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From:	Special Protection Committee
To:	Permanent Representatives Committee/Council
Subject:	Key messages from the SPC based on the Annual Review of the Social Protection Performance Monitor (2025) - Endorsement

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Delegations will find attached the key messages based on the 2025 Annual Review of the Social Protection Performance Monitor and developments in social protection policies, as finalised by the Social Protection Committee on 22 September 2025, with a view to their endorsement by the Council on 17 October 2025.

The full report can be found in doc. 13348/25 ADD 1.

The Social Protection Performance Monitor (SPPM) Country Profiles annexed to this report are contained in docs 13348/25 ADD 2-4.

## 2025 SPC Annual Report

### Key messages

**Delivering on its mandate as set out in Article 160 of the TFEU, the Social Protection Committee (SPC) has produced its annual review of the social situation and policy developments in the Member States and the Union<sup>1</sup>**, and highlights the following findings and common priorities, which should guide the preparatory work for the 2026 cycle of the European Semester.

1. Economic growth in the EU picked up in 2024, with continued expansion in employment and stable unemployment, while inflation was generally more subdued than in previous years. Showing a marked improvement compared to 2023, growth in gross disposable household income was relatively strong over 2024, improving in more than half of the Member States and not deteriorating in any. **Household purchasing power showed further signs of recovery** and the overall share of people in the EU reporting **financial distress** declined, though it **remains high in historical terms, especially for those on low incomes**. The cumulative impact of inflation over 2022 and 2023 continues to be felt especially so by those in the lower part of the income distribution.

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<sup>1</sup> This review is based on the most recent data and information available in mid-2025. The main statistical sources used are Eurostat data from EU *SILC* (*Statistics on Income and Living Conditions*) and the *LFS* (*Labour Force Survey*), available around early July 2025 and generally referring to annual figures for 2024. In the case of thematic discussions and policy reviews the reference period is September 2024 to September 2025.

2. Despite the overall **decline** (around 1.1 million) **at EU level in the number of people at risk of poverty or social exclusion from 2023 to 2024, reaching the EU poverty reduction target by 2030 will require a significant acceleration of progress in the second half of the decade, with an average decrease by at least 2 million per year.** Compared to 2019, the EU population at risk of poverty or social exclusion has decreased by around **2.7 million**, while individual Member States have shown mixed trends, with many having a noticeable reduction and others a noticeable rise, thus overall moving away from the poverty target.
3. While **child poverty declined from the year before** (by around 0.5 million), the **situation for children remains especially challenging**, as **child poverty was 0.25 million higher compared to 2019**, indicating a lack of progress towards the complementary goal of a reduction by at least 5 million. The **social inclusion of children** is identified challenging in a third of the Member States based on equal opportunities for children, especially for those from a disadvantaged socio-economic background.
4. The **European Pillar of Social Rights sets forth the necessary guiding framework for actions at EU and Member State levels.** Together with the three **EU headline targets** in the areas of employment, skills and reduction of poverty, the implementation of the principles of the Pillar with due regard for respective competences, contributes to achieving social inclusion and upward social convergence among Member States. Since the targets are interdependent and mutually reinforcing, coherent policy actions should be taken across the policy areas. The new Action Plan should reflect this coherence in the implementation of the Pillar.

5. The **analysis of Member States' Key Social Challenges and Good Social Outcomes** continues to point to a heterogeneous performance of social protection and social inclusion systems. Several **positive developments** could be observed in many Member States in 2024, with significant reductions in the share of the **population living at risk of poverty or social exclusion** in a third of Member States as well as notable reductions in a similar number of countries in the shares of **people at risk of poverty, experiencing severe material or social deprivation** or living in **(quasi-)jobless households**. Significant **increases in real gross household disposable income** along with a notable **reduction in income inequalities** in many Member States, have resulted in an improvement of household financial conditions, including reductions in the housing cost overburden rate. The **situation for children** also improved in many Member States, with reductions in the share of children at risk of poverty or social exclusion and in their material and social deprivation rate. The employment rate of **older workers** continued to rise in many countries, with the relative **income situation of older people** also improving in almost half of EU countries.
6. There were also more **mixed developments** in some areas, most notably concerning **in-work poverty**, the risk of **poverty or social exclusion among older people**, and the **effectiveness of social protection systems**. Moreover, there were signs of a deterioration in the risk of poverty or social exclusion for **persons with disabilities** in several Member States, and very limited improvement in the situation for **young people** and in the **depth and persistence of poverty**.

