EUROPEAN
COMMISSION

Brussels, 24.11.2021
COM(2021) 743 final

**PROPOSAL FOR A JOINT EMPLOYMENT REPORT
FROM THE COMMISSION AND THE COUNCIL**

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Table of Contents

KEY MESSAGES

The Joint Employment Report (JER) by the European Commission and the Council monitors, on a yearly basis, and in line with Article 148 of the TFEU, the employment situation in the Union and the implementation of the Employment Guidelines. It provides an annual overview of key employment and social developments in the European Union, and of Member States' recent policy measures, in line with the Guidelines for the Employment Policies of the Member States[1]. It also identifies related priority areas for policy action. The Commission's proposal for the report is part of the European Semester Autumn package; following exchanges between the Commission and its preparatory bodies the final text will be adopted by the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council.

The 2022 edition of the JER has a stronger focus on the implementation of the European Pillar of Social Rights, in line with the commitments of the Action Plan of March 2021 and by the EU Leaders in the 8 May Porto Declaration. Its implementation will strengthen the Union's drive towards a green, digital and fair transition and contribute to achieving upward social and economic convergence, addressing the demographic challenges. It will also contribute to the achievement of the Sustainable Development Goals. This report reinforces the monitoring of the Social Pillar, notably via thematic boxes covering key challenges in the three areas of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion. The report also integrates the three new 2030 EU headline targets on employment, skills and poverty reduction of the Pillar Action Plan, which were welcomed by the EU leaders at the Porto Social Summit and by the June European Council. The EU committed to the following EU headline targets by 2030:

- at least 78% of the 20-64 population should be in employment;
- at least 60% of people aged 25-64 should participate in learning activities each year; and
- the number of people at risk of poverty or social exclusion should decrease by at least 15 million compared to 2019.

Together with cohesion funds, the implementation of the reforms and investments foreseen in Member States' recovery and resilience plans (RRPs) will promote a fair, inclusive and sustainable recovery. The Recovery and Resilience Facility shall promote the Union's economic, social and territorial cohesion by improving the resilience, crisis preparedness, adjustment capacity and growth potential of the Member States. In this way, the Facility also contributes to the implementation of the European Pillar of Social Rights, with particular attention to addressing the challenges identified in the country-specific recommendations.[2] Four of the six pillars that define the scope of the Facility are relevant in this regard, namely: (i) smart, sustainable and inclusive growth; (ii) social and territorial cohesion; (iii) health, and economic, social and institutional resilience, and (iv) policies for the next generation, children and the youth. As part of the policy response analysis, the Joint Employment Report also includes a selection of measures supported by the RRF and other EU

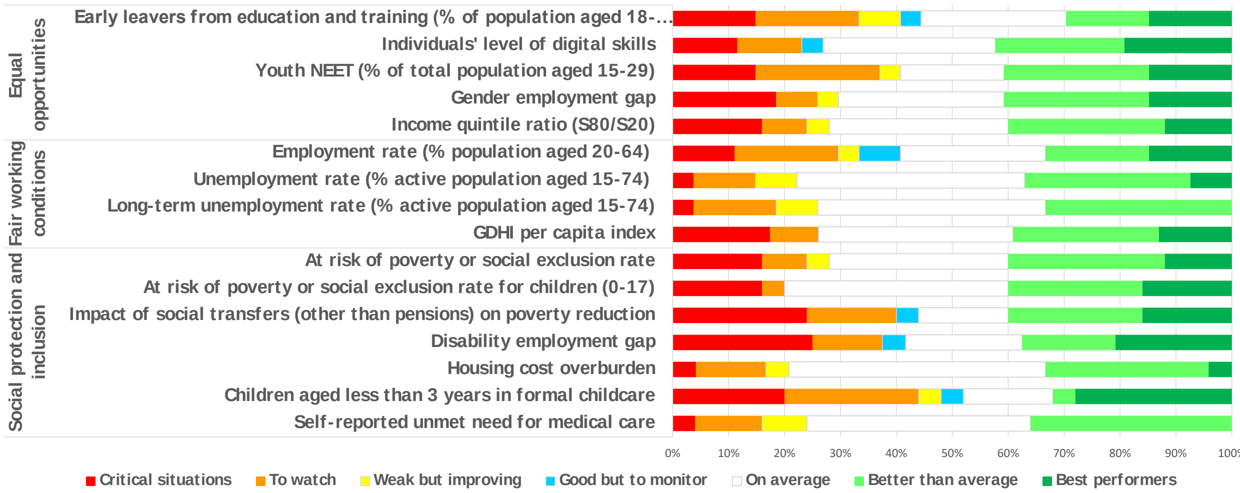
[1] The last update of the Employment Guidelines was adopted by the Council of the European Union in October 2021 (OJ L 379, 26.10.2021, p. 1–5).

[2] Article 4 of Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17.

funding sources, including the European Social Fund Plus, the European Regional Development Fund and the Just Transition Fund.

