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NOTE

From: Employment Committee and Social Protection Committee
To: Permanent Representatives Committee/Council

Subject: European Semester
a) Assessment of the implementation of the 2020 and relevant 2019
Country-Specific Recommendations (CSRs) - Opinion of the Employment
Committee (EMCO) and the Social Protection Committee (SPC)
- Endorsement

Delegations will find attached the above-mentioned opinion with a view to its endorsement by the Council (EPSCO) on 14 June 2021.

Opinion of EMCO and SPC on the 2021 cycle of the European Semester

Preamble

Based on the provisions of titles IX and X of the Treaty on the Functioning of the EU (TFEU); the mandate of the Committees given by Articles 150 and 160; and the Council decision establishing the Committees, the **Employment Committee (EMCO)** and **Social Protection Committee (the SPC)** have carried out an analysis of the implementation of the Council's country-specific recommendations (CSRs) for 2020 and parts of the relevant CSRs for 2019 in the areas of employment, social protection and social inclusion (**Section 2** of this opinion). **Section 1** contains the Committees views on the governance aspects of the European Semester.

Section 1

Overall governance aspects of the 2021 cycle of the European Semester and views on the future of the Semester

Over the past decade, the European Semester has been the framework for economic policy coordination in the EU, covering fiscal, economic, employment and social policies in an integrated way.

Employment and social policy governance is fully embedded in the European Semester.¹ Article 148 of the TFEU is the basis for a number of Treaty-mandated tasks, all involving a key role for the EPSCO Committees: the Employment Guidelines, the Joint Employment Report (JER), as well as other monitoring activities in the employment and social areas. The Treaty requires Member States to contribute to the '*coordinated strategy for employment*' ... '*in a way consistent*' with the broad economic policy guidelines (Article 146 TFEU). In addition, the Council Decisions establishing EMCO and the SPC call on the two Committees to contribute to all aspects of the European Semester within their field of competence and report on them to the Council.

In accordance with Article 148 of the TFEU, each year EMCO examines the measures taken by the Member States to implement their employment policies, in the light of the employment guidelines, as set out in the National Reform Programmes (NRPs) and informs the Council of its examination. Based on its mandate, the SPC carries out a similar analysis of the implementation of reforms in the areas under its competence. The output of these monitoring activities is reported to the Council and is used in the discussion on the country-specific recommendations (CSRs) issued to the Member States (with more than 40 % of these addressing challenges in the employment, skills and social policy areas in the 2019 and 2020 cycles). Also, based on the aforementioned examination, and in cooperation with the SPC, EMCO delivers its contribution to the Joint Employment Report to the **European Council** on the employment situation in the Union and on the implementation of the guidelines for employment.

The outbreak of the COVID-19 pandemic in early 2020 necessitated **temporary adjustments to the European Semester**. The ongoing crisis called for extraordinary measures, resulting in the establishment of the Recovery and Resilience Facility (RRF) - an unprecedented funding instrument for investment and reforms to mitigate the economic and social impact of the crisis and support an inclusive and sustainable economic recovery as well as just green and digital transitions.

¹ The legal basis for the European Semester is set out in Article 121 of the TFEU on economic policy coordination and in Article 148 on employment policy coordination.

The RRF has had an impact on both the timeline and deliverables of the European Semester, which in turn has influenced the multilateral surveillance process of employment and social policy developments. Notably, the Recovery and Resilience Plans (RRPs), rather than the National Reform Programmes (NRPs), have been designated as the main reference documents on Member States' reform initiatives in this exceptional Semester cycle. The 2021 Country Reports are to be replaced by the Commission's assessment of the RRPs, while non-fiscal CSRs will not be issued in 2021. In addition, the 2021 multilateral reviews in EMCO and SPC took place before the publication of the RRPs, which did not allow the Committees to take sufficient account of the potential of the measures foreseen in the national Recovery and Resilience Plans (RRPs) to address the 2019-2020 CSRs in the employment and social fields. The RRF governance process envisaged no formal role for EPSCO and its advisory bodies, marking a significant departure from previous years, where EMCO and SPC were involved in all aspects of the European Semester falling under their remit.

Against this background, **EMCO and SPC continued to monitor the Member States' efforts to address the 2020 country-specific recommendations and the relevant 2019 CSRs.** Issues of a cross cutting-nature were examined jointly by the two Committees; this allowed for a comprehensive examination of common challenges and the design of appropriate policy responses. Significantly expanding the long-established horizontal discussions, the Committees put greater emphasis on the multilateral and thematic aspects of their work. This provided the Member States with additional opportunities to engage in in-depth discussions on how to address both structural and emerging challenges complementing the CSR reviews.

EMCO and SPC continued to seek the involvement of **relevant Committees and advisory bodies of other Council formations** in their Semester-related activities. EMCO conducted its discussions on the CSRs on education, training and skills jointly with the Education Committee (EDUC), while SPC sought the involvement of the Working Party of Public Health at Senior level (WPPHSL) through its national delegates. These interactions have reinforced the policy substance of the discussions and led to more holistic considerations of the issues within EMCO and SPC competence.

The temporarily modified Semester process has affected interactions with the Economic Policy Committee (EPC), the Social Partners and representatives of the Civil Society Organisations. In particular, the absence of non-fiscal CSRs in 2021 **reduced the opportunities for joint EPSCO and ECOFIN Committee work on the Semester**. Nonetheless, a joint EMCO-EPC policy exchange took place in April 2021 on topics of mutual interest, also of relevance to the governance of the European Semester (the Social Pillar Action Plan, with a particular focus on the EU headline targets and the revised Social Scoreboard; the Commission Recommendation on Effective Active Support to Employment (EASE), and the implementation of the Support to mitigate Unemployment Risks in an Emergency (SURE)). EPSCO Committees will continue to look for further opportunities for regular and closer cooperation between the Committees in the next Semester cycle and beyond and remain committed to seek the views of the Social Partners and Civil Society Organisations.

