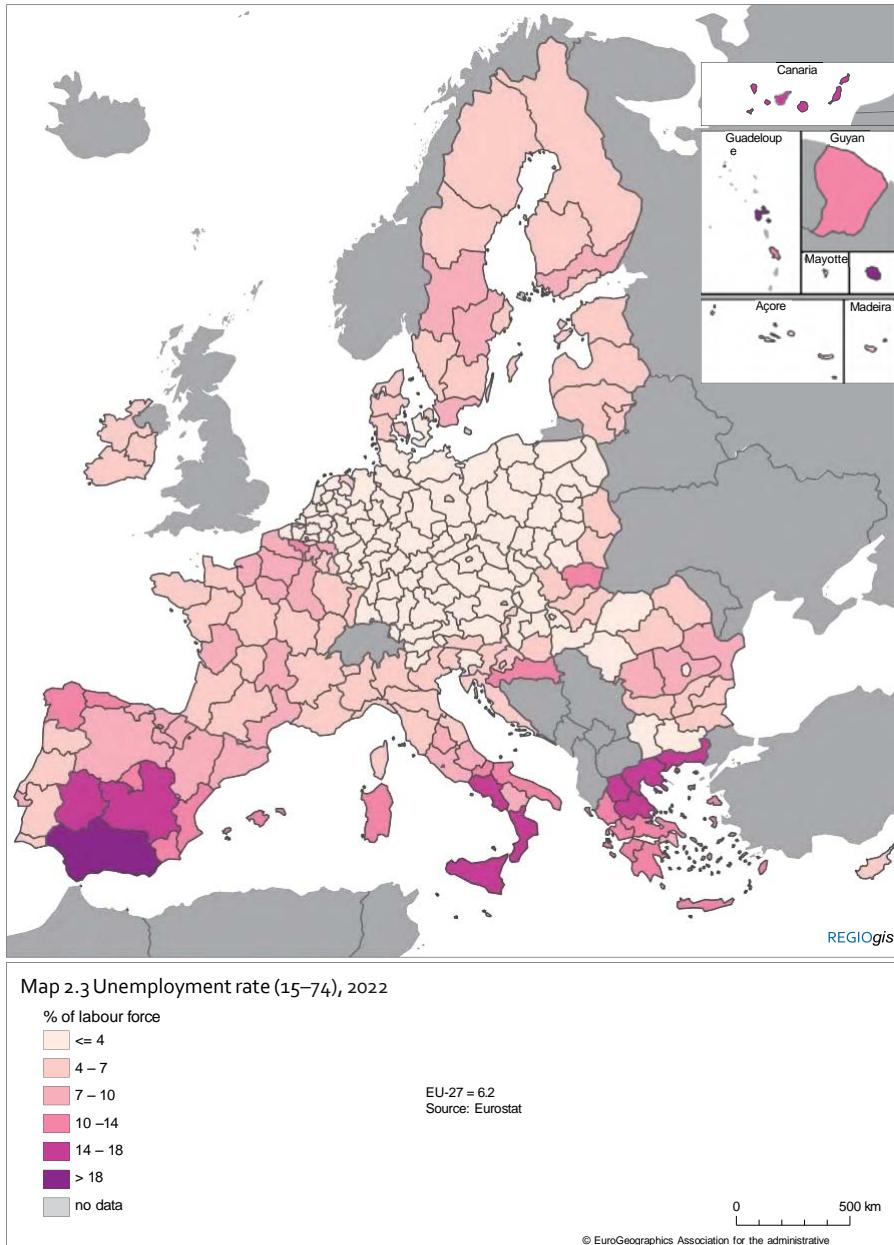
<sup>13</sup> European Commission (2023b). The share of recent job starters fell significantly in summer 2022 and remained unchanged to the first half of 2023, implying that employers were less active in recruiting new personnel.

<sup>14</sup> European Commission (2023b). Growing demand for skilled workers and occupational mismatches could affect the efficient functioning of the labour market and lead to simultaneous increases in vacancies and unemployment.

<sup>15</sup> European Commission (2023a).



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## Box 2.2 Demography toolbox, and addressing labour shortages

In October 2023, the Commission put forward a Communication outlining a comprehensive set of policy tools available at the EU level to support Member States in managing demographic change and its impacts. The toolbox encompasses notably regulatory instruments, policy frameworks, and funding, which can be combined with national and regional policies. It stresses that gender equality, non-discrimination and inter-generational fairness must be at the heart of policy choices.

The toolbox draws on the practices and experience of Member States and sets out a comprehensive approach with four pillars:

- 1) better reconciling family aspirations and paid work, notably by ensuring access to high-quality childcare and work-life balance, with a view to fostering gender equality;
- 2) supporting and empowering younger generations to thrive, develop their skills, and facilitate their access to the labour market and to affordable housing;
- 3) empowering older generations and sustaining their welfare, through reforms combined with appropriate labour market and workplace policies;
- 4) where necessary, helping to fill labour shortages through managed legal migration in full complementarity to harnessing talents from within the Union.