7. Member States should continue to **modernise their social protection and social inclusion systems**, to ensure adequate, efficient and effective social protection for all, in particular by addressing the challenges arising from demographic change, the green and digital transitions and the changing world of work, while contributing to improving the quality of jobs and closing the gaps in access to social protection. Member States should continue to take **targeted actions to protect households' purchasing power**, especially for lower income households. **Distributional impact assessment of policies and reforms** can help prevent adverse effects on poverty and inequalities and should be used more systematically. The **positive employment dynamics of recent years** should be accompanied by **social protection and inclusion policies** to boost competitiveness, ensure fair growth, further improve the resilience of economies and societies and reduce the risks for persons in vulnerable situations, especially children.
8. The **2025 Thematic Social Reporting** takes stock of the implementation of the Council Recommendation on **access to social protection for workers and the self-employed**. Member States have made progress across the different strands of the Recommendation, but further action is needed to address remaining and emerging challenges. The changing world of work and other megatrends call for readiness to **adapt the rules and organisation of social protection schemes**, to ensure that they remain transparent, accessible and adequate for all. Ensuring equal and adequate access to social protection across all types of contracts and employment statuses remains a challenge. Despite increasing digitalisation and simplification efforts, fragmentation of social protection systems and complexity of rules remain an obstacle. Increasing reliance on digitalisation reinforces the necessity to consider needs of those with limited digital skills or access to digital services. Balancing adequacy and sustainability concerns requires innovative approaches to meet both current and future needs effectively. **Regular monitoring of implementation, together with policy guidance through the Semester**, can foster mutual learning and support Member States in their reform efforts.

9. Member States should provide **robust social safety nets**, and where necessary **strengthen and modernise them**, by successfully **integrating** adequate **income support** (including through minimum income benefits and other accompanying monetary benefits), in-kind benefits and **support to labour market participation** (including via skills development) and access to **enabling social and essential services**, in line with the Council Recommendation on adequate minimum income ensuring active inclusion.
10. Further improving the situation of **children** and measures to break the inter-generational transmission of poverty are necessary, including through fully implementing the Council Recommendation on the European Child Guarantee, as access to effective and free services is considered elementary to reducing child poverty. In particular, **ensuring** the availability of **quality and affordable early childhood education and care** and well-designed tax and benefit systems are key to support the development of children and encourage parents' labour market participation.
11. **European pension systems have protected retired Europeans' living standards and pension adequacy during recent crises**, including through indexation and redistribution mechanisms. However, the risk of poverty or social exclusion in old age has not shown substantial improvement and remains high in some countries and in particular among older women. Among other global megatrends, demographic changes have implications on labour market, fiscal sustainability and **pension adequacy, with replacement rates projected to deteriorate in the coming decades in most Member States**. In a context of labour shortages, this calls for further reforms to ensure adequate pensions for all, **including through integrated policies to promote longer careers, healthy and active ageing, inclusive labour markets and adapted workplaces, greater flexibility in retirement pathways, and specific measures to reduce the gender pension gap**.

- 12. Lack of affordable and available long-term care (LTC) services highlight the need for further investments and reforms to strengthen social protection, as well as prevention and community-based care.** Current structural challenges of LTC are expected to increase with population ageing. Limited access to formal services, often driven by lack of adequate and sustainable financing and workforce shortages, leads to unmet needs or excessive burden on informal carers, mostly women. Despite the sector's high job creation potential, difficult working conditions, health and safety challenges including psychological stress, relatively low wages, insufficient career progression pathways, increasingly complex skill requirements and limited access to upskilling opportunities often contribute to its overall low attractiveness, impacting on the access to and quality of services.
- 13.** As regards **health care**, there is a need to **close health gaps by tackling health inequalities both across and within countries**, which requires a multisectoral approach, addressing unmet needs for medical care. Labour and skills shortages, and financing in the sector remain a significant challenge and investments towards supporting resilient and accessible health systems need to be continued, underpinned by robust data collection mechanisms.
- 14.** While holistic approaches were taken in some Member States, strengthening the provision of **adequate housing, including social housing and access to housing assistance**, requires further action at both EU and national levels, taking into account the diversity of regional and national housing systems. Welfare systems, especially in high housing price areas, are confronted with challenges regarding access to housing, housing inclusivity, increasing costs, and long waiting times for social housing. To **tackle homelessness**, preventive policies to support people in vulnerable situations retaining their homes and Housing First approaches are key. Robust monitoring frameworks and coordination of housing policies with other social policies (e.g. social services, income support and housing benefits) are needed. Member States are working within the framework of the **European Platform for Combating Homelessness towards ending homelessness by 2030**.

15. In line with the joint EMCO and SPC horizontal opinion on the 2025 **European Semester**, an **integrated approach to economic, fiscal, employment and social policies** calls for maintaining the coordinating and monitoring role of the EPSCO filière on all matters related to labour market, skills and social policies and **establishing an adequate and predictable timeline** for the Spring Package for 2026 onwards so as to ensure sufficient time for **effective cooperation and joint reflections between the EPSCO and the ECOFIN filières**.
16. The European Commission is invited to take into account the above policy guidance in the preparatory work of the 2026 cycle of the European Semester.
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