EMCO and SPC are of the opinion that the **European Semester remains an effective coordination tool** for fostering sustainable and inclusive economic growth, competitiveness, employment and adequate social protection and social inclusion, especially during the current crisis. In the EPSCO Council Conclusions on the 2021 ASGS, the ministers called for a return as soon as possible to a fully-fledged Semester cycle that allows for a comprehensive multilateral surveillance process in the areas of employment and social policies, while strengthening the integrated coordination of economic, employment and social policies.

With regard to the procedural adjustments related to the 2021 Semester cycle, Members are of the view that changes triggered by the RRF were justified. The modified reporting requirements allowed the Member States to focus on urgent anti-crisis policy responses and reforms. However, these adjustments should remain temporary and there is **overwhelming support among the Members of the two Committees for a timely return to a comprehensive Semester process, reinstating all core Semester elements, already in the next cycle**.

In particular, the two Committees are of the view that **it is crucial to ensure adequate monitoring of employment and social policy developments and policy responses**. Members emphasised the strong forward-looking nature of the Semester process and the need to keep the focus on longer-term structural challenges with a broader remit that goes beyond the reforms and investments envisaged as part of the RRP.

In that regard, the **National Reform Programmes (NRPs)** should remain the relevant reporting tool for structural reforms and progress towards CSR implementation, while the assessment of RRP implementation should be fully integrated in the Semester process. In that context, **the link between the NRPs and RRP should be better articulated**. As the NRPs cover a broader scope of issues in a comprehensive Semester process, reporting on RRP implementation, including on the achievement of RRP milestones and targets, could be integrated into the NRPs. It is important to avoid duplication in reporting. Furthermore, in accordance with their mandate, the EPSCO Committees consider that they should be involved in discussing the implementation and monitoring of the RRP and NRPs.

The Committees are of the opinion that the **multilateral surveillance** aspects of the Semester process should be retained. The comprehensive and regular **Country Reports** of previous cycles should be reinstated from the next cycle, as a basis for exchange between the Commission and the Member States as regards progress on CSR implementation. EMCO and SPC also maintain the view that non-fiscal **country-specific recommendations** should be reinstated, also in view of the importance of employment and social issues in the Member States reform agendas. There is support among many Member States for **CSRs with a multi-annual dimension in certain policy areas, accompanied by annual Country Reports and multilateral surveillance**.

The **Joint Employment Report (JER)** should continue to deliver an annual overview of the key employment and social developments in the European Union, including the Member States' reform efforts. The JER remains an appropriate monitoring and analytical tool. In future, it can continue to reflect the impact of the pandemic on employment and social developments, while extending its analytical basis by integrating the new EU headline targets and the revised Social Scoreboard, and possibly also reflecting the recovery and resilience measures implemented by Member States in the context of their RRP. In future, the JER should continue to monitor the implementation of the Employment Guidelines as mandated by the Treaty and report on the implementation of the Social Pillar principles that have been integrated into the Employment Guidelines. Other existing EMCO and SPC monitoring tools also remain relevant and should continue to feed into the Semester process.

EMCO and SPC have also welcomed the links to the Semester in the **European Pillar of Social Rights Action Plan (EPSR AP)**. The EU headline targets in the employment, skills and social policy areas put forward in the Plan respond to the calls from the two Committees and the EPSCO Ministers for follow-up to the Europe 2020 Strategy. Following the Porto declaration², the headline targets announced in the European Pillar of Social Rights Action Plan should be fully integrated in the European Semester, based on the experience with the Europe 2020 Strategy.

² European Council, 8 May 2021, Porto declaration. EU leaders at the Porto Social Summit welcomed *'the new EU headline targets [...] and the revised Social Scoreboard proposed in the Action Plan that will help to monitor progress towards the implementation of the Social Pillar principles, taking into account different national circumstances, and as part of the policy coordination framework in the context of the European Semester'*.

Looking to the future, the Committees recognise that there are positive lessons that can be learned from the 2021 Semester cycle, but reiterate that the **role of EPSCO and its advisory bodies** in the Semester process should be maintained in line with past Semester cycles and in full application of the Treaty (Article 148 TFEU) and the respective mandates of the two Committees. Given that the Semester has become the governance framework for the RRF as well as the Action Plan for the European Pillar of Social Rights (EPSR AP), some changes in the future Semester process may be necessary. However, it remains important that **the balance between the temporary, targeted adjustments related to the launch of the RRF and the broader purpose of the Semester, is maintained**. Efforts to streamline and optimise the future Semester cycles should include **dialogue with Member States and proper discussion in the relevant Council formations and their advisory bodies**. The cooperation between EPSCO advisory committees and other Council preparatory bodies, notably the EPC, EDUC and the WPPHSL should be further strengthened in the context of a comprehensive Semester process. The continued involvement of Social Partners and Civil Society Organisations should also be ensured.

Section 2:

Main findings from the EMCO and SPC multilateral surveillance reviews on the implementation of 2020 and relevant 2019 CSRs: The crisis has served as a catalyst for action, but bridging short-term measures with longer-term structural reforms calls for further efforts

Multilateral surveillance, which entails peer assessments of Member States' reform implementation efforts, is one of the core tasks of the Employment Committee (EMCO) and the Social Protection Committee (SPC). It plays an essential role in the European Semester framework, enabling a shared understanding of interrelated challenges and supporting Member States' reform efforts through exchanges of policy knowledge and best practices.

In 2020, the outbreak of the COVID-19 pandemic has required the temporary adaptation of the European Semester, as well as the establishment of the RRF and its inclusion in the Semester process. The Employment Committee and the Social Protection Committee have adapted their Semester-related activities and continued monitoring Member States' reform implementation efforts, through multilateral reviews focussed on the 2020 CSRs, and the elements of the 2019 CSRs still considered relevant.

