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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Assessment of the country-specific recommendations for 2024 and implementation of the country-specific recommendations for 2023: Opinion of the Employment Committee and the Social Protection Committee - EMCO Multilateral Surveillance 2024

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With a view to the EPSCO Council on 16 July 2024, delegations will find attached: EMCO Multilateral Surveillance 2024.

**EMCO Multilateral Surveillance 2024*****Country-specific conclusions*****1. Review on active labour market policies, labour taxation and labour market segmentation – 19-20 March 2024<sup>1</sup>*****Active Labour Market Policies*****Austria**

The Labour market in Austria continued to develop positively in 2023. However, long-standing challenges remain in terms of unused labour market potential of women, older workers, people with migrant background, and the low qualified. The commitment of the Austrian Government to address all these challenges is visible, including by implementing several ESF+ funded measures, although outcomes still have to materialise and progress currently remain limited.

Investments are also being made to expand the availability of quality childcare services. However, especially in regions with low childcare provision, targeted measures are needed to better address the needs of families with low incomes. Adapting the working hours of childcare facilities also remains essential to allow parents to work longer hours.

Despite improvements, the employment rate of older workers remains below the EU average, pointing to the need to increase support for improving the overall basic digital skills of older workers. Tailored measures would also help to foster the labour market integration of people with migrant background and underrepresented groups, including by strengthening the provision of green and digital skills for the twin transitions.

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<sup>1</sup> Germany opted out (CSR 1) indicating no substantial progress compared to the measures presented last year, while Slovakia opted out (CSR 1) due to the broader scope of their recommendation.

## **Belgium**

Belgium has implemented a number of measures to increase the participation of underrepresented and vulnerable groups in the labour market, including by strengthening partnerships at local level, improving guidance, enhancing active inclusion and fostering labour mobility across regions, leading to some progress in responding to the Council Recommendation.

Yet, further efforts are needed, especially to actively support the low-skilled, the long-term unemployed and the persons with disabilities. Measures will need to focus more intensely on the concrete needs in the private and public sectors, notably by designing policies to address skills mismatches and labour shortages.

Given the Belgian budgetary situation, a much closer cooperation with the private sector will be needed to guarantee a more sustainable employment creation in the near future. In addition, more structural policies, such as a reform of the tax-and-benefits system, are needed to minimize the existing disincentives to take up employment. This is especially important for the regions requiring a significant improvement to make sure that Belgium attains its national objective of reaching an employment rate of 80% by 2030.

## **Finland**

To address the existing labour shortages and skills mismatches, Finland has presented projects and policies which aim at better identifying and forecasting the skills that are most in need and improve the quality of training offers. Efforts are made also to provide more personalized services at central and municipal level. However, challenges remain as the supply of skilled labour is constrained by the relatively low number of higher education graduates in the fields most in demand while the overall participation in lifelong learning has deteriorated in recent years.

The recently established Labour Force Barometer, which provides forecasting of competence needs across sectors and occupations, is very positively noted. Furthermore, steps have been taken to improve the infrastructure for the provision of more quality education programmes and services, namely the SECLE. Given the very early stage of its creation, the evaluation of its implementation and impact on the labour market is feasible only at a later stage. In addition, to reduce labour shortages in the long run, several long-term policies could still be considered such as better designing education policies to direct young persons in sectors with high labour demand and promoting talent pools for skilled foreign workforce.

## **Netherlands**

The Netherlands is showing very good results in terms of employment and unemployment rates and is demonstrating progress in policy design to address the CSR, although further efforts are needed with respect to the implementation of the recently introduced measures.

The Netherlands has developed a number of policies to reduce labour shortages and promote lifelong learning. In particular, the sectoral development paths programme aims at reducing shortages in specific sectors. Feedback would be needed with respect to its implementation and impact on the labour market.

Moreover, steps have been taken to support SMEs in developing a learning culture and career guidance to their workers. The individual schooling budget which was added to the SLIM Scheme is a quite promising measure that could increase employment opportunities and career mobility for vulnerable workers. While policies have been put in place to facilitate the employment of persons with a migrant background, challenges still remain in this regard. Furthermore, policies to address the challenges stemming from demographic issues could have long-lasting effect on the labour market.

## ***Labour taxation***

### **Austria**

Despite the economic slowdown, employment in Austria continued to grow in 2023 and labour shortages continue affecting some sectors. Nonetheless, long-standing challenges remain in terms of untapped labour market potential, including in terms of working hours, especially in the case of women, older workers, people with migrant background, and people with a low level of qualifications.

The measures recently introduced partly address these challenges, and the use of an ex-ante impact assessment regarding the abolition of the tax bracket creep is positively noted.

Yet, more ambitious measures are needed to reduce the tax wedge - especially on low income and second earners - and non-wage labour costs, as well as to incentivize longer working hours. To do so, there is still broad scope to change the tax mix, making greater use of growth-friendly taxes, such as property, environmental or tobacco taxes, or by reducing environmentally harmful subsidies.