The revised Social Scoreboard underpins the analysis in the 2022 JER, more comprehensively covering the Pillar principles. As part of the Social Pillar Action Plan of March 2021, the Commission proposed a revision of the Social Scoreboard, to allow for a better monitoring of the Pillar with a revised set of headline indicators, which EPSCO endorsed in June 2021. The 2022 JER therefore assesses Member States' performance on the revised set of headline indicators[3]. These now include indicators that allow to capture important dimensions like adult learning, the labour market integration of persons with disabilities, the risk of poverty and social exclusion for children, and the housing cost overburden. The evidence from the revised Social Scoreboard, together with country-specific analysis of evidence and policy context, allows a more accurate identification of key employment, skills and social challenges in the EU and in the Member States (see Figure 1). This would allow to undertake a closer monitoring of social developments and divergences. The EPSCO Council's advisory committees will reflect on a proposal made by Spain and Belgium for a Social Imbalances Procedure (SIP) based on Article 148 of the TFEU in the context of the European Semester.

Figure 1: Employment, skills and social challenges across EU Member States by headline indicators in the revised Social Scoreboard



Notes: 1) data for the indicator on adult participation in learning is not yet available; 2) indicator on digital skills refers to 2019 data; 3) Data is missing for some countries in some indicators: the legends for all indicators are presented in the Annex to the Report.

The labour market impact of the COVID-19 crisis has been cushioned by the swift and decisive policy action at Member State and EU level. The labour market recovery is taking hold, yet employment and total hours worked are not yet back to pre-crisis levels.[4] After reaching a low point of 71.6% in Q2-2020, the employment rate has recovered partially to 72.8% for those aged 20-64 in Q2-2021, below the peak of 73.3% reached in Q4-2019. While the economic recovery will sustain job creation, getting back to pre-crisis employment levels is not expected before 2022. As reflected in the employment rate EU headline target, a high

[3] The Social Pillar Action Plan also proposed secondary Social Scoreboard indicators, for which the discussions are still ongoing.

[4] This reflects that short-time work and temporary lay-off schemes still have an important role for many workers, together with dismissal restrictions imposed by several Member States to help preserve employment.

level of employment is a key priority for 2030 to ensure that everyone can participate fully in the economy and society, and to help reduce the number of people at risk of poverty. Overall, the increase in unemployment has remained below what could have been expected given the magnitude of the COVID-19 impact on the economy. This is due to the policy measures introduced by the Member States, also with support from EU funding (notably the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency, SURE,[5] and the Recovery Assistance for Cohesion and the Territories of Europe, REACT-EU[6]), and to a lesser extent to the fact that some people moved at least temporarily into inactivity when finding work became more difficult.

The labour market recovery is taking hold

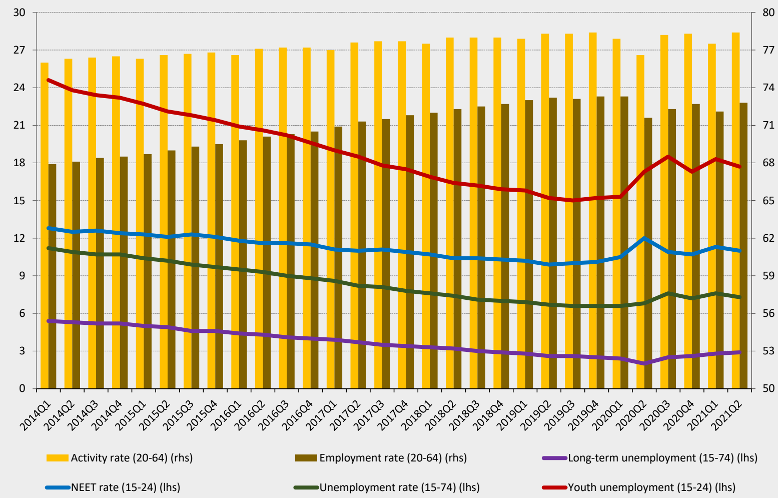
72.8% employment rate in Q2-2021 (1.2 pps higher than one year earlier)

6.7% unemployment rate in September 2021 (1 pps lower than one year earlier)

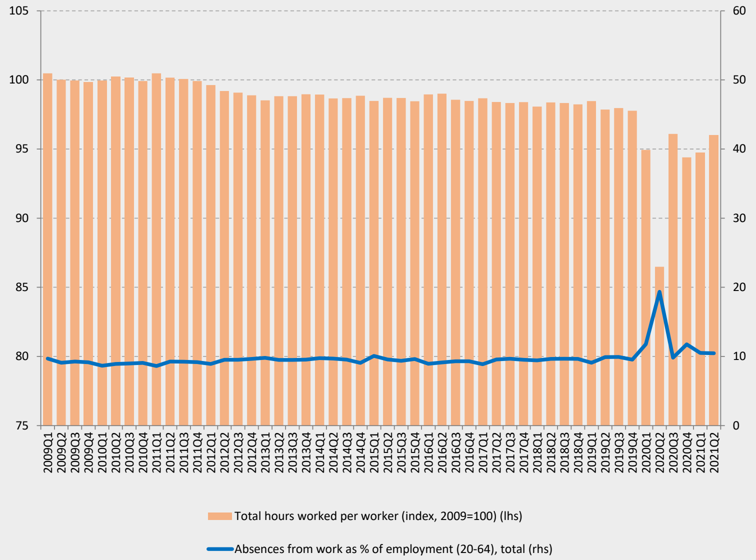
17.4% youth unemployment rate in Q2-2021 (0.6 pps higher than in Q2-2020)