The toolbox acknowledges the need to consider the territorial aspect of demographic shifts, particularly in regions facing population decline and a 'brain drain' of young workers.

The fourth pillar of the toolbox highlights the fact that demographic change, if unaddressed, could increase labour shortages, leading to economic bottlenecks. The EU is already experiencing record labour shortages, particularly in ICT, construction, care, and transport. As 'baby boomers' retire by the mid-2030s, shortages in both high- and low-skilled jobs are expected to increase unless countered by increased labour force participation and wage adjustments. However, without productivity increases, higher labour costs could affect the competitiveness of EU firms in global markets.

The toolbox emphasises that to fill skill gaps, legal migration from non-EU countries is crucial, especially for skills that are critical to the green and digital transitions. Despite its large labour market, the EU has relatively low inward labour migration, especially of high-skilled workers, compared with other destinations, such as the US.

attractiveness to talent across occupations where skill shortages may exist and boost intra-EU mobility<sup>17</sup>. The annual sustainable growth survey for 2024 also stresses that skill shortages, namely in healthcare and long-term care, STEM<sup>18</sup> (particularly ICT, see Maps 2.5 and 2.6), green and certain service occupations, are major bottlenecks for innovation and competitiveness and, so, for sustainable growth.

As regards the future of work, major trends, specifically in platform and teleworking and artificial intelligence (AI)<sup>19</sup>, are likely to affect labour markets in all regions. They both offer opportunities (access to flexible employment, participation in the labour market irrespective of location) and pose risks (exacerbating existing regional disparities in the necessary infrastructure). In this regard, the challenge is to respond to current regional labour and skills shortages and anticipate future ones, making use of reliable intelligence on skills, including that provided by public services.

<sup>17</sup> European Commission (2023d).

<sup>18</sup> Science, technology, engineering, and mathematics.

<sup>19</sup> European Commission (2021c). The European Commission has been working on several initiatives on the future of work. The proposed directive on platform work aims to classify digital platform workers more meaningfully and establish the first set of EU rules governing the use of AI in the workplace. The Commission is examining the implications of teleworking and the right to disconnect within the broader digitalisation of the workplace and is currently assessing the next steps in light of the European

Parliament's legislative resolution on these issues. The EU's approach to AI centres on excellence and focus on enhancing research and industrial capacity while ensuring safety and fundamental rights.

## Chapter 2: Social

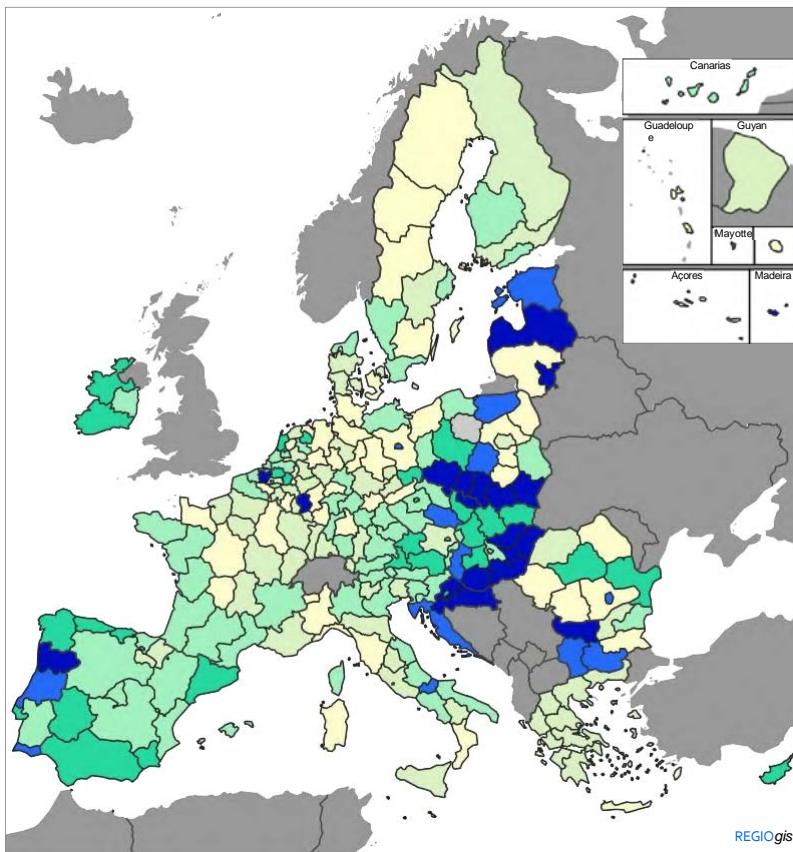
## Chapter 2: Social

Table 2.2 The labour market situation of young people by level of development and by geographical area EU regions, 2013 and 2022

