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NOTE

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

Subject: EMCO and SPC Joint Multilateral Reviews of 2020 and 2019 Country-Specific Recommendations (CSRs)
- Country-specific Conclusions

Delegations will find attached the EMCO and SPC thematic review conclusions 2019 and 2020 Country-Specific Recommendations (CSRs).

**EMCO and SPC Joint multilateral reviews of 2020/2019 country-specific recommendations
(CSRs)**

Country-specific Conclusions

Austria

2019 CSR 2: Support full-time employment among women, including by improving childcare services [...].

(light review)

Austria achieved progress in increasing the support for childcare facilities and the expansion of all-day schools and created more opportunities for parents of young children. The government adopted the Educational Investment Act (*Bildungsinvestitionsgesetz*).

The Government adopted the one-month paternity leave scheme (*Familienzeit*) with the aim to improve gender balance in childcare. Since September 2019 all fathers have a legal right to care leave, accompanied by protection against dismissal after return to work.

Austria has made efforts to improve labour market outcomes for women. However, while more women are in work than in 2011, most of the increase has been in part-time employment. Increased support for childcare facilities and all-day schools has improved opportunities for parents of young children, but coverage varies between the different Länder. While the numbers of places in early childhood education and care (ECEC) and all-day schools have been increased, they remain below the 33% Barcelona target for under-3-year-olds and their quality needs to be assured.

Austria also implements ALMPs targeted at women, including different counselling measures as well as carries out activities to empower women to start careers in STEM. Austria has introduced measures to support more transparency in the labour market including for analysing gender pension gaps.

Czech Republic

2019 CSR 2: Foster the employment of women with young children, including by improving access to affordable childcare.

Czechia introduced a number of measures including support to pre-school childcare facilities (children's groups and micro-nurseries), with due consideration for quality, accessibility and affordability. The project "22% towards equality" aims to address the gender pay gap by focusing on qualitative and quantitative analysis, among others. Measure include awareness raising activities about reconciliation of work and family life.

A new project subsidising job sharing was launched in early 2021, following other measures introduced earlier: amendments in 2018 and 2020 to make the parental allowance more flexible, a new paternity benefit for fathers and the three-month care-taker leave allowance.

Steps have been taken in recent years to improve labour market participation of women. ECEC facilities (children's groups and micro-nurseries) were established with ESF funding support and the flexibility of parental allowance was improved.

The recent policy developments towards increasing the availability of ECEC facilities are welcome. While the right to a place in kindergarten was given to 4-year-old children from 2017 and to 3-year-old children in 2018. Despite these efforts, supported mostly from ESF, the indicator "children aged less than 3 years in formal childcare" remains considerably below the EU average. At the same time, data on meeting ECEC needs are insufficient, particularly for children aged under 3 years.

Measures fostering labour market participation of women have improved but there are still challenges regarding implementation of the planned measures to reduce the gender and pay gap. The take-up of flexible working arrangements remains low.

EU funds have supported investments in additional ECEC facilities, as well as strategic projects to promote gender balance and subsidies for shared part-time jobs. However, the implementation of other policy measures has been delayed. There is scope for reducing gender inequalities and removing other barriers hampering greater female labour market participation. The sustainability of the project-based ECEC facilities needs to be ensured with due legislative arrangements.

Social partner involvement plays an important role in the policy efforts made by Czechia.

Italy

2019 CSR 2: Support women's participation in the labour market through a comprehensive strategy, including through access to quality childcare and long-term care.

2019: CSR 2: Ensure that active labour market and social policies are effectively integrated and reach out in particular to young people and vulnerable groups.

2020 CSR 2: Provide adequate income replacement and access to social protection, notably for atypical workers.

Labour market integration of women, ECEC, long-term care, integration and outreach of ALMP and social policies

Italy has taken a variety of measures, while many reforms are still in the planning phase or still have to be implemented. The measures undertaken extend to: providing support to parenthood and foster a better balance between work and private life, expanding the provision of quality early education and childcare and pre-school services, supporting municipalities in expanding the provision of social services and increasing quality and effectiveness of social services. The tax credit that targets low- and middle-income workers has also the potential to improve the labour market participation of women. Regional differences are significant and some of the measures are implemented taking this element into consideration.

The initiatives foreseen by the Government to support women's participation in the labour market are welcome. In particular, the Family act and the universal allowance should better structure and coordinate policies to support families with children. The implementing decrees are still to be adopted. Challenges remain and further efforts are needed to support women's employment, including through a comprehensive and well-coordinated national strategy and as regards long-term care.