During the first half of 2021, EMCO and SPC conducted 112 such reviews, including 14 reviews in areas of mutual interest, which have been carried out jointly by the two Committees. The education, training and skills reviews (26 in total) were conducted jointly by EMCO and the Education Committee (EDUC). In addition to those reviews, the 2020 review on the implementation of the Council Recommendation on the integration of the long-term unemployed into the labour market was organised as a joint EMCO-SPC thematic discussion for the first time.

For all country-specific reviews, the evaluations were based on the Member States' reporting on the most recent measures taken, followed by assessments of those measures by the other Member States and the Commission. To accentuate the multilateral aspect of the reviews, the thematic element, in the form of in-depth discussions on each policy area under the Committees' competence, has been reinforced in 2021. The thematic nature of the discussions in the two Committees has fed into the preparation of horizontal conclusions, which are presented in this section.

Reforms in the area of Active Labour Market Policies and Public Employment Services

In February 2021, 20 reviews were carried out in the area of active labour market policies (ALMPs) and public employment services (PES). The focus was mainly on the policy responses in the COVID-19 context, such as short-time work schemes, and also addressed more structural aspects such as outreach to young people and vulnerable groups, as well as the effectiveness of PES to deliver services to unemployed and job seekers in particular in the context of the pandemic.

The outbreak of the pandemic urged Member States to focus their efforts on mitigating the impact of the crisis on workers, households and businesses. The response involved a mix of fiscal, employment and social policy measures. Short-time work schemes and wage subsidies were largely used to support job retention. In some cases, the schemes were based on existing – yet extended and/or adapted – instruments, in others *new* measures were introduced.

The impact of the pandemic was asymmetric, and therefore had a diverse impact on the workforce in terms of severity. Consequently, diverse forms of financial assistance were provided in particular to the self-employed or those on atypical contracts, including seasonal workers and other vulnerable groups, with young people and women typically over-represented among those on fixed-term contracts. Nonetheless, the timely support provided played a crucial role in mitigating the overall impact of the crisis on employment levels, ensuring job retention and laying the foundations for managing job transitions. In a number of Member States, anti-crisis measures have been designed jointly with the social partners.

Member States also strengthened ALMPs, notably with regard to training and counselling for jobseekers and workers at high risk of losing their jobs. In addition to measures for subsidised employment, also distance learning, upskilling and reskilling pathways and digital training have been implemented with a view to supporting both workers (including those temporarily laid-off) and jobseekers. Member States also often applied flexible work arrangements such as telework, although in some cases the national regulatory framework had to be reviewed. Temporary adjustments were also made to social protection systems.

Overall, Member States broadly addressed the elements of country-specific recommendations related to mitigating the employment impact of the crisis, although in most Member States under review, more efforts are needed to tackle rising youth unemployment and provide support to vulnerable groups.

Some weaknesses have also been underlined, and mainly relate to policy responses to structural challenges. In the course of the discussion, it emerged that in several Member States the COVID-19 crisis interrupted or slowed down the implementation of activation and Public Employment Services (PES) reforms. Important challenges remain regarding the capacity and organisation of PES; jobseekers' participation in ALMPs; effective and targeted support to jobseekers, NEETs and other vulnerable groups such as persons with disabilities and people with a migrant background, and removing obstacles to labour market participation. In most Member States, structural reforms based on targeted approaches are still required to overcome these issues or - in some cases - implementation is still at an early stage. Nevertheless, some efforts have been made or planned to increase staffing and improve the technological equipment used in PES, including by investing in the digitalisation of services in order to increase their capacity and ensure continuity during the pandemic and afterwards.

The availability of EU funding (notably by the ESF, SURE and REACT-EU) contributed to significantly expand national resources devoted to implementing short-time work schemes and similar measures to preserve employment and support jobseekers, as well as measures to support the capacity of PES. Nonetheless, concerns were expressed about the longer-term situation when emergency support measures have been discontinued. This is also closely linked to the overall economic restructuring process and the challenge of assessing the viability of businesses as a basis for adapting short-time work schemes and wage subsidy support. The prevalence of skills shortages in some sectors should also be considered in this respect. Member States are also considering new reforms and investments in the field of activation measures, making use of NextGenerationEU Funds via the Recovery and Resilience Facility.

There is a general consensus on the need to introduce measures fostering the relocation of workers in the labour market, paying particular attention to the employment prospects of those groups that were most affected by the crisis, in particular young people, women, persons with disabilities as well as people with a migrant background. In this context, Member States are mainly looking at the introduction and implementation of upskilling and reskilling measures as one of the main priorities for future policy action, in line with the digital and green transitions.

Continuous monitoring and impact evaluations are needed to assess the impact of the pandemic and - when needed - provide further support.

Reforms in the area of labour market participation of women through access to early childhood education and care (ECEC) and long-term care (LTC)

In April 2021 EMCO and SPC jointly reviewed the relevant 2019 CSRs for four Member States and one 2020 CSR for one Member State in relation to labour market participation of women through access to early childhood education and care (ECEC) and long-term care (LTC), including, for one Member State, the integration of ALMPs and social policies.

A number of common policy challenges emerged in the discussion, including with regard to the persistent employment gap, the high share of female part-time employment, the gender pay and pension gaps, and their causes. While care responsibilities play a major role in women's participation in the labour market, gender stereotypes also persist and have a considerable impact on outcomes. The strong gender dimension in the LTC sector and its impact for both formal workers and informal carers has therefore been highlighted.

Some Member States noted that the increased share of women working part-time sometimes starts already before family formation, and does not change over time. As regards pay and pension gender gaps, different approaches to enhance transparency in the labour market, including through digital and analytical instruments, can support tackling those gaps.

Member States have invested in ECEC, with a view to enhancing both the availability and the quality of services. The relevance of the Barcelona targets was also recalled during the discussion.