+13.3% hours worked per worker in Q2-2021 compared to Q4-2020 (yet, 2.7% lower than in Q2-2019)

Rates of activity, unemployment and the share of young people neither in employment nor in education and training in the EU-27, %



Total hours worked per worker and absences from work, EU-27



Note: Break in series in quarterly unemployment rates since Q1-2021. Source: Eurostat database [une_rt_q], [une_ltu_q] and Labour Force Survey [lfsi_emp_q], [lfsq_argan], [lfsi_neet_q]. Seasonally adjusted, not calendar adjusted data.

[5] Council Regulation (EU) 2020/672 of 19 May 2020.

[6] Regulation (EU) 2020/2221 of the European Parliament and of the Council of 23 December 2020.

The COVID-19 crisis put a halt to the positive trend in the activity rate observed in recent years. The EU-27 activity rate for the 20-64 age group decreased slightly as a result of the pandemic, but has already recovered its pre-crisis value in quarterly terms. This was largely driven by the labour market participation of women and of the 55-64 age group. In absolute terms, the EU's working-age population has nonetheless been shrinking over the last decade, which is also a determinant of increasing labour shortages. In this context, policies that bring more people into the labour market, enable longer and healthier working lives and improve productivity in the medium- to long-term are important. Improving working conditions and better adapting them to the changing needs of workers over their life time would have a positive impact on labour supply and thus potentially support higher employment rates.

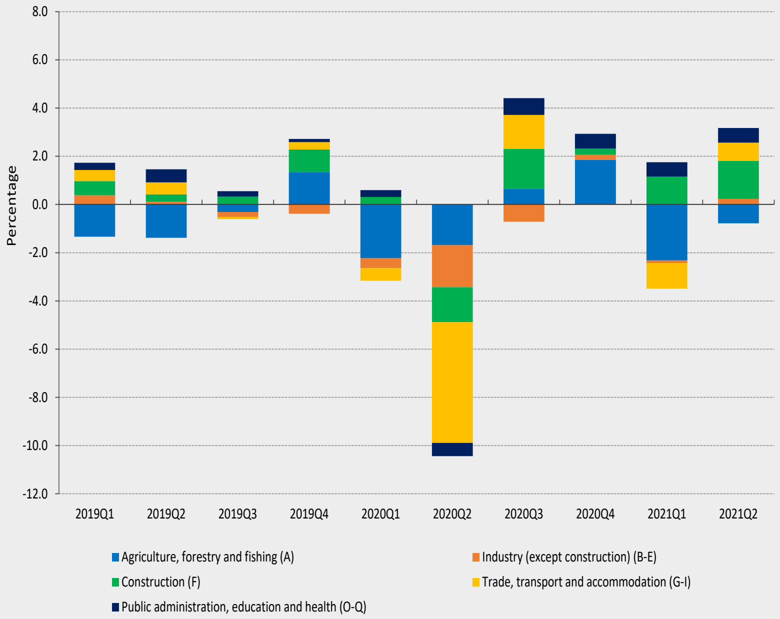
COVID-19 impacted differently across sectors and types of workers

Highest employment growth rates since Q2-2020 in construction, public administration and ICT activities

Lowest employment growth rates since Q2-2020 in wholesale and retail trade, arts and entertainment and agriculture

1.6 million fewer employees (20-64) **on temporary contracts** in Q2-2021 compared to Q2-2019

Employment changes by economic activity (domestic concept, seasonally and calendar adjusted data), EU-27



Source: Eurostat database [tec00109]. Note: *NACE Rev.2 activities.

As the economy recovers from the COVID-19 shock, not all jobs are likely to be reinstated, and support to job transitions is becoming particularly important. Since Q2 2020, the highest employment growth rates are in construction, public administration and ICT activities, whilst the lowest growth rates are in wholesale and retail trade, arts and entertainment and agriculture. For some of the impacted companies, the pandemic will have represented only a transitory shock. For others, it may lead to profound changes in business models, partly triggered by a shift in consumer preferences (for instance, a wider use of e-commerce) and firms' organisation and work practices (including digitalization and the push to more sustainable production methods). In this perspective, some tasks may become redundant, requiring restructuring in terms of working methods and labour input, with a greater need for policy-makers and businesses to support job transitions, along the lines of the Commission Recommendation on Effective Active Support to Employment (EASE). The recovery also provides an opportunity to steer towards a more sustainable socio-economic system with new business models and wide-reaching implications for the types of jobs offered and the skills needed. A rapid reallocation of labour supported by effective active labour market policies and upskilling and reskilling measures are needed to address labour shortages, help boost productivity, wages and social cohesion, and facilitate the green and digital transitions. Short-time work schemes can play a useful role in this regard, by facilitating and supporting restructuring processes. They should remain part of the policy toolbox beyond the crisis, and refocus on helping the modernisation of the economy (via associated skills development measures, for instance) without delaying structural adjustments.