The measures introduced by Italy to help mitigate the negative impact of the Covid-19 pandemic are welcome. In particular, the efforts made to integrate and reach out to young people. Priority is given to improving the services' support to young people, especially NEETs, alongside employment incentives. Most of the outreach actions are led by the regions, thus there is the need to coordinate those efforts.

Most of the measures to effectively integrate active labour market and social policies and reach out to vulnerable groups are still in preparation, including those on the information systems' integration. It will be important to monitor the implementation of those measures.

It is important to continue reinforcing the cooperation and the coordination between all levels of governance, to improve outreach to young people, as well as to effectively integrate active labour market and social policies. Italy plans to use RRF resources to invest in ECEC and LTC.

Income replacement and access to social protection, notably for atypical workers

Italy reported on several key measures introduced in response to the CSR. The budget law now defines an essential level of social assistance defined by an operator for every 5,000 inhabitants in each social territorial area (ATS) of the national territory, supported with a stable contribution over time from the Poverty Fund (up to 180 million euros per year). The budget law also includes increased resources towards the development and expansion of municipal social services. Italy also made efforts to improve the implementation and consolidation of social services.

Italy ensured a swift response in providing adequate income replacement and access to social protection with the “Cura Italia” and “Rilancio” Decrees. The two decrees expanded the social safety net over the course of the year and had a positive impact on the most vulnerable categories.

The *Reddito di Emergenza* (REM), introduced in May and refinanced with successive decrees, provided a temporary emergency income for households effected from the crisis and with no access to other social protection measures. The REM complemented the minimum income scheme which is characterized by a rather less effective outreach to vulnerable groups. The combination of the measures expanded the social safety net, reaching 3.5 million people and thus provided wider access to social protection in the very short term.

While government action over the past year was geared towards providing a response in the very short term, the new policy measures indicate goals for mid- and longer-term measures. However, further efforts in addition to the increased financial allocation dedicated to the consolidation of social services might be needed to tackle problems in the short- and medium-term.

Poland

2019 CSR 2: Take steps to increase labour market participation, including by improving access to childcare and long-term care.

(light review)

To respond to the CSR Poland is taking a holistic approach encompassing different policy areas. The main policy actions presented were the Programme Toddler+, the planned measures on merging funding sources for childcare facilities, the deinstitutionalization of healthcare services for older persons and the development of long-term care services, including through telecare. There is additional support planned for informal carers.

The labour market participation rate of women (aged 20-64) remains low, at 67.9% in 2020, and below the EU27 average of 71.9%. However, the situation is steadily improving

There has been considerable progress over the last 10 years regarding the uptake of ECEC. However, a stable financing system for childcare facilities and substantial investments are needed to catch up with the EU average.

At the same time, women's inactivity due to family and caring responsibilities has been growing since 2015 and reached 15.6% for women (25-49) in 2018, 5.5 percentage points above the EU average, but it should be noted that average EU27 inactivity rate of women, in general, (25-49) increased in 2020 in contrast to PL, where it remained unchanged. Nevertheless, negative employment impact of parenthood for women (20-49) doubled since 2015, reaching 12.5 percentage points (3.5 percentage points above the EU average). The employment rate is particularly low for women aged over 50 years. One of the reasons is the lower retirement age of women. Nevertheless, there is a noticeable increase in the employment rate in 2020 by 0.4 pp. year-on-year, despite the COVID-19 crisis.

The policy response in the area of long-term care goes in the right direction, while it addresses the long-term care challenge to a limited extent and action in this area needs to continue.

Cyprus

2020 CSR 2: Provide adequate income replacement and access to social protection for all.

In response to deteriorating labour market situation and declining household incomes following the COVID-19 outbreak, Cyprus introduced a series of short-time work (STW) schemes and retention schemes to subsidise the wages and earnings of the affected employees, self-employed and unemployed persons. In addition, a special scheme for income compensation for affected self-employed persons has been introduced as well as a scheme that provides for a monthly special unemployment benefit of persons who have exhausted their 6 months of unemployment rights within 2020.

The schemes seemed effective, as they have covered the majority of the labour force in the private sector, most affected by the pandemic. As a result the overall unemployment rate in Cyprus did not increase significantly in 2020 (compared to 2019, the increase has been 0.5 p.p.). At the same time, these measures are of temporary nature. The existing social insurance scheme in Cyprus does not offer the same protection to all categories of workers, and to self-employed. Apart from certain occupations, there is no universal legally established minimum wage. With a longer-term perspective, Cyprus reports on a planned reform of its Social Insurance System and Restructuring of the Social Insurance Services. The reform is particularly aimed at filling in the identified gap by expanding and improving the coverage of various types of benefits for the self-employed, the short-term contract workers and the platform workers (e.g. unemployment benefits, benefits for accidents at work and occupational diseases). As the reform is in its planning stage - with its launch scheduled for the third quarter of 2021 – a detailed assessment of its effects will need to be made at a later stage.

