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## NOTE

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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 - 2024 Multilateral Surveillance – Social Convergence reviews Country-specific conclusions

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With a view to the EPSCO Council on 16 July 2024, delegations will find attached: 2024 Multilateral Surveillance – Social Convergence reviews Country-specific conclusions.

**2024 Multilateral Surveillance – Social Convergence Reviews****Country-specific conclusions****Workshop 1****Bulgaria**

The second-stage analysis of the Social Convergence Framework indicates that Bulgaria faces a number of challenges related to high income inequality, poverty and social exclusion, which remain particularly high for disadvantaged groups, especially for children and Roma. The housing cost overburden rate - as well as energy poverty - are high, while the impact of social transfers (other than pensions) on poverty reduction remains well below the EU average. Positive steps have been taken with particular attention to children and the implementation of the European Child Guarantee. However, further efforts are required given the size of the challenge, including to improve strategic planning in the housing and social housing sectors and to ensure the provision of social services to further develop the community-based model.

While the share of early leavers from education and training is decreasing and converging to the EU average, the share of adults participating in learning every year and of those with at least basic digital skills as well as the share of children aged less than 3 years in formal childcare remain very low. Bulgaria undertook several measures aiming to tackle these challenges, especially to increase the provision of skills, including green and digital skills. In the context of the upcoming skills strategy, it will be important to better target training provision to the vulnerable and marginalised groups, such as Roma, and to address inequalities in the access to quality training and job opportunities.

While the labour market situation has recently improved, challenges remain in terms of access of vulnerable groups to the labour market, in particular for persons with disabilities, the youth, and Roma. While measures are being implemented to foster the integration of persons with disabilities, the growing labour and skills shortages could require a more strategic vision that addresses, among others, adverse demographic developments, as well as disparities in the access to the labour market.

Concerning the 2023 CSR regarding the need to accelerate building renovation in order to incentivise energy efficiency and address energy poverty, the introduction of a definition for “households in a situation of energy poverty” and “vulnerable customers in terms of electricity supply” represent a positive step, although progress is insofar limited. The overall reform is at an early stage of its inception, and some crucial elements are still missing, namely the support schemes to back the legal framework.

## Estonia

The second-stage analysis of the Social Convergence Framework indicates challenges for Estonia mainly related to social protection and inclusion, and education, namely the high poverty or social exclusion rates of some vulnerable groups, high income inequality and the related low impact of social transfers (other than pensions) on poverty reduction, high self-reported unmet needs for medical care and early school leaving and the gender gap in higher education. Estonia has already taken some to substantial measures to address these challenges and has been making visible progress.

On the 2023 CSR on strengthening social protection and improving access to and affordability of healthcare and long-term care, some progress has been made, although challenges are still visible at this stage. By adopting the Welfare Development Plan for 2023-2030 Estonia renewed its commitment to reduce poverty; still currently the low adequacy of pensions and social benefits do not prevent from falling below the absolute poverty threshold.

While the Act extending the duration of the unemployment benefit entered into force, the extension of the coverage of the unemployment benefit has not been implemented yet. The low coverage and restrictive eligibility criteria related to unemployment benefits - especially for people in non-standard forms of work and the self-employed - continue to contribute to higher poverty risks.

Estonia is carrying out an ex-ante impact assessment to inform the design of a comprehensive reform of the social benefits system. This will help identify current gaps and improve the effectiveness of the social protection system.

In the context of healthcare and long-term care, some progress is noted, especially with the adoption of the “Care reform”. Measures concerning improvements in access to and affordability of healthcare are being taken but remain at early stages of implementation. There is room to ensure adequate financing, quality, and availability of long-term care services in all municipalities, as well as support for informal carers.

## Spain

The second-stage analysis of the Social Convergence Framework indicates that, despite important improvements, Spain still faces challenges related to the labour market that are being addressed, such as a relatively low employment rate, high unemployment and long-term unemployment rates, and the incidence of young people neither in employment nor in education and training (NEETs) remaining above the EU average despite recent positive developments. Labour market segmentation continues to be an issue in the public sector. Overall, some population groups face greater obstacles to labour market integration, such as young people, older women, and the middle skilled. The high rate of early leavers from education and training as well as skills mismatches suggests that there is room to foster a smoother transition from education to employment. Furthermore, despite recent improvements in real wages and income inequality, real gross disposable household income (GDHI) per capita has not yet returned to the pre-COVID crisis level, and poverty and social exclusion remain high, notably for children. Challenges also remain in relation to the impact of social transfers (other than pensions) on poverty reduction and to the adequacy of social assistance.