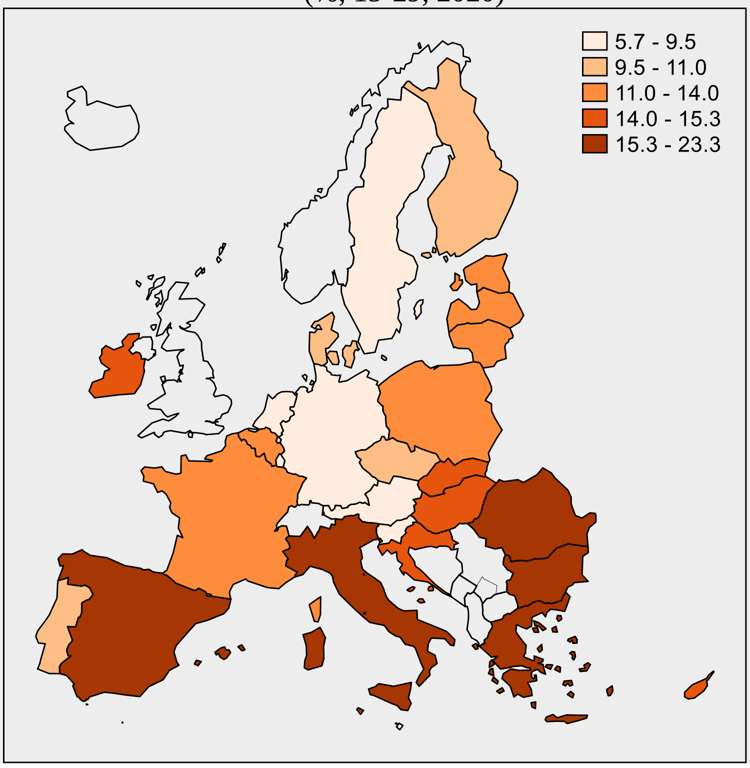
The crisis has underlined the more difficult labour market situation of young people

13.7% young NEETs (age 15-29) in 2020

+1.3 pps youth unemployment rate between 2019 and 2020

Twice more young people that are on involuntary temporary employment than people aged 25-64

Young people neither in employment nor in education and training (%, 15-29, 2020)



Note: Some administrative units on islands and outermost regions are not represented.
Source: Eurostat, Labour Force Survey [edat_lfse_35]. © EuroGeographics for the administrative boundaries.

The COVID-19 crisis impacted more strongly young people, in particular job starters, calling for swift and decisive policy action. The youth unemployment rate (15-24) in the EU showed initial signs of recovery by mid-2021 but still stood at 17.4% in Q2-2021, nearly triple the unemployment rate of the population aged 25-74. The COVID-19 shock reversed the six-year trend of declining numbers of young people not in employment, education or training (NEET), partially as a result of the precarious labour market positions of young people. This calls for decisive policy action to prevent risks of longer-term negative effects on their wellbeing and career prospects. Reducing the numbers of NEETs is indeed one of the complementary EU ambitions put forward by the European Commission in the Social Pillar Action Plan. The reinforced Youth Guarantee strengthens action to provide good quality offer of employment, continued education, apprenticeship or traineeship within a period of four months of becoming unemployed or leaving formal education[7]. The ALMA (Aim, Learn, Master, Achieve) initiative [8] will help disadvantaged young NEETs gain professional experience abroad, including also the necessary social support, with the objective of integrating them into education, vocational training or quality employment.

Given the uneven impact of the crisis on different groups of workers, tailor-made active labour market policies are important to ensure an inclusive recovery. Workers in non-standard employment have been hit hard, particularly those on fixed-term contracts in Member States with larger shares of temporary employment[9]. Non-EU born have experienced larger employment losses than the native population. Additionally, there is considerable potential to increase employment among persons with disabilities: the gap between the employment rate of persons with disabilities and others was at 24.5 pps in the EU in 2020.

The pandemic further highlighted long-standing challenges related to women labour market participation. While evidence does not show a stronger negative impact on female employment rates compared to men, women experienced a steeper fall in working hours than men during the confinement periods. Behind these developments, there are differences in the representation of women and men in sectors and occupations affected by the crisis, gender differences in the use of telework, and the fact that women took on the larger share of caring responsibilities. Moreover, during the crisis single women with children experienced larger employment losses than those without. This highlights the importance of childcare and long-term care services to increase the labour market participation of women. Also, in this regard the Work-Life Balance Directive[10], which needs to be transposed by Member States by 2 August 2022, aims to provide an equal access and balanced use of leave arrangements by men and women. It will allow parents with children or workers with dependent relatives to better balance caring and professional responsibilities. At the same time, the design of the tax systems continues to discourage the labour market participation of the second earners (which are most often women) in a number of Member States.

[7] Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee 2020/C 372/01, OJ C 372, 4.11.2020, p. 1.