The role of services, notably ECEC, coupled with well-designed benefits, has been highlighted in the discussion on family policies supporting female labour market participation. Coordination between different government levels can be relevant to ensure availability of services. Social assistance benefits need to be linked to activation policies, which in some cases calls for further efforts by Member States to enhance the coordination between the different government structures involved. More generally, for policies to be effective, coordination and cooperation between different stakeholders is important.

Some Member States have reformed parental leaves and benefits, as well as extended paternity benefits to enhance work-life balance. The relevance of ALMPs as well as outreach measures through targeted services for the most vulnerable were also emphasised.

The discussion showed that the expansion of formal LTC services can be an effective instrument to support female labour market participation. Relevant policy measures include, among others, the development of homecare and community based services (e.g. day-care centres).

Some Member States make ample use of the European Social Fund (ESF) resources to support investments in ECEC and LTC, and a few plan to use RRF resources. In this regard, the importance of the sustainability of such investments was emphasised.

Monitoring and evaluation of policies were highlighted as important elements for effective policies.

Reforms in the areas of labour market segmentation, wages, labour taxation and undeclared work

The policy areas of labour market segmentation, wages, labour taxation and undeclared work remain of structural relevance, also in the current context marked by significant shifts in employment patterns due to the COVID-19 pandemic. In February 2021, EMCO carried out reviews in these policy areas in nine Member States, primarily on relevant elements of the 2019 CSRs.

The COVID-19 pandemic has revealed pre-existing vulnerabilities in labour markets, with job destruction resulting from the pandemic mostly concentrated in sectors where less secure employment forms are prevalent; this includes self-employment, and disproportionately affects vulnerable groups and young people, also because of their over-representation among workers in non-standard forms of employment. Structural challenges have thus been further exposed during the crisis. It is likely that they can be overcome by policies that tackle structural gaps, support more inclusive and sustainable growth and address the challenges and opportunities of the green and digital transitions.

Before the COVID-19 crisis, a number of reforms were carried out to tackle labour market segmentation, with the pandemic in some cases slowing the pace of their implementation or impact. Short-time work schemes and support for the self-employed continue to be widely used in the current context, with a considerable uptake of these emergency measures. ALMPs were also enhanced and adjusted to the impact of the pandemic, and included hiring incentives. It was highlighted that appropriate design and sufficient awareness among employers are key to the successful implementation of these kinds of measures. A balanced approach is needed to take into account both job creation/job destruction aspects and the need for further efforts towards reducing labour market segmentation. Employment retention and support for job creation have to be considered alongside job quality and reallocation needs.

In certain cases, there is a risk that anti-crisis measures could divert the focus away from long-term, structural obstacles to more permanent types of employment. In many Member States, the action of labour inspectorates, as well as measures to strengthen their capacity, are key factors in reducing labour market segmentation. To this end, incentives such as hiring subsidies as well as disincentives in the form of fines can be combined in an effective way. While it is important to analyse and evaluate the impact of the measures taken to reduce segmentation, it was acknowledged that this might be difficult due to the impact of the ongoing COVID-19 pandemic, notably in the light of restrictions and the focus on measures taken to retain employment.

As regards gender pay gaps, it is important to analyse the underlying causes and to take holistic actions, including by adapting the benefits system, as demonstrated in one of the cases reviewed.

ICT tools can be helpful both in tackling labour market segmentation and raising awareness about its adverse consequences, as well as in tackling gender pay gaps. Several Member States reported that measures in this area will be included in the national RRP, while discussions are still ongoing in a few Member States.

Regarding labour taxation, progress has been made on further reducing the tax burden on labour, especially for low and medium incomes, mainly through tax relief measures and cuts in social contributions. Some of the measures recently implemented in Member States were designed to support businesses to cope with the COVID-19 crisis and may be temporary but permanent measures have also been undertaken.

Concerns have been expressed on whether these tax changes are fiscally neutral in the medium term, as little progress has been made to shift the burden to tax bases that are more supportive of inclusive and sustainable growth. There is still scope for such a tax shift, which is relevant in the current context, since it could contribute to an inclusive recovery and support the green transition. Other issues related to the tax system remain, notably specific loopholes or inefficiencies, as well as disincentives to work for second earners in couples. The latter point is also a gender gap issue, since second earners are mostly women.

With regard to undeclared work, the relevance of multi-dimensional strategies and the crucial role of labour inspectorates and collaboration among different authorities have been underlined. The need to adopt comprehensive strategies tackling the various and multi-faceted aspects of undeclared work has also been mentioned.

Some Member States intend to include measures in these areas in their Recovery and Resilience Plans, or to use financial support from REACT-EU and the ESF+.

Overall, there is a need to take into account the changes brought by the COVID-19 crisis. The new reality emerging from the crisis has made some analytical tools and concepts obsolete or has called for more comprehensive analytical approaches, as the divide between temporary and permanent employment is no longer the only relevant distinction. The rise of new forms of work, in particular platform work, has been pointed out as an issue that will require further consideration with regard to segmentation aspects.

The review also highlighted relevant policy responses to address the challenges in the policy areas reviewed i.e. the need to support labour inspectorates to tackle undeclared work and labour segmentation; the importance of reviewing employment protection legislation and regulatory gaps to address segmentation; the need for a holistic institutional strategy that includes tax system reforms, work-life balance policies, investments in early childcare structures, equal pay and other policies supporting equal opportunities to reduce gender gaps.

Social dialogue – recurrent review

In December 2020, EMCO held its annual review on social dialogue together with European and national social partners. Aimed at assessing the progress towards the implementation of relevant 2020 Country-Specific Recommendations (CSRs), the review also shed light on social partners' involvement in the context of the COVID-19 crisis as well as on the preparation of the National Reform Programmes (NRPs) and Recovery and Resilience Plans (RRPs).

