



Council of the  
European Union

Brussels, 18 June 2024  
(OR. en)

10799/1/24  
REV 1

SOC 433  
EMPL 251  
ECOFIN 651

#### NOTE

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| From:    | Employment Committee and Social Protection Committee                                                                                                                                                            |
| To:      | Permanent Representatives Committee/Council                                                                                                                                                                     |
| Subject: | Social Convergence in the Union: Opinion of the Employment Committee and the Social Protection Committee<br>– <i>Presentation by the Chairs of the Employment Committee and the Social Protection Committee</i> |

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Delegations will find attached the above-mentioned Opinion of the Employment Committee and the Social Protection Committee with a view to its presentation by the respective Committee Chairs at the Council (EPSCO) session on 20 June 2024.

## Opinion of the **Employment Committee** and the **Social Protection Committee** on social convergence in the Union

4 June 2024

1. **For the first time, the 2024 European Semester cycle included a new country-specific analysis on upward social convergence based on the features of the Social Convergence Framework on a pilot basis.** The framework, described in detail in the related EMCO-SPC Key Messages and the Report of their Working Group<sup>1</sup>, consist of a two-stage analysis aimed at assessing risks and challenges to upward social convergence in Member States, with findings feeding into the multilateral surveillance activities of EMCO and SPC to inform the Council on the current state of social convergence in the Union.
2. **The first-stage analysis of the Social Convergence Framework was integrated into the 2024 Joint Employment Report, adopted by the Commission as part of the Autumn Package on 21 November 2023, and subsequently by the Council (EPSCO) on 11 March 2024.** In the first-stage analysis, all Member States were analysed according to the 17 headline indicators of the Social Scoreboard and the JER “traffic-light” methodology applied to them to identify potential risks to upward social convergence that would require deeper analysis. Within the 2024 JER, such risks were identified for seven Member States.<sup>2</sup>

<sup>1</sup> See the [EMCO-SPC Key Messages on the introduction of a Social Convergence Framework in the European Semester](#) and the related [Report of the EMCO-SPC Working Group](#). The documents were presented to the Council (EPSCO) on 12 June 2023. The features of the Social Convergence Framework were discussed within the Working Group between October 2022 and May 2023.

<sup>2</sup> The second-stage analysis is considered warranted if six or more Social Scoreboard headline indicators are flagging red (‘critical situation’) or orange (‘to watch’) in the Joint Employment Report. An additional reason for this occurs when an indicator flagging red or orange presents two consecutive deteriorations in its JER categorisation. This is the case for example if there is a change from ‘on average’ to ‘weak but improving’ in the 2023 JER edition, followed by a further deterioration to ‘critical situation’ in the 2024 edition. This would be counted as an additional ‘flag’ towards the minimum threshold of six flags overall. For more technical details see the box in Chapter 1, p. 32, and Annexes 4 and 9 of the [2024 Joint Employment Report](#).

3. **The second-stage analysis of the Social Convergence Framework was conducted by the Commission and published via a dedicated Staff Working Document on 6 May 2024.<sup>3</sup>**

For each of the seven Member States identified in the first stage, the second-stage analysis relied on a wider set of quantitative and qualitative evidence and on the examination of the undertaken or planned policy response by the Member States to evaluate more in depth whether challenges to upward social convergence were present and the key factors driving them. The second-stage analysis focused exclusively on the policy areas (among labour market, skills, and social protection and inclusion) identified as presenting potential risks to upward social convergence in the first stage. In each of these policy areas, the second-stage analysis aimed at better understanding developments and determinants, such as how different population groups and/or regions fare, including by considering a broader set of relevant EU indicators available.<sup>4</sup> Progress on the 2030 national targets on employment, skills and poverty reduction was also considered.

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<sup>3</sup> The Member States concerned were consulted on an advanced draft of their second-stage analysis.

<sup>4</sup> While analysis is predominantly based on harmonised EU statistics that allow comparability, national data were included, where relevant, on elements for which harmonised statistics are not available at EU level, or when they provide further important insights to qualify and/or complement the evidence from EU statistics.

4. **On the basis of the second-stage analysis, EMCO and SPC conducted a series of “Social Convergence Reviews” on 16 May 2024.** The reviews covered the risks and challenges to upward social convergence faced by the Member States analysed in the Commission second-stage country analysis on social convergence, together with the implementation of the 2023 Country-Specific Recommendations (CSRs) issued to these Member States, where relevant. The integration of the Social Convergence Framework country analyses in the multilateral surveillance activities allowed EMCO and SPC to cover the broader second-stage analysis of upward social convergence together with the monitoring of the implementation of the 2023 CSRs, facilitating a more comprehensive shared understanding of labour market, skills and social challenges, as well as of the related policy developments, thanks to the multilateral discussions. Some Member States praised the thorough Commission analysis as well as the chance to provide comments on it bilaterally before finalization. However, in view of possible future refinements, a few Member States also pointed out shortcomings related to a very limited number of the agreed Social Scoreboard headline indicators used for the first-stage analysis, and the need to consider the timeliness of indicators and national specificities in the second-stage analysis.
- **In terms of overall findings, a number of challenges to upward social convergence have been identified in relation to disparities within labour markets, education and training systems, and in social protection and inclusion.** Gender, age, socio-economic background, citizenship, and ethnic origin too often remain strong predictors of educational and labour market outcomes, including by making access relatively more difficult to upskilling and reskilling opportunities, fair working conditions, high-quality social, care and health services, and affordable housing. The prominence of these factors leads to inequalities among population groups and across regions that, overall, tend to hamper social cohesion at both national and European level. In this context, the reviews also showed how it remains essential to employ solid monitoring tools and conduct impact assessments that allow to evaluate the effectiveness of the measures taken and identify any adjustment needed during their implementation.