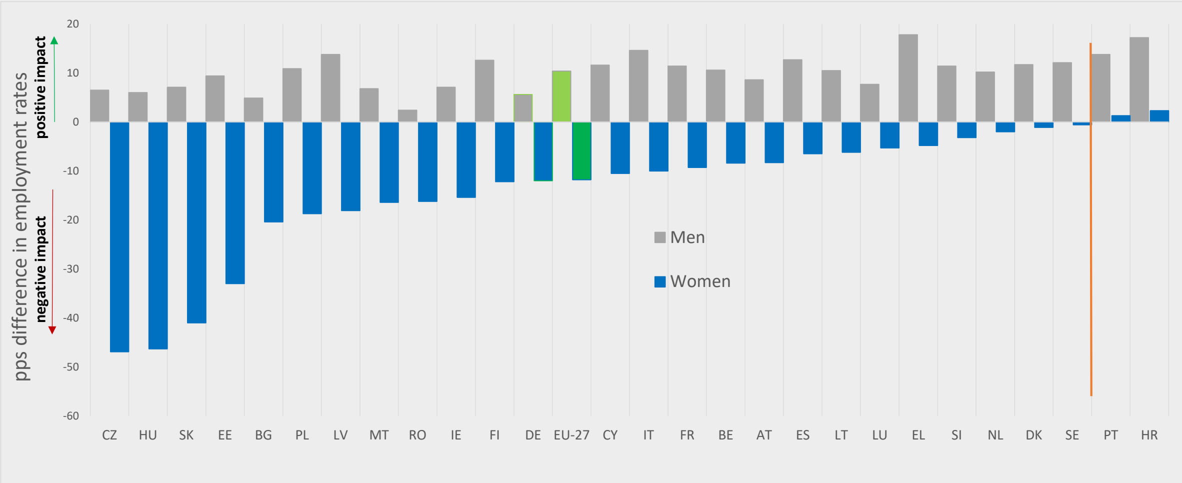
[8] Further information available at: ALMA (Aim, Learn, Master, Achieve) - Employment, Social Affairs & Inclusion - European Commission (europa.eu)

[9] These employees are often weakly covered by income replacement benefits, though many governments aimed at reducing or closing these gaps with emergency measures. The Council Recommendation 2019/C 387/01 of 8 November 2019 on access to social protection for workers and the self-employed aims to strengthen their position , OJ C 387, 15.11.2019, p. 1.

[10] Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on work-life balance for parents and carers and repealing Council Directive 2010/18/EU.

Gender differences in the labour market remain wide

Differences in the employment rate between persons with and without children under the age of 6 in 2020 (in pps, by gender, age 25-49)



The **employment rate of women with small children** in the EU is **11.8 pps lower** than of women without children

Hours worked fell more for women often as a result of **care obligations** (6.1 points for women vs 4.3 for men)

Large differences in **participation in childcare services** among Member States

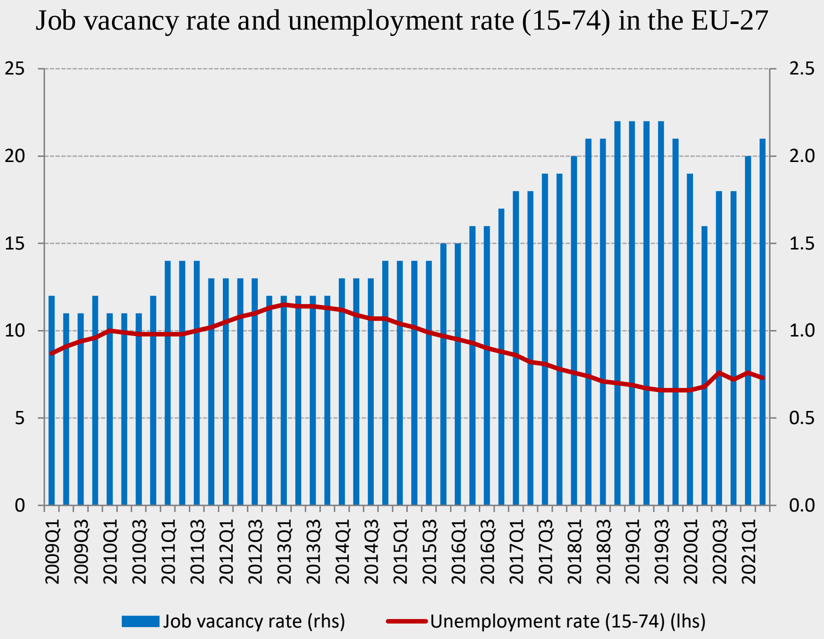
Source: Eurostat, Labour Force Survey [lfst_hheredch].

While there is potential to increase employment among certain groups, rising labour shortages in many Member States point at the key importance of a more general need for upskilling and reskilling. The COVID-induced decline in economic activity led to a drop in labour shortages in almost all Member States. In 2021, following the easing of the lockdown measures and the gradual economic recovery, job vacancies started rising again in most Member States. Sectors such as construction, health, and long-term care, as well as information and communication technologies, reported the biggest labour shortages, fuelled, by long-lasting skills shortages, among other causes. Also as a result of the green and digital transitions, increased labour demand can be expected in sectors related to renewable energy, construction, agriculture and forestry, and will mostly be in the middle-skill group.