Against this background, Spain made significant progress to address its labour market challenges, especially in reducing labour market segmentation and a high unemployment rate. Significant measures have been implemented, such as the comprehensive labour market reform, regular increases of the minimum wage, and measures to modernise active labour market policies (ALMPs), such as the new employment law, all of which have particularly benefitted workers experiencing greater obstacles to labour market integration. In this regard, more targeted measures have been implemented recently aimed at protecting workers' rights and enhancing employment of more vulnerable groups, including domestic workers, persons with disabilities, LGBTQIA+ and artists. Nonetheless, challenges remain, as reflected in the obstacles certain groups face in integrating in the labour market, and the persistent job insecurity in the public sector, especially in education and health occupations.

Spain could step up efforts to address skills mismatches and the high rate of early leavers from education and training. In particular, the new VET law could help increase adult participation to lifelong learning and VET enrolment, as well as support the attainment of green skills.

Spain made some progress also on social issues, which remain among the most significant challenges for the country. Poverty and social exclusion, especially among children, continue to be significant. The effectiveness of social transfers (other than pensions) in reducing poverty and the adequacy of social assistance remain low, particularly concerning the new child complement, where further efforts would be needed to address remaining challenges in adequacy, coverage, and accessibility. The simplification of the social protection system and targeted actions to support vulnerable households are positive steps, that will help address the risks identified, depending on their full implementation. The upcoming National Strategy for Preserving and Combating Poverty and Social Exclusion 2024-2030 could help to support vulnerable households.

Regarding the 2023 CSR on the availability of social and affordable energy-efficient housing the 2023 Housing Law to increase the supply of affordable housing goes in the right direction, while the construction of 20,000 dwellings for social rental housing by 2026 will also be crucial for addressing this challenge.

## Hungary

The second-stage analysis of the Social Convergence Framework for Hungary indicates challenges related to the low participation rate among children under 3 years in early childhood education and care, as well as a high rate of early leavers from education and training. Disparities are also visible in educational outcomes, which can be linked to socioeconomic backgrounds, with some vulnerable groups – such as Roma and persons with disabilities - more affected. The concentration of low-performing pupils in the same institutions reinforces socio-economic disadvantages. The social protection system remains weak, especially for those not in employment or in non-standard contracts. Social transfers (other than pensions) have a limited impact on poverty reduction.

Efforts are made to expand the availability of places in early childhood education and care (ECEC) for children under the age of 3, though Hungary still lags behind the Barcelona targets. In particular, further efforts are needed to ensure that all children under 3 years living below the poverty threshold have access to high-quality ECEC free of charge, thus allowing parents to avail of care services if they choose to do so. This also requires investing and developing a qualified workforce, who is able to support the early development of children, including those with special educational needs.

Hungary has made some steps in tackling early leaving from education and training, by increasing digital skills provision and adult participation in lifelong learning. It is important that these developments benefit all, especially people in marginalised and vulnerable situations. In addition, structural features of the education and training systems, such as early tracking, low attention to key competences, the imbalanced distribution of children with different socio-economic backgrounds, and the low compulsory school age, need to be reviewed to improve educational attainment and the transition from school to work.

Concerning the 2023 CSR, the adequacy of unemployment and minimum income benefits remains low. While benefits should not disincentivise taking up employment, their level do not prevent or alleviate the risks of poverty or social exclusion for the most disadvantaged.

Concerning the 2023 CSR on housing, low-income households continue to face limited access to it. The measures in place support ownership, and indirectly high-income families. In a context of low and decreasing availability of social housing, measures to support rents are also needed for low-income households. With regard to the CSR on energy prices and targeted support for low-income households, progress towards tackling energy poverty remains limited, in the absence of specific measures or an identification of target households.

The performance of the Hungarian labour market is very strong overall. As relevant also for the 2023 CSR on access to active labour market policies, gaps remain visible for some groups, such as persons with disabilities, Roma and the low-skilled, pointing to the need for more targeted support and training measures. Finally, no substantial measures have been taken to address the persisting challenge of ensuring effective and meaningful social dialogue, also called for in the 2023 CSR, as highlighted in the EMCO review on social dialogue of November 2023.

## **Workshop 2**

### **Italy**

The second-stage analysis of the Social Convergence Framework indicates that, despite progress made, Italy continues to face challenges related to the low overall employment rate, especially for certain groups, such as women, young people and the low-skilled, with strong regional differences. While improvements are observed recently, early school leaving remains significant, alongside low tertiary educational attainment and decreasing adult learning participation, especially in the light of digital skills developments. Poverty and social exclusion remain entrenched in the country, particularly for certain groups such as children and in the South, including high rates of income inequalities and in-work poverty. Having children appears to increase poverty risks significantly, especially for single parent households. The impact of social transfers (other than pensions) on poverty reduction is relatively low. The reform of the minimum income scheme, with the tighter eligibility criteria it entails, will require close monitoring, also with regard to coverage, activation and its impact on poverty reduction. Also, the social protection system focuses more on cash transfers than on the provision of services such as childcare, thus further limiting the employment opportunities of those with caring responsibilities, especially women.