### **Belgium**

Belgium made limited progress to improve the tax-and-benefits system, introducing a couple of measures at national and regional level aiming at reducing the tax burden on labour. Yet, structural measures, including a broad fiscal reform, will be needed to simplify the overall system, reduce substantially the tax burden on labour, remove disincentives to work and improve the progressivity of taxation. A revision of the tax expenditures could also be envisaged, in order to reduce their social impact.

## Greece

Greece made visible efforts to review the taxation of the self-employed in the context of the national Recovery and Resilience Plan, including with a view to addressing tax evasion and income underreporting, with outcomes to be assessed in the near future. The recent improvements of the labour market are encouraging and show that Greece has taken steps in the right direction in reforming its active labour market policy framework, reviewing the Public Employment Services and implementing the National Strategies for Active Labour Market Policies and Youth Employment. However, including with a view to enlarging the tax base, more efforts are needed to tackle labour shortages and stimulate the employment of women, youth, Roma, third-country nationals and other vulnerable groups, notably through better targeted measures delivered in an integrated manner, together with a more effective outreach system, training programmes and social support measures.

The green and digital transitions, in combination with the skills shortages currently visible in Greece, also call for a systematic cooperation between the policymakers, training and lifelong learning institutions, and employers and employees, to improve the matching between labour market needs and training offers.

## Slovenia

In 2023, the labour market continued to perform well in Slovenia with high employment rates and very low unemployment rates. Labour shortages and skills mismatches are still pronounced in several sectors. Slovenia made limited progress on improving the tax mix to support inclusive and sustainable growth. Labour taxation and tax wedge remain high. The annual general and the additional tax relief for young individuals introduced in 2023 will probably have limited effect on stimulating economic activity. To overcome these challenges, a growth-friendly tax reform would facilitate the shift away from labour taxation and fiscal consolidation. On the positive side, an analytical Unit has been set up by the Ministry of Labour, Family, Social Affairs and Equal Opportunities to conduct research of the impact of the interaction of personal income tax, social contributions and social transfers on disposable income and the well-being of families and individuals, which could help the formulation of evidence-based tax reforms.

### *Labour market segmentation*

## Netherlands

The Netherlands is tackling labour market segmentation, which constitutes one of the structural challenges of the Dutch labour market. The Netherlands has the highest share of flexible workers in the EU as well as a low level of transition towards permanent contracts. The high level of flexible and temporary working arrangements and the high number of self-employed without employees, combined with their steady growth in the last decade, remain a concern. The Netherlands is working on a set of measures aimed at reducing the incentives to use flexible or temporary contracts that could allow more stable employment conditions in the future. Policy reforms to address the institutional drivers concerning the recourse to self-employment have been included in the national Recovery and Resilience Plan. The meaningful involvement of social partners in the design of the legislative proposals is most valuable. However, the expected timespan for the full implementation of these reforms is 2026 and, taking into consideration that draft bills still have to be sent to Parliament, does not allow for an assessment of the degree of progress made nor the effectiveness and possible impact of the measures.

## 2. Review on education and skills – 24 April 2024<sup>2</sup>

### Belgium

In Belgium, several measures have been undertaken to improve the performance and equity of education and training systems. Nonetheless, while the strong commitment of the three communities is evident, the impact on learning outcomes is not visible yet.

The Flemish community learning support model for the inclusion of pupils with special needs is a welcomed development, although it is at its early stage of implementation. The French community has introduced personalized support and performance targets, but there is still the need to finalize the early detection system to prevent school failure.

Teacher shortages remain significant and could hinder the quality of education, especially in the most disadvantaged schools. All communities have advanced in the implementation of the measures and the first results are encouraging in the Flemish community. Addressing teachers' wellbeing and developing their capacities to support the digital and green competences needed in the future will require further actions. The Committee welcomed the education stakeholders' commitment statement.

The Committee also acknowledge the adult VET measures introduced to address shortages in Brussels and Flanders, which respond to the regional peculiarities and needs of the labour market, while Wallonia is still lagging behind.

Overall, it is key to develop reliable indicators and evaluation plans to monitor the recent reforms undertaken.

### Finland

The Finnish government has launched a plan to increase the number of study places in higher education in a number of critical sectors, including by preventing unnecessary accumulation of higher education.

Furthermore, to broadly address labour and skills shortages, Finland introduced a number of policy measures to foster skills recognition and lifelong guidance, the digitalisation of lifelong learning, further improve skills forecasting systems, and strengthen short-term education offers. These measures are expected to raise the overall education levels, attract skilled workforce and facilitate continuous learning.

Nonetheless, most of the policy measures are still at an early stage and future developments and outcomes should be carefully monitored and assessed in relation to their intended impact.