In the Member States concerned, frameworks for social dialogue are in place, but further efforts are needed to establish a meaningful involvement of social partners in policy-making and a well-functioning social dialogue. Significant concerns remain as regards the practical aspects of social partners consultation in terms of transparency, timeliness and meaningfulness, as well as with regard to its real impact on policymaking. Some encouraging developments were reported, in particular on the intensified social partner involvement in the design of anti-crisis measures and in a minimum wage setting. Some Member States involve social partners in the design of specific measures at an early stage.

The social partners consider that more regular and timely consultations are still needed to ensure that social partners are able to adequately contribute to policy developments. When consulting social partners, governments could also systematically provide feedback as to how their proposals have been addressed.

Capacity building of social partners with a longer-term outlook remains an important objective. In this respect, the specific role of the European Social Fund was highlighted, as was the need for regular evaluation of the effectiveness of such investment, including in terms of the quality of contributions made by the social partners.

Reforms in the areas of education, training and skills

As in previous years, in March 2021, together with the Education Committee, EMCO reviewed relevant CSRs in the areas of education, training and skills. The reviews covered 26 Member States, and generally included both 2020 CSRs and relevant elements of 2019 CSRs. For three Member States, only 2019 CSRs (or certain parts of them) were reviewed.

Reform efforts in education and skills were undertaken already before the pandemic and some Member States continued these actions during the pandemic. In order to cope with the crisis, several Member States have increased budgets to strengthen investment in education and skills, especially in basic digital skills, infrastructure and online solutions such as digital platforms, which have proved to be crucial elements in maintaining the smooth running of learning, training and work during lockdown periods. Some Member States are also exploring innovative approaches such as digital vouchers and individual learning accounts as part of this effort.

The COVID-19 crisis has exacerbated pre-existing challenges related to education and skills. Lockdowns and social distancing measures have accentuated issues related to the digital divide and unequal access to education and training. At the same time, upskilling and reskilling pathways are seen as key elements to support recovery, improve economic resilience and foster digital and green transitions. Some skills shortages and mismatches, notably in the ICT sector, have also worsened despite rising unemployment.

Member States tend to combine the response to the COVID-19 pandemic with a longer-term response to the structural challenges including with the aim of supporting effective labour market transitions to better quality jobs, while also addressing the challenges posted by the digital and green transitions. Significant investment and reform efforts have been undertaken at all education levels – including ECEC, general education, initial and continuous vocational education and training (VET), higher education and adult learning. Member States have also undertaken actions to make education and training systems more relevant to labour market needs. They have implemented or planned reforms to tackle issues related to education and training disparities and to reduce the digital divide.

Many policy initiatives go in the right direction. However, progress towards the implementation of both 2019 and 2020 CSR is uneven. Some structural challenges are still a major concern in a number of Member States and require further action, especially in relation to: early school leaving; education outcomes in general education and VET (including in relation to underachievement rates and PISA results); low participation in adult learning; under-qualification of the workforce; social and territorial inequalities in access to education, training, digital skills and infrastructure. The difficult situation of vulnerable and disadvantaged groups in this respect was emphasised during the review, as well as the challenges persons with disabilities face in the education sector and in accessing the labour market. Cooperation among stakeholders, both in the education and training sector but also in the labour market and social policy sectors, is necessary to achieve more effective and comprehensive reform outcomes. Monitoring and evaluation are also important components of reform efforts.

In addition to national funding, several Member States are already extensively using or plan to use available EU funds such as the European Social Fund Plus and the Recovery and Resilience Facility, in order to carry out the necessary reforms. In this respect, it would be important to ensure complementarity across different funding sources.

Several Member States recalled the objectives and priorities of the Council Resolution on a strategic framework for European cooperation in Education and Training towards the European Education Area and beyond (2021-2030).

In the context of the national RRP and the 2021-27 programming of cohesion policy resources, EMCO also called for active and regular involvement of the social partners in preparing and implementing the relevant employment policy reforms and investment measures.

Integration of the long-term unemployed into the labour market – recurrent review

The review of the **Council Recommendation on the integration of the long-term unemployed (LTU) into the labour market** took place in November 2020. In view of discussing integrated policy responses in the context of COVID-19, this third biannual review was carried out jointly by EMCO and SPC. The 2020 review explored the impact of the pandemic on the long-term unemployed and the responses delivered by employment and social services for the provision of integrated services. It assessed how Member States have been tackling the challenges that the long-term unemployed faced during the initial stages of the economic crisis and the measures put in place to prevent increases in long-term unemployment as well as possible pathways to recovery³.

As regards **employment services**, individualised counselling or profiling, as well as access to and availability of services have been the most negatively affected by the COVID-19 crisis. Registration and integrated service provision have been the least affected. Due to health and safety considerations, many Member States made efforts to move services online. However, the results have been mixed, one factor being unequal access to online services among the long-term unemployed and inactive people, in particular those with lower ICT skills.

With regard to **social services**, the review showed that the pandemic has negatively impacted on the delivery of services, in particular those requiring personal contact. While support to people in the most vulnerable situations has been maintained to some extent, this support focused mainly on access and continuity of social assistance benefit provision. Minimum income recipients have been one of the priority target groups in some Member States. The registration and integration of services appear to be the least impacted. Some Member States undertook additional efforts to enhance access to benefits.

³ Key messages have been sent to EPSCO separately (January 2021), cf. 5623/21.

The uncertainty as to the longer-term implications of the ongoing crisis on the support to long-term unemployed people was also widely shared given the current focus on responding mainly to the immediate effects of the crisis on job losses and preserving employment. Against this juncture, policy implementation efforts in the mid- to long-term will have to focus on the completion of programmes and measures that were interrupted or postponed due to the COVID-19 pandemic, as well as on the targeted mix of services for the long-term unemployed and their integrated delivery.