Labour shortages have been on the rise with the economic recovery

2.1% vacancy rate in Q2-2021, 0.5 pps higher than in Q2-2020 and just 0.1 pps below Q2-2019

Skills shortages of long-standing nature drive the trend in construction, health, long-term care and ICT sectors



Note: NACE Rev. 2 activities B-S. Unemployment rate, quarterly data, seasonally adjusted data. Source: Eurostat, Labour Force Survey [jvs_q_nace2] and [une_rt_q]

A job does not always provide for a decent living income. In-work poverty has increased from 8.5% in 2010 to 9% in 2019 in the EU-27. In general, workers on temporary contracts face a much higher risk of in-work poverty than those on permanent contracts (16.2% vs 5.9%), as do low-skilled workers compared to high-skilled ones (19% vs 4.9%). In addition, non-EU born workers are much more likely to experience in-work poverty than the native-born. Despite recent minimum wage increases in many Member States, statutory minimum wages often remain low compared to other wages in the economy. In line with the Commission proposal for a directive on adequate minimum wages[11], collective bargaining plays a key role in achieving adequate minimum wage protection across the Union.

Fixed-term employment is decreasing since the start of the pandemic, reflecting higher fixed-term job losses than among permanent employees, though it remains significant in several Member States. Temporary contracts continue to be particularly widespread among women, the young and non-EU born employees. Temporary contracts that serve as 'stepping stones' towards more permanent jobs are key to improving overall job quality. In some Member States, the first reason for workers to have a fixed-term contract remains the difficulty to find a permanent job. Workers in involuntary temporary contracts often report lower levels of job satisfaction, which can affect their performance and skills acquisition. The share of part-time employment in the EU decreased in 2020 compared to the previous year, but involuntary part-time work still affects a sizeable percentage of employees.

The sudden significant increase in telework has shown both the advantages and the challenges associated with remote working. During the health emergency, teleworking has proven important for many firms to ensure business continuity and safeguard the health of

[11] Proposal for a Directive of the European Parliament and of the Council on adequate minimum wages in the European Union, COM(2020) 682 final.

their employees. In normal times, it also allows reduced commuting time, greater flexibility and work-life balance opportunities for employees, and improved efficiency and productivity for firms. Nonetheless, telework can sometimes blur existing lines between work and private life, implying higher work intensity and difficulties ensuring collective representation and participation in workplace decision-making and training in certain cases. Digital technologies have enabled the scale up of teleworking and supported a better matching between labour demand and supply, while presenting challenges for certain groups, notably the low-skilled or the elderly, to fully participate in the labour market and society. This may in turn increase the risks of digital divides and labour market and social exclusion, hence the importance of equipping everyone with the digital skills needed for benefitting from the digital shift.

The pandemic has accelerated ongoing trends in digitalisation, including by boosting work via platforms, which calls for policy action to manage related transformations – notably as concerns working conditions and access to social protection. Digital technologies bring new ways to learn and work, as well as new opportunities for businesses and consumers. On the labour market, they create employment opportunities and can contribute to a better matching between employers and employees. However, they may also entail risks to existing jobs and to quality of employment, in particular for those in activities that are routine-intensive and for the low skilled. In parallel to the reallocation of labour towards occupations requiring digital skills, there may be a reallocation to those linked to the digital labour platform economy. The demand for online labour has been rapidly growing during the pandemic (with revenues increasing fivefold in the last five years), bringing more to the fore the importance of clarifying the legal status and improving conditions for platform workers.

In several Member States the use of part-time and of non-standard forms of employment has an important involuntary component

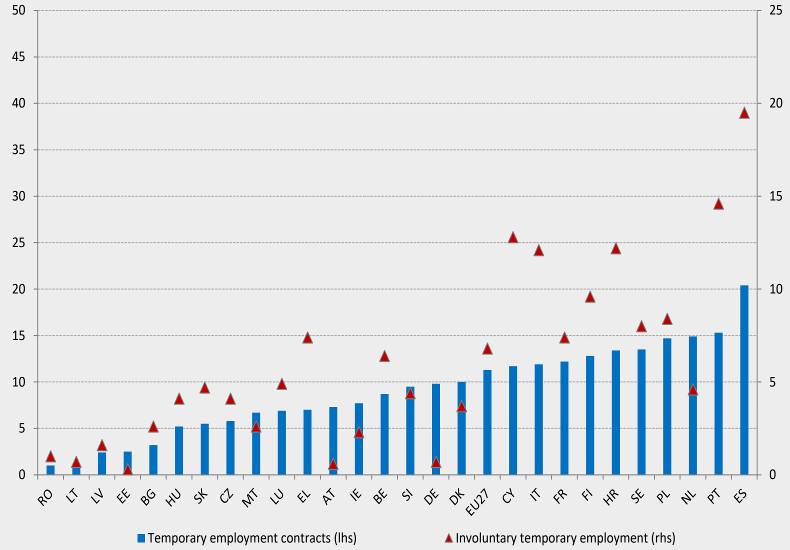
13.3% employees in temporary contracts in the EU in 2020 (1.5 pps lower than in 2019; 15-64)