Finally, Cyprus reports on a number of investments in *Social Inclusion, childcare and support to children* with the support of EU funds. The measures include the establishment of new, as well as the improvements in the availability and affordability of existing childcare facilities; focus on children and adolescents in a vulnerable situation; and on children with disabilities. These measures are expected to have a long-term social impact and to lead to sustainable results, yet their exact effect is yet to be established, as the launch of the projects is scheduled for the third quarter of 2021.

Croatia

2020 CSR 2: [...] improve the adequacy of unemployment benefits and minimum income schemes [...].

In the wake of the COVID-19 pandemic, Croatia's efforts have been focused on maintaining employment in the sectors worst affected by the crisis. The Croatian authorities have adapted some existing job retention schemes (i.e. *Subsidy for job preservation*, *Permanent Seasonal Worker measure*) and introduced new ones, including measures targeting specifically persons with disabilities.

According to the 2020 Country Specific Recommendation, the adequacy and coverage of unemployment benefit, as well as the poverty reducing capacity of the minimum income benefit are perceived as weak. Croatia does not report on any plans to address unemployment-benefit related part of the CSR by increasing the amount of the benefit or changing the eligibility conditions. Instead, its future efforts appear to be focused on preserving employment through ALMP actions. While important, the reported measures do not address the requirements of the CSR.

With regard to the recommendation to improve the adequacy of the minimum income, the authorities announced that the new Social Welfare Act (scheduled for adoption in Q2 2021) will prescribe initial and annual increases in the baseline fee, used for calculating the benefit until it reaches the extreme poverty line. While these measures may address to a certain extent the adequacy dimension, it is not clear what measures are foreseen to improve also the coverage dimension. Croatia also reports on the development and adoption of several strategic frameworks, covering the period 2021-2027, aimed at combating poverty and promoting social inclusion; at the development of social services and at promoting equal opportunities for persons with disabilities.

While the announced measures are welcome, at this point it is not clear this will improve the adequacy levels, coverage and targeting of individual benefits administered at the central and local government levels.

Latvia

2020 CSR 2: Provide adequate income support to the groups most affected by the crisis and strengthen the social safety net.

Since the start of the COVID-19 crisis, Latvia took a number of important measures to extend income support and to mitigate the impact of the pandemic on employment by providing short-term work subsidies, extra unemployment benefits and extending their scope to vulnerable groups and families with children. However, as the reported measures are limited in duration and adequacy, they do not address the longer-term perspective of the CSR to strengthen the social safety net.

As of January 2021, Latvia also raised the guaranteed minimum income, minimum pensions and support for people with disabilities from EUR 64 to EUR 109 (20% of the median income). The increase is a welcome step, especially since the poorest households are expected to gain the most from these policy changes. At the same time, the adequacy of the benefit remains low and it appears unlikely that the reform will fully address the CSR on a long-term basis in the absence of an indexation mechanism. The stated intentions to address the issue and establish such a mechanism will need to be evaluated when more details are revealed.

Portugal

CSR(s) under review: 2020 CSR 2: Guarantee sufficient and effective social protection and income support.

Portugal has made efforts to mitigate the social and employment consequence of the COVID-19 crisis with a range of measures to maintain employment, extend social protection and provide income support. The reported measures include: extending unemployment benefits to the self-employed; providing a special allowance to unprotected workers and self-employed workers; prorogation of unemployment benefits and minimum income; speeding up access to social protection for immigrants; special moratorium of the payment of housing rents or credits; free school breakfasts; strengthening the access to social services; as well as the provision and provision of food, medicine and other necessities for vulnerable groups. To support these measures, Portugal has made good use of the flexibilities introduced through the reprogramming of ESF (CRII+) and REACT-EU, as well as SURE loans.

Most of the reported measures, including the ones to extend social protection to all categories of workers and self-employed and provide additional income support, while relevant and important are temporary and of limited duration. Given the remaining formal gaps in access to social protection for certain categories of non-standard employees, as well as the low adequacy of the minimum income scheme in Portugal, additional efforts may be required to address the identified challenges in the longer-run. Portugal intends to continue its actions to address the gaps in access to social protection through the implementation plan for the 2019 Council Recommendation on Access to Social Protection, among other instruments.

Slovenia

CSR(s) under review: 2020 CSR 2: Mitigate the social and employment impact of the COVID-19 crisis, including by providing adequate income replacement and social protection [...]. Ensure that these measures provide adequate protection for non-standard workers.

At the start of the COVID-19 pandemic, Slovenia had a swift and comprehensive policy response, in the form of job preservation schemes, and measures to increase social protection.