Reforms in the areas of social protection and social inclusion

The COVID-19 crisis has served as a powerful reminder of the importance of social protection systems in mitigating the economic and social effects of reduced economic activity and for enabling the social inclusion of the vulnerable. While social protection systems have fully played their role of automatic stabilisers, protecting the livelihood of many, the crisis also highlighted structural gaps in the adequacy and coverage of social protection and social inclusion measures. The emergency measures deployed both at EU and national levels have helped to avoid a massive social crisis across Europe.

In 2020, within the framework of the European Semester, 21 Member States received a country-specific recommendation related to social protection and social inclusion. While many of the recommendations were issued in relation to the COVID-19 crisis, most CSRs also reflected pre-existing structural challenges, already highlighted in previous semester cycles but in particular by the 2019 CSRs. The recommendations addressed the challenges in the areas of ensuring access to social protection for all (e.g. BG, CY, IT, NL, PT, RO, SI, SK); adequacy and coverage of income support benefits, in combination with access to social and essential services (BG, EE, ES, HR, HU, LT, LV, PL, PT, RO, SK), including with a particular focus on enhancing cooperation between PES and social services (EE, ES, HU, SK); the provision of housing (IE) and affordable and quality ECEC, including in the context of supporting the labour market participation of women (AT, CZ, IT, PL). Challenges of common interest were reviewed jointly by EMCO and SPC.

As the pandemic developed, all reviewed Member States took emergency measures to strengthen as well as to keep the ‘normal’ operation of their **social protection systems**, often in addition to ongoing reforms. Such measures included easing eligibility conditions; temporarily introducing new benefits; scaling up existing support schemes; as well as setting-up emergency measures to provide adequate replacement income to workers.

At the same time, the crisis has exposed pre-existing access and coverage gaps in the social protection systems in a number of Member States. The SPC reviews confirmed that not all population groups have been shielded effectively and that there are still difficulties faced by several groups (notably the self-employed and non-standard workers), who tend to experience greater economic uncertainty with more limited access to social protection. Temporary emergency measures, such as short-time working schemes in which substantial financial resources were invested, did not benefit all categories of workers to the same extent. More crucially, the reviews showed that temporary measures cannot substitute the need to expand social protection for those who are not covered on a more permanent basis. More efforts will be needed to address, in a structural manner, the coverage, adequacy and transferability of social protection rights, in line with the Council Recommendation on access to social protection.

The crisis also exposed existing gaps in the delivery of **social assistance benefits**. Many Member States introduced temporary measures to support the income of households in fragile situations. The measures consisted of relaxing eligibility criteria; easing administrative procedures; improving the benefit levels; providing additional in-kind benefits or enhancing services. The crisis-related responses of the Member States highlighted the importance of adequate income protection. The need for further structural reforms in the area was confirmed by the multilateral reviews. Stronger minimum income protection could support the recovery and, by acting as an effective automatic stabiliser, would make economies and societies more resilient to future crises. Looking forward, Member States are to step up their efforts to improve the effectiveness of adequate income support provision, well linked with access to high quality social services and inclusive labour markets, in line with the active inclusion approach.

The provision of **social services** has been under enormous strain in the aftermath of the COVID-19 pandemic, as lockdown measures, staff shortages, communication problems and difficulties in coordinating with stakeholders heavily affected service delivery. The use of online tools and other ICTs helped to ensure the continued provision of services. At the same time, factors such as socio-economic status, age of the recipients, territorial inequalities and shortage of infrastructure challenged the delivery of services to the most vulnerable. While the SPC reviews recognised the potential of new technologies in the development of social services in today's rapidly digitalising societies, Member States should take into account the specific needs of the most vulnerable and their heavier reliance on personal contact for services. Efforts to increase the effective cooperation and coordination among service providers need to continue, in order to ensure that people have a single point of contact through which to access relevant support. To that end, the capacity of the relevant providers — and the coordination of their actions could be further strengthened.

The partial or complete closure of schools and childcare facilities during the pandemic may have exacerbated existing inequalities in the take-up of **early childhood education and care (ECEC)**. In response to the COVID-19 crisis and closure of schools and childcare facilities, many Member States introduced emergency actions to support **parents and carers**, such as additional and temporary financial benefits and continued provision of childcare for essential workers. Structural measures taken by the Member States to broaden participation and improve ECEC quality include lowering compulsory pre-school age, or ensuring universal free access to pre-school education, the construction and renovation of kindergartens, as well as increasing tuition fee support for nursery attendance. Targeted efforts to support children at risk of poverty or social exclusion will continue to be required.

The ongoing crisis has been shown to have a **strong gender dimension**. With school closures during the pandemic, the burden of (unpaid) care increased for both women and men, but women were more strongly affected. The lack of (or reduction in) ECEC provision has in turn reduced support for the labour market participation of parents (especially women), which remains one of the most efficient ways of addressing the root causes of child poverty.

Lack of affordable housing, **homelessness and housing exclusion** are increasingly becoming a problem in the EU. The pandemic has caused homelessness rates to increase even further, as the crisis made it more difficult for many households to pay for adequate housing, while also disrupting the construction of new homes. Low-income owners and private renters were particularly affected, but also people with an average income became burdened by increased housing and maintenance costs.

Measures to protect tenants and mortgage-holders included offering relief for payments in housing, mortgages and other household expenses, suspension of evictions for the duration of the crisis, and new low- or interest-free loans to individuals. Some Member States have also stepped up their support and care services for the homeless by expanding shelters, converting night shelters into day shelters, and distributing aid packages (food and hygiene products). Member States' vaccination plans should ensure adequate outreach to people in shelters and those experiencing unsheltered homelessness. Structural efforts to address homelessness and housing exclusion should prioritise integrated approaches that combine prevention, rapid access to permanent housing and the provision of enabling support services. The construction of new social housing also needs to be accelerated.