Among which **6.8% in involuntary temporary employment** with large prevalence of youth

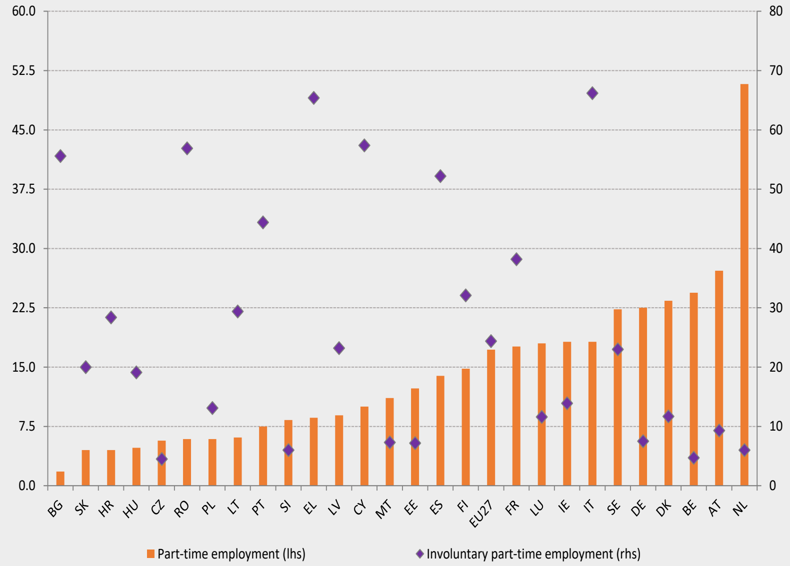
17.2% of employed persons working part-time in the EU in 2020 (1.2 pps lower than in 2019)

25% in involuntary part-time employment in the EU in 2020

Temporary contracts as a percentage of total employment (15-64) in 2020. Involuntary temporary employment (15-64) in 2020, EU-27



Part-time employment contracts as percentage of total employment (15-64) in 2020. Involuntary part-time employment (15-64) in 2020, EU-27



Source: Eurostat database [tesem190] and labour force survey [lfsi_pt_a], [lfsa_eppgai] and [lfsa_etpgan].

The transition to the green economy and the commitment to achieve climate neutrality by 2050 represent a unique opportunity to relaunch the EU economy in a sustainable, inclusive and resilient manner. Provided the right accompanying policies are put in place, the transition towards climate neutrality could create up to one million additional jobs by 2030, though impacts are expected to vary across occupations, sectors and regions. Jobs will be created mostly in the middle-skill group and can thereby help mitigate labour market polarisation trends. However the green transition will not affect all Europeans equally and will have a negative impact for some, implying job losses and restructuring in certain sectors (notably extractive resources sectors and high energy-intensive sectors), as well as increasing pressures on household incomes. Also, in many sectors existing jobs will require learning of complementary skills to support the green transition. These changes can be challenging, especially for the most vulnerable, and for some regions, notably those affected by the industrial transition or changes in consumption patterns, and coal mining regions. At the same time, many activities related to the transition to a more circular economy have significant potential to contribute to the social economy and the creation of local jobs. Upskilling, reskilling and support to job transitions will be essential to overcome these challenges. They can provide people with the right skills and foster a rapid reallocation of labour that contributes to efficiency gains, productivity and wages. As announced in the European Skills Agenda, the monitoring of the greening of the professions and the identification of the type of skills adaptation needed in specific occupations and sectors will be strengthened.