- **With the EU employment rate at its highest and the unemployment rate at its lowest, 2023 was marked by very strong labour markets, with sizeable labour and skills shortages.** Signs of convergence among Member States are visible especially in the employment rates, with greater improvements in those Member States that start from worse-off positions. Similarly, NEET rates have continued their declining trend, especially in those Member States where they remain above the EU average. While indicators also point to a reduction in labour market segmentation, the high incidence of non-standard forms of employment continues to present challenges where combined with gaps in social protection for temporary workers and the self-employed. Overall, regarding employment policies, the reviews highlighted that upward social convergence can be fostered only if Member States effectively address existing employment gaps within the population and raise the labour market participation of underrepresented groups and persons in vulnerable situations, including persons with disabilities. This requires enhancing the capacity to deliver well-designed and better-targeted active labour market policies (ALMPs), combined with other enabling services, that support working-age people and equip them with the skills needed to enter, remain, and progress in the labour market, including in terms of green and digital skills.

- **Developments related to skills present a more mixed picture, with positive ones in some Member States and stagnation in others.** The EU remains far from reaching the 2030 headline target on adult participation in learning, with substantial efforts still needed at national level. Measures are being implemented, also with the support of EU funding - most notably via the Recovery and Resilience Facility (RRF) and the European Social Fund+ (ESF+) - to reform vocational education and training (VET) and higher education systems, enhance and expand training programmes within ALMPs, raise the levels of digital skills, and strengthen skills **forecasting** systems, also in cooperation with social partners and the private sector. The extent of the challenge nonetheless calls for further policy action, including in light of the green and digital transitions, as well as demographic change. Challenges remain in tackling early leaving from education and training, with only minimal progress visible in this respect. Overall, in terms of skills policies, addressing the impact of socio-economic background on access to quality education and training and related outcomes remains imperative to foster upward social convergence, as individuals with low skills remain the least likely to engage in training activities and thus also to benefit from the green and digital transitions.

- **Ensuring access to high quality active inclusion measures, integrated with access to essential and social services - particularly for low-income families - should remain a priority in many Member States.** Developments in poverty and social exclusion remain concerning, especially as the high inflation experienced over the past two years - also due to Russia's war of aggression against Ukraine - inevitably had a higher impact on low-income and jobless households. This also resulted in lower real wages and higher in-work poverty rates in some Member States. Efforts by Member States to increase social benefits were, in fact, often offset by rising energy and basic commodity prices, leaving the adequacy of these benefits insufficient to lift people out of poverty. Given the need to ensure both the fiscal sustainability and the adequacy of such measures, there remains scope for improving the efficiency of public spending and enhancing the effectiveness of social transfers on poverty reduction. In some Member States, better efficiency in social spending could also help address challenges pertaining to the healthcare and long-term care systems, notably where out-of-pocket expenditures for healthcare and long-term care weigh heavily on the most vulnerable. Child poverty rates also remain generally high, especially in single-parent households with dependent children, making it crucial to fully implement the European Child Guarantee across all Member States. Conversely, some progress is visible overall regarding the efforts taken to expand the availability of formal childcare for children under three years old.

5. **The Commission intends to use the second-stage analysis of the Social Convergence Framework and the outcome of the multilateral surveillance reviews conducted in EMCO and SPC to inform the European Semester Spring Package.** Key findings will be reflected, where relevant, in the Country Reports and inform the Commission's reflection on the proposals for 2024 Country-Specific Recommendations (CSRs) in the employment, skills and social domains, as appropriate, but without any automaticity. On the basis of the Commission's proposals, EMCO and SPC will finalise the CSRs on 2-3 July ahead of their adoption by the Council.

6. **In the second half of the year, EMCO and SPC will conduct an assessment of the pilot analysis of upward social convergence based on the features of the Social Convergence Framework implemented in this 2024 European Semester cycle.** This assessment of the pilot analysis will *inter alia*, cover its value added and any possible impact on administrative burden, and inform the Council, in line with the related invitation in the Council Conclusions on the 2024 Annual Sustainable Growth Survey and the Joint Employment Report.<sup>5</sup> The new EU Regulation adopted by the co-legislators following the Economic Governance Review makes reference to “*a framework to identify risks to social convergence*” as a tool of the Semester, building on Art. 148 TFEU. In Recital 8, it is clarified that “*as part of its integrated analysis of employment and social developments in the context of the European Semester, the Commission assesses risks to upward social convergence in Member States and monitors progress on the implementation of the principles of the European Pillar of Social Rights on the basis of the Social Scoreboard and of the principles of the Social Convergence Framework*”.<sup>6</sup>
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<sup>5</sup> See Paragraph 18 of the [Council Conclusions on the 2024 Annual Sustainable Growth Survey and the Joint Employment Report](#), approved by the Council (EPSCO) on 11 March 2024.

<sup>6</sup> See Recital 8 and Article 3(b) of [Regulation \(EU\) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance](#) and repealing Council Regulation (EC) No 1466/97.