The measures undertaken so far are expected to help moving in the right direction in relation to certain employment skills and social exclusion challenges in Italy. Also related to its weak active labour market policy system, Italy is encouraged to tackle its structural labour market challenges by implementing a comprehensive strategy. Measures to tackle the labour market situation of the most affected groups (women, young people, the low skilled) are particularly important in this respect.

Concerning the implementation of the 2023 CSRs, more ambitious and structural measures are required to reduce the tax wedge on labour and ensure fairness and horizontal equity of the tax system. In terms of social aspects of energy-related measures, Italy has made overall some progress. The establishment of a national energy poverty observatory and its tasks to define and monitor challenges in this area is a positive step. However, Italy should ensure that any support measures are well-targeted to vulnerable households, preserve incentives for energy savings and ensure long-term sustainability.

## Lithuania

The second-stage analysis of the Social Convergence Framework indicates challenges related to the high at-risk-of-poverty or social exclusion rates, and income inequality, in particular for certain population groups, such as the unemployed, older people, and persons with disabilities, driven mainly by the low adequacy of pensions as well as gaps in coverage and low adequacy of unemployment and social benefits. Lithuania also faces challenges related to the low participation of children below three years of age in formal childcare and adult participation in learning. Digital skills levels remain below the EU average, despite considerable improvement. This latter challenge is also targeted by several measures, while the Education Development Programme 2021-2030 and the national plan on the implementation of the European Child Guarantee will also help increasing the participation of children below three years of age in early childhood education and care.

The commitment of Lithuania to enact ambitious reforms to address the identified challenges is acknowledged, and these measures are expected to help Lithuania move in the right direction, but this will also depend on the final design of the planned measures and on their full and timely implementation.

The risks identified in the first-stage analysis in relation to the employment situation of persons with disabilities, namely on the disability employment gap, are not confirmed by the national data. In addition, the significant recent policy interventions in this area are expected to improve the situation, although it will take some time for these to become visible in the data.

Given the steps already undertaken, Lithuania is on the right track in addressing the 2023 CSRs on the adequacy of social protection and on social services. Policy measures implemented so far, such as the 2022 pension adequacy reform, the introduction of the single person benefit, as well as the planned reforms of unemployment benefits and the minimum income scheme, are all expected to substantially address the risks identified in the area of social protection and inclusion. Concerning the 2023 CSR on social housing, while the measures undertaken brought about some improvements in access, Lithuania would need to develop a more holistic approach, in line with the ongoing exploratory work on affordable housing.

The ongoing reforms on healthcare addressing the 2023 CSR are at the early stage of implementation, therefore the results are still to be seen. Lithuania could benefit from more preventive programmes, also addressing the younger population, and expanding the role of family doctors.

Concerning the 2023 CSR on energy poverty, the emergency temporary measures taken by Lithuania to face the energy price spikes alleviated it, but the level of energy poverty remains high. The measures foreseen on building renovation are yet to be implemented, thus their effects are still to be seen.



## Romania

The second-stage analysis of the Social Convergence Framework indicates that, despite decreases over the past decade, poverty or social exclusion risks remain high in Romania and disparities across regions and population groups continue to be acute. Ensuring effective access for all to services and social protection remains an important challenge in the country.

High early school leaving rates, widespread underachievement in basic skills and low digital skills levels point to persisting challenges on the quality, accessibility and labour market relevance of education and training. Participation in education from early childhood to the end of upper secondary school is not the reality for many children, in particular for those living in rural or isolated areas. In this policy domain positive developments are the adoption of the new education laws, and the roll out of projects to improve the level of basic skills, support tertiary education attainment, and measures to improve the quality of teaching. The accelerated approval of secondary legislation is necessary to implement the new laws on education and take further action to address the rural-urban divide and other inequalities in the education and training domains.

Despite some important improvements, the employment rate in Romania remains low, especially for some population groups, and in-work poverty significant, while the effectiveness of active labour market policies remains limited. Measures are undertaken and planned for addressing NEETs and long-term unemployment and improving the quality of public employment services for jobseekers and employers. The implementation of measures directly contributing to improving the labour market performance, such as the reform of the PES, are key factor for success.

Overall, measures taken so far are expected to help Romania move in the right direction in relation to the risks identified. Overall, it is acknowledged that efforts are being done, including with RRF and cohesion policy funds support. The reforms and investments, such as the implementation of the minimum inclusion income reform, and changes in social assistance benefits in the social domain, are welcome, but timely implementation of planned measures is of the essence. Many measures are indeed still in early phases of implementation, and -due to the complexity of the issues - their success will require strong coordination among relevant authorities. Scope for further efforts is identified in relation to health, long-term care, education, social and labour market services. It is essential that solid monitoring tools are in place for the measures, in order to ensure that they are effective, and to quickly identify any needs for adjustments.