These reported measures include temporary lay-off and the short-term work schemes; a one-time crisis allowance or financial help in the form of a basic monthly income for certain categories of workers. In addition, a temporary unemployment benefit was introduced for workers who were not eligible for a regular unemployment benefit.

The social protection was further strengthened by measures targeting the most vulnerable such as a one-off solidarity allowance and an automatic extension of rights from public funds.

The reported measures represent an adequate and diverse policy response to the Council recommendation to mitigate the negative economic and social consequences of the COVID-19. The lessons learned from implementing the crisis measures should be taken into account and if needed further measures implemented with a view to strengthening the social protection to all.

Estonia

2020 CSR 2: Strengthen the adequacy of the social safety net, including by broadening the coverage of unemployment benefits.

Elements from 2019 CSRs: affordable and integrated social services.

Despite the additional pressure, brought by the COVID-19 Pandemic, Estonia continues to take steps to address the challenges with the Estonian social safety net.

Several important measures have been taken in the unemployment benefit system. There is however, a need to further ease the coverage of the unemployment benefit system for those in non-standard forms of work.

To reduce the poverty of the elderly, pensions have been increased in 2021. Nevertheless, the impact of social transfers (incl. pensions) in reducing poverty remains substantially lower than the EU average.

An interesting project, to introduce a person-centered coordination model between social welfare, healthcare and other stakeholders is being piloted in six regions of Estonia, but an overall framework for the integrated provision of social and health care is yet to be designed and implemented for the entire country.

In an effort to address the deficit of home care services and the excessive financial burden in institutional care, a proposal for the creation of a support system for informal caregivers has been made, yet a long term care reform to support workforce and explore new models of organisation and financing still needs to be developed.

The presented measures are important steps in increasing the Estonian safety net; however, more efforts may be required to address the requirements of the CSR.

Hungary

2020 CSR 2: [...] extend the duration of unemployment benefits. Improve the adequacy of social assistance and access to services [...].

(light review)

Hungary did not implement any reforms to change the duration of unemployment benefits or increase social assistance since the government wants to continue to focus on promoting a work-based society.

Hungary has continued to increase the amount of certain smaller scale social benefits, including child protection benefits, and has plans to use the RRF to finance measures improving access to services for the most disadvantaged municipalities. Extraordinary measures have also been introduced during the state of emergency, in order to alleviate the burden on the social institutions and on beneficiaries.

Small steps were made towards addressing the part of the CSR on social assistance and access to services.

Concerning the part of the CSR related to the duration of unemployment benefits, no change has been made to the rules of the unemployment insurance, even during the pandemic. Efforts would thus be needed to address this issue.

Slovakia

2020 CSR 2: Provide adequate income replacement and ensure access to social protection and essential services for all.

In response to the Covid-19 pandemic, Slovakia has introduced a number of emergency measures in areas of health, employment and social policy. This was done also with the use of funding from the EU Structural funds. The *First Aid-Project* provides direct support for employers and self-employers and will help to ensure a swift and smooth transition to the recovery phase. A temporary extension of the duration of unemployment benefit was implemented.

Measures were taken to provide material assistance to those most in need, including persons who have limited access to social services, or who could not objectively take part in any activation measure and accordingly do not qualify for support. Further, the measure *SOS-grant* provides urgent help for groups, which are particularly vulnerable to the crisis and which have limited access to social protection.

The reported measures are proportionate to the crisis and help mitigate the socio-economic impact of the pandemic. However, job protection and income support measures seem to have benefited mostly to employees in standard form of contract. Moreover, The reported measures contribute little to overcoming the structural challenges present in Slovakia.

Spain

2020 CSR 2: Reinforce unemployment protection, in particular for atypical workers. Elements from 2019 CSRs: partnership between public employment services and social services.

Thanks to the use and the adaptation of STWs (ERTEs), Spain has prevented a sharp increase in unemployment; a similar scheme was provided for the self-employed. These measures protect workers from becoming unemployed and on the other hand were not intended to address the issue of potential coverage gaps in unemployment protection (pointed out in the CSR). In addition, these benefits for workers in ERTE and self-employed are exempt from social security contributions.

Extraordinary measures temporarily extended the access to unemployment benefits to several kinds of atypical workers but many of them, notably temporary workers, have a limited effective access to permanent coverage due to strict eligibility conditions. Therefore, reforming certain components of the unemployment assistance is recommended, to address these structural challenges. Regarding the cooperation between public employment and social services, Spain has continued efforts within the Social Inclusion Network launched before the crisis. Pilot projects have been extended to new regions. The universal social card scheme has also been strengthened. These efforts represent steps towards addressing the CSR and should be pursued further.