Reforms in the area of pensions

Pensions, given their high budgetary weight and increasing social importance in the context of Europe's ageing societies and changing labour markets, have been a focus area since the very start of the European Semester. In recent years, approximately three-quarters of the Member States have been receiving a recommendation related to the functioning of their pension system. In 2020, the special circumstances and extraordinary nature of the COVID-19 crisis resulted in no pensions CSR being issued by the Council, even though pension issues were identified in recitals of the Recommendations. In response, the SPC has adapted its review approach and the usual country-specific reviews in this policy area took place by means of a thematic discussion.

During the discussion, it became evident that public pensions have continued to guarantee most retirees a stable source of income in all Member States. In that connection, while it can be expected that the Covid-19 crisis, with its significant impact on labour and financial markets, will also impact old-age incomes and will put further pressure on the financing of pension systems, on which the effects of the pandemic are not yet fully visible.

Despite the relatively limited impact of the pandemic on pension systems in the short-term, there are a number of longer-term challenges, related to maintaining the adequacy and sustainable financing of pensions in the context of an ageing society, a changing economy and labour market. Given the complexity of the challenges, Member States have been implementing reforms in the context of multiannual cycles.

The most common approach in past reforms has centred on raising effective retirement ages. Over the past years, Member States have increased statutory pension ages, restricted access to early retirement, revised contributory requirements and strengthened (dis)incentives to encourage later retirement. Flexible retirement pathways, aimed at facilitating longer working lives and discouraging early retirement, have become increasingly widespread. Many of the reforms included the introduction of automatic adjustment mechanisms, directly linking key pension parameters such as pension age or benefits to demographic change.

Recent reforms also indicate a trend towards the phasing out of special pensions that grant preferential treatment to certain groups of the population. Some reforms have improved access to pension systems for people in types of work other than permanent, full-time employment but significant gaps remain. Some reforms have also addressed the role of supplementary or private pensions in old-age income provision.

The SPC thematic discussion shows that, despite the measures taken, additional efforts will be needed to address the adequacy and sustainability challenges confronted by the pension systems across the EU. Member States should continue taking action to prolong working lives. Efforts to adjust the pensionable age or career requirements; benefits or accumulation rates to reflect increasing life expectancy should be complemented with flexible working options, including the possibility to combine pensions with income from work. Raising awareness and making the pensions systems more attractive to people earlier in their careers can affect workers' behaviour. In that sense, the promotion of longer working lives should start earlier in the career and not only when the individual is approaching pensionable age. Tax incentives for deferred retirement or for investing in supplementary pensions will continue to play a role, although their distributional effect needs to be carefully considered.

At the same time, ensuring a longer working life is a cross-cutting issue which needs to be promoted through actions in several policy fields. An essential prerequisite for this is that labour markets enable the prolongation of working life – this includes life-long learning options and ensuring a flexible, healthy and safe working environment, suitable for the needs of older workers. Access to high-quality health and social services is needed to facilitate older workers remaining in work. Enhanced cross-policy cooperation and the involvement of Social Partners and Civil Society Organisations remain important factors for developing strategies for longer working lives.

The SPC reviews have also shown that workers in non-standard employment and self-employment remain under-protected, which undermined both the adequacy and the contribution base of pension systems. These groups, as well as lower income earners in general, also have less access to supplementary pension schemes. Sustained efforts are therefore needed to ensure adequate coverage and opportunities to accrue pension rights for such workers - following up on the Council Recommendation on access to social protection⁴ - and to adapt pension systems to the changing nature of work to better protect all workers.

⁴ Council Recommendation of 8 November 2019 on access to social protection for workers and the self-employed.

Past reforms have, on average, helped to stabilise long-term pension expenditure, but that has often been at the expense of future adequacy of pensions. Accordingly, the challenge of ensuring sufficient funding to provide adequate benefits and coverage of pensions remains strong. The discussions have revealed that there is an ongoing shift from contribution financing to more tax-based financing in a number of Member States. Given the different national circumstances, attaining the social objectives of pension systems while maintaining sustainability may require different financing approaches in Member States.

In the light of these observations, SPC calls for a broad and open debate on how pension systems, and social protection systems more generally, can support adequate benefits against the background of ageing population and changing labour markets. A more detailed analysis of the key common challenges is available in the 2021 joint Pension Adequacy Report, prepared by the Social Protection Committee and the European Commission.

Reforms in the area of healthcare

The COVID-19 pandemic has put the national health systems under unprecedented strain, exposing existing structural weaknesses and highlighting the need to improve their preparedness to better respond to crisis events in all Member States. Accordingly, the 2020 cycle of the European Semester put a strong emphasis on reforms in the area of healthcare, with all Member States receiving a CSR to address the resilience of their systems.

In addition, depending on the Member State, a focus was also put on: workforce shortages and working conditions (BG, HR, CY, CZ, DK, EE, ES, FI, FR, HU, IE, IT, LV, LT, LU, MT, NL, RO, SK, SI, ES, SE); the availability of critical medical products and infrastructure (BE, DK, EE, ES, FR, HU, IT, LV, LT, MT, RO, SK, SI, ES, SE); accessibility, quality and availability of care (BG, CY, EL, HR, EE, FI, LT, LV PT, RO); health infrastructure for eHealth, as well as its roll-out (HR, CZ, FR, DE, ES, LU, LV, NL, PL); shifting care from hospital to outpatient settings (AT, CZ, EE, HU, IE, MT, SK); overall coordination, governance and integration of care (HR, CZ, FI, IT, LU, SK); and the financial capacity of the health system (BG, LV, PL).

The SPC country-specific reviews and dedicated thematic discussion confirmed that, in the wake of the COVID-19 pandemic, all Member States took emergency measures to support the functioning of their health systems. The **financing for health was significantly increased** by reallocating funds from other items in the national budget, as well as from several EU instruments. The extra funding was used to expand the capacity of intensive care, and ensure the availability of critical medical supplies and health personnel. A number of Member States also made provisions to compensate hospitals, healthcare providers and institutions for the financial losses due to COVID-19-related changes in demand and supply of medical treatment, such as for example, hospital beds left unoccupied due to planned treatment postponed as a result of the crisis.