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<sup>2</sup> In light of this agreement, the country-specific reviews on education and skills were conducted in EMCO without a formal involvement of EDUC, but with delegations free to coordinate at national level.

## France

Overall, France shows a high level of commitment and achieved some progress in the implementation of a very comprehensive CSR that highlights challenges related to skills shortages, the longstanding issue of inequalities in opportunities and outcomes within the education and training system, and the need to improve the working conditions of teachers.

Reforms and investments have been implemented to develop work-based learning options and to better align these with labour market needs. While access to training improved and the number of apprentices increased, labour shortages remain at a high level and the lack of adequately skilled job candidates remains the main barrier to employment, calling for evaluations and adjustments of policy instruments with the involvement of teachers and professionals. Dedicated strategies fostering the development of green and digital skills are key to ensure that a fair twin transition could be scaled up.

The French education system continues to face a high level of inequalities, declining level of basic skills, and challenges pertaining to inclusivity, despite the investments made. The measures adopted to reinforce the attractiveness of the teaching profession represent a positive step, but further efforts on working conditions and career development are needed to address the persisting recruitment challenges which affect the performances of the education system.

It has to be acknowledged that given the scale of the challenge, especially for the education system, time is needed for measures to fully display their impact. At the same time, additional efforts - including in terms of resources – may be needed.

Furthermore, a significant reform of the education system has been announced with changes to teaching methods, and the set-up of targeted reinforced support in French and Mathematics in particular. These reforms and investments need close monitoring and impact assessments. Generally, the implementation of the wide panel of measures rolled out by the French authorities could benefit from a reinforced involvement of academia and education social partners.

## Germany

Germany shows a high level of commitment in addressing the challenge of improving people's digital skills, notably by implementing several measures aimed at developing digital skills for different groups, in line with the Digital Decade Policy Programme. However, the lack of visible outcomes, including in terms of basic digital skills, points to the need to continue efforts. Furthermore, some challenges could need increased resources, such as the slow pace of digitalisation, difficulties in administrative capacity, and the weakening of education outcomes, especially of vulnerable groups, which may hinder future economic growth and exacerbate skills shortages in the ICT sector.

There is also room to step up efforts in improving access to digital connection, especially for people living in rural areas, as well as to close the gender gap in basic digital skills.

Regarding education and training for adults, efforts to tackle the low level of population mastering basic digital skills should take the form of a holistic approach taking into account the lack of equality of the German educational system, the need to further digitalisation at all levels, as well as the necessity to respond to labour market needs with strong re- and up-skilling measures aimed at facilitating recruitment in the ICT sector.



## **Luxembourg**

In 2023, the Luxembourgish economy contracted due to weak external demand and residential investments. Young people are mostly affected by the challenging economic context, as visible in the share of NEETs increasing since 2022. On the positive side, to combat early school leaving, Luxembourg has raised the age of compulsory education from 16 to 18.

Luxembourg also faces the educational challenge deriving from the increasing number of pupils whose mother tongue does not correspond to any of its three official languages. For these pupils, the trilingual school system remains particularly challenging. Promising pilot projects have been launched in primary schools, which could improve the outcomes of pupils whose first language is French. The creation of six European public schools is also a welcomed development, as it can help pupils who struggle with trilingual education. However, these offers should be further extended to reach out to the pupils most in need.

The offer of free school meals and after-school facilities can positively influence the learning outcomes of disadvantaged pupils with migrant and vulnerable backgrounds.

The language activities offered in early childhood education and care in two out of the three official languages French and Luxembourgish - are at risk of not adequately preparing children for alphabetisation in German. This could lead to difficulties in literacy skills in primary and secondary school.

The plan for the introduction of the new curriculum is also a welcomed development, although it is still to be seen in its implementation and related results.

## **Sweden**

While Sweden has a very strong labour market with high employment rates, it also shows high unemployment rates especially among people in vulnerable situations, including non-EU born, people with disabilities, and those with lower education.

Pupils with migrant or disadvantaged socioeconomic backgrounds continue to underperform compared to their native peers and the performance gap is among the highest in the EU. Measures undertaken in Sweden do not seem to address specifically the needs of these pupils, with further efforts are needed in this direction. Strengthening basic skills in reading and writing is considered the first step towards the integration of pupils but also adult immigrants.

The shortage of qualified teachers remains an issue across education sectors, including in early childhood education and care (ECEC). Several pilot measures have been started at local level, with the need to monitor and evaluate their medium- and long-term impact.

The joint agency plan and investment in open pre-school to increase the entry of foreign-born women into the labour market, as well as higher investments in the “Swedish for immigrants” and “Swedish from day one” programmes, are welcomed developments.

Sweden has a general monitoring system in education. It could benefit also from using counterfactual evaluations to assess the impact of the measures on the beneficiaries.