	Employment rate, 15–24			Unemployment rate, 15–24			Unemployment ratio, 15–24			NEET 15–29				
	2013		2022	2013–2022	2013		2022	2013–2022	2013		2022	2013–2022		
	% of pop		pp		% of labour force		pp		% of pop		pp			
EU-	29.6	34.8	5.2		24.7	14.4	-10.3		9.7	5.9	-3.8	16.1	11.7	-4.4
More developed	37.5	42.1	4.6		17.3	11.5	-5.8		7.8	5.5	-2.3	11.9	9.2	-2.7
Transition	28.4	34.3	5.9		27.8	16.2	-11.6		10.9	6.6	-4.3	15.7	11.4	-4.3
North-western	19.3	21.9	2.6		37.3	21.7	-15.6		11.5	6.1	-5.4	22.5	16.3	-6.2
EU Southern	40.2	45.8	5.6		15.5	11.2	-4.3		7.4	5.8	-1.6	10.8	9.1	-1.7
EU	16.7	21.4	4.7		47.5	26.2	-21.3		15.1	7.6	-7.5	24.0	15.4	-8.6
	23.2	25.4	2.2		26.6	13.7	-12.9		8.4	4.0	-4.4	17.5	12.9	-4.6

Note: 2021 break in LFS series.

Source: Eurostat [lfsr\_lfsd2pwc, edat\_lfse\_22], DG REGIO calculations.



Map 2.5 Employment in ICT, excess growth 2013–2020

Excess growth - percentage point difference

lower than employment growth in the region
0 – 10
10 – 20
20 – 35
35 – 50
>= 50
no data

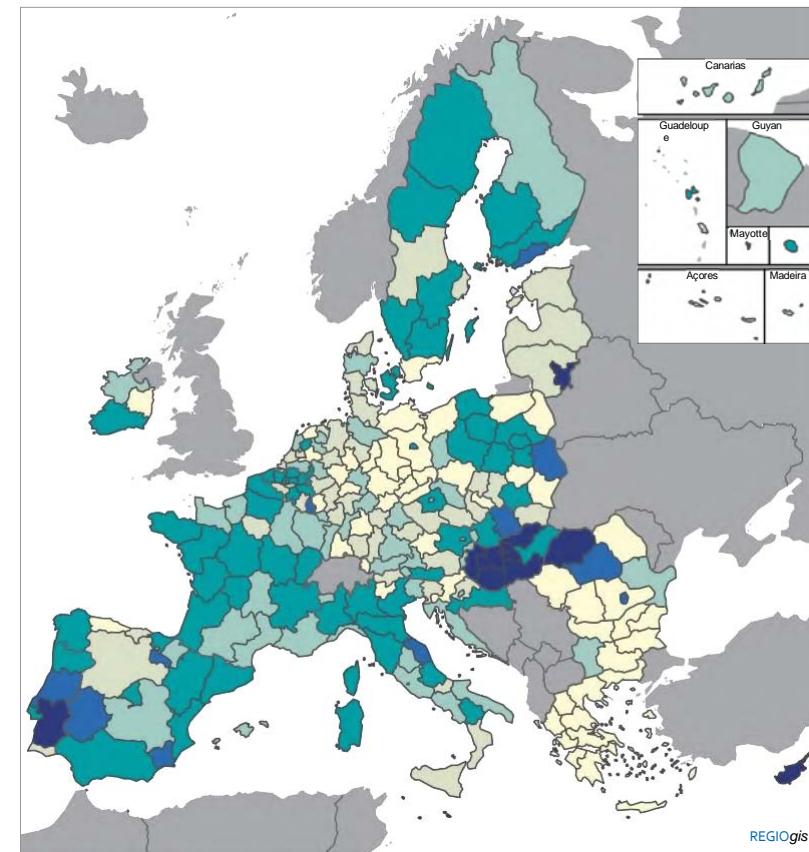
EU-27 = 14

Excess growth is calculated as difference between sector's growth and total employment growth (excluding agriculture) in the region. If total employment growth (excluding agriculture) is less than 0, excess growth is set to sector's growth.

Source: Eurostat [nama\_10r\_3empers] and DG REGIO estimates.

0 500 km

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Map 2.6 Employment in professional, scientific, technical, administrative and support service activities, 2013–2020

Excess growth - percentage point difference

lower than employment growth in the region
0 – 5
5 – 10
10 – 17.5
17.5 – 25
>= 50
no data

EU-27 = 8

Excess growth is calculated as difference between sector's growth and total employment growth (excluding agriculture) in the region. If total employment growth (excluding agriculture) is less than 0, excess growth is set to sector's growth.

Source: Eurostat [nama\_10r\_3empers] and DG REGIO estimates.

0 500 km

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How to read the maps: Two sectors – information and communication (J), and professional, scientific & technical activities and administrative & support service activities (M\_N) – registered double-digit employment growth in the EU (22 % and 15 %) between 2013 and 2020.

Excess growth is the difference between growth in the selected sector (J or M\_N) and total employment growth (excluding agriculture, which broadly declined). For instance, in southern regions of Poland employment growth in sector (J) was 50 % higher than total employment growth in these regions. In all regions of Greece, employment growth in sector (M\_N) was either negative or lower than total employment growth in these regions.

In cases where total employment growth (excluding agriculture) is negative, the excess growth is set to growth in the selected sector (J, M\_N)