The crisis also made apparent that a number of Member States face **structural shortages of health workers that need to be addressed**. All Member States implemented extraordinary measures to support the limited supply of health personnel at the onset of the pandemic. Frontline hospital staff received additional compensation and mental health support services were set up in a number of Member States. Training opportunities, to facilitate the reassignment of staff, were stepped up and medical students, volunteers and military personnel were deployed to carry out certain non-clinical tasks.

Changes were also made in the roles and responsibilities of health workers at the individual and organisational levels. In hospitals, existing staff were repurposed and reassigned to deal with the outbreak. The organisation of non-COVID care delivery pathways was revised to optimise clinical roles. The role of community pharmacists and GPs was broadened in many countries, at least temporarily, to reduce the need for doctor consultations for non-COVID-19 patients. With a view to addressing the workforce challenges in the long-run, many Member States reported measures to finance the creation of additional jobs in healthcare; to improve the attractiveness of the medical profession, and to offer additional training and specialisation opportunities to existing personnel. In the most immediate post-pandemic phase, careful consideration needs to be given to the burden on medical professionals due to the backlog of planned medical interventions, postponed due to the crisis.

The crisis has highlighted the **importance of strong safety nets** for providing healthcare access to the most vulnerable, as well as the **strategic need for efficient coordination between social and healthcare systems**. The Member States actions to provide financial support, as well as to ensure continued access to healthcare appears to have mitigated – but not eliminated – the impact of the pandemic on the most vulnerable, who have borne the brunt of the pandemic’s health impacts until now. What is more, the focus on COVID-19 patients and the urgent care they needed in the initial phase of the pandemic may have also resulted in less attention being paid to the major social factors responsible for greater vulnerability to poor health – this includes factors such as loneliness, unhealthy lifestyles and physical environments, as well as other social problems such as housing situations, debt and stress.

In the post-pandemic period, Member States should renew their **focus on prevention and health promotion**, as well as strengthen their efforts to **improve the provision of primary care**. This could not only promote better health outcomes for the population, but also alleviate the need for specialised medical personnel and costly hospital care. It also remains vital that the short-term support is translated into action which achieves long-term improvements, in line with the European Pillar of Social Rights. Many of the aspects that could be leveraged for this purpose lie outside the field of health e.g. work and labour, education, the physical living environment and social security. This means that more intensive **cross-domain cooperation** between ministries – but also stakeholders is needed.

The COVID-19 outbreak also served as a **catalyst for innovation**. The efforts to limit the spread of the virus, while maintaining the quality of primary health care services, resulted in an unprecedented increase in the use of telemedicine and other digital solutions across the Member States. By replacing physical visits and by streamlining the assessment of service needs, the increased use of telemedicine has the potential to improve access to medical care, reduce overall costs and regional access inequalities, and can contribute to addressing the health worker shortages.

At the same time, innovation in the provision of healthcare services may pose a threat of increasing the digital divide related to limited digital skills and IT access issues. This could have a negative impact on social groups with disadvantaged socio-economic status, or on people in areas with less developed digital infrastructure. Such groups need to be provided with additional information and support to ensure they are not left behind. A blended approach, with a mix of digital and physical provision of health services, may need to be maintained to promote access to quality healthcare for all.

With a view to the longer term, a number of Member States are proceeding with the **implementation of healthcare reforms** launched before the pandemic. Others revealed new comprehensive plans for health system's reforms, which foresee significant new investments in the health and long-term care sectors over the course of several years and with the support of EU funding. Several MS are also setting up inquiry committees to draw on lessons learned from the crisis. Acting upon the findings of such inquiries might lead to improved measures in future crisis preparedness.

Reforms in the area of long-term care

The strong impact of the Covid-19 pandemic on the provision of long-term care (LTC) has highlighted the need to review the developments in this sector. In 2020, three Member States (FI, PT, SI,) received a CSR to improve access and strengthen the resilience of their LTC systems. Further issues such as sustainability, cost-effectiveness, access, affordability and quality of care have been reflected in the 2020 CSR recitals for a number of Member States.

The SPC reviews and related thematic discussions confirmed that long-term care systems have been strongly affected by the pandemic. Mortality in care homes represented a significant part of all COVID-19-related deaths, due to their users' high vulnerability to the disease and – particularly in the first months of the outbreak – due to capacity issues for testing and lack of personal protective equipment. Social distancing and isolation often had a negative impact on the health (particularly their mental health) and well-being of residents in long-term care facilities. Reconciliation of work and care for informal caregivers, most of whom are women, has become more difficult. In some countries, professional support providers reduced their services, further increasing the psychological strain experienced by caregivers.

Public authorities responded to the multitude of challenges by introducing a number of short-term measures to maintain long-term care provision and protect the lives of users and carers. The close cooperation of the social and health authorities was singled out as particularly important in the containment of the pandemic, however the SPC reviews have shown that cooperation between social services and healthcare systems should be reinforced.

Beyond the COVID-19 pandemic and in light of Europe's ageing population, Member States need to continue with their efforts to address the structural challenges in relation to long-term care. These include, in particular, how to: provide affordable and adequate access to long-term care services for all in need; provide good quality long-term care services; ensure an adequate long-term care workforce and support informal carers; and finance long-term care systems in times of rising demand for care and a shrinking workforce. A more detailed analysis of the key common challenges is available in the 2021 joint Report on long-term care, prepared by the [Social Protection Committee](#) and the European Commission.

Annex 1: Country-specific conclusions from EMCO's Multilateral Surveillance

Annex 2: Country-specific conclusions from SPC's Multilateral Implementation Reviews

Annex 3: Country-specific conclusions from EMCO and SPC joint multilateral reviews