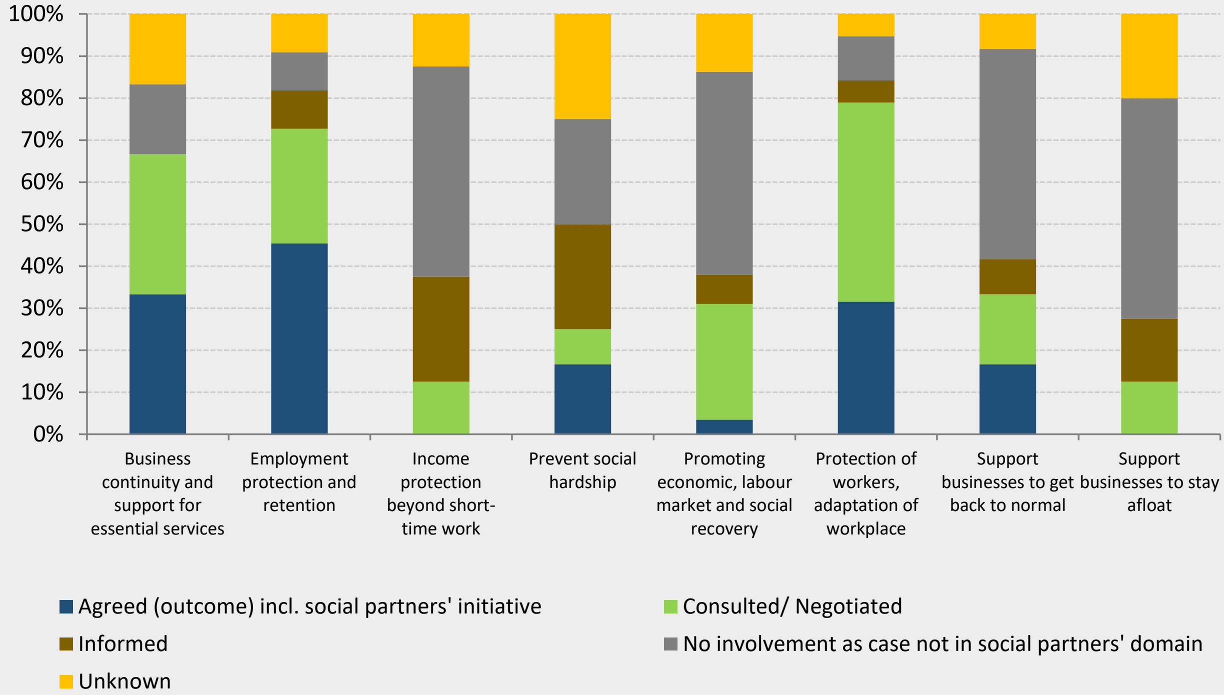
Energy poverty is an increasing form of poverty, calling for targeted measures Energy poverty affects up to 34 million people in the EU today, with about one in five people with an income below the poverty threshold reporting inability to keep their home adequately warm. In October 2021, the Commission adopted a Communication on *Tackling rising energy prices*[12], which highlighted fair tax-benefit systems, targeted income support measures and inclusive renovation policies as key elements of a toolbox to mitigate energy poverty and address the immediate impact of recent price increases. A socially fair green transition requires accompanying employment, skills and social policy measures that address the challenge. The Commission intends to propose a Council Recommendation to address the social and labour aspects of the climate transition in December 2021.

High-quality and effective social partners' involvement is a prerequisite for the good functioning of the European social market economy, ensuring more sustainable and inclusive policy outcomes. More than half of all measures in the domains of active labour market policies and income protection enacted since the pandemic outbreak either agreed by or negotiated with social partners' organisations. The Employment Guidelines call upon Member States to ensure the timely and meaningful involvement of the social partners in the design and implementation of employment, social and, where relevant, economic reforms and policies, including by supporting their increased capacity. In line with national practices and institutional frameworks, the engagement with social partners at all levels aims to improve the design and ensure ownership of reforms. Overall, the quality of the involvement of the social partners in the national employment and social policies has remained stable or slightly improved over the past years, but still differs significantly across Member States. The involvement of civil society organisations is also important and instrumental to this. This is particularly important at a time when strong consensus is needed to ensure a strong recovery and support to the green and digital transitions. Going forward, an adequate involvement of social partners and civil society organisations in the implementation of the Recovery and Resilience Plans will be important to ensure a successful delivery on the measures planned.

[12] Communication from the Commission on 'Tackling rising energy prices: a toolbox for action and support', COM (2021) 660 final

Social partners have played a key role in the recovery strategy from the COVID-19 crisis

Form of involvement of social partners in the design of policy measures enacted in 2021



More than half of all measures in the areas of business continuity, employment protection and retention, adaptation of workplaces and income protection enacted in 2021 were agreed by or negotiated with social partners

Quality of the involvement differs significantly across Member States

Notes: The figure shows 184 cases of legislation or recommendations and tripartite agreements between 1st January 2021 and 13th September 2021. Source: Eurofound (2021), COVID-19 EU PolicyWatch database.

Educational outcomes remain strongly correlated with the socio-economic background. COVID-19 has put the Member States' education and training systems under strong pressure. The share of early leavers from education and training has continued to decrease during the pandemic, although at a slower pace, and there are still significant differences across countries**.** First studies and surveys from the Member States indicate a substantial learning loss during the pandemic, with students from a lower socio-economic background or with a non-EU migrant background being particularly affected. Besides unequal access to online digital education, having a less supportive learning environment at home, for instance, hampered their learning. Unrelated to the pandemic, the pupils' socioeconomic or migrant background remains also a strong predictor of their level of digital skills. In terms of basic skills, after some progress in the past, the share of underachieving 15-year-old pupils is again on the rise. This underlines the importance of providing quality education from the earliest years. Despite the increase in the tertiary educational attainment rate, in the majority of Member States social differences in participation in tertiary education tend to persist across generations. Existing skills mismatches also underline the need to strengthen the labour market relevance of education and further increase participation in tertiary education, in particular in sectors with growing demand, such as information and communication technology (ICT), and science, technology, engineering and mathematics (STEM). Preventing and reducing inequalities in educational outcomes linked to socio-economic or migrant backgrounds is key to providing equal opportunities to everyone, with beneficial effects on individual skills levels and the growth potential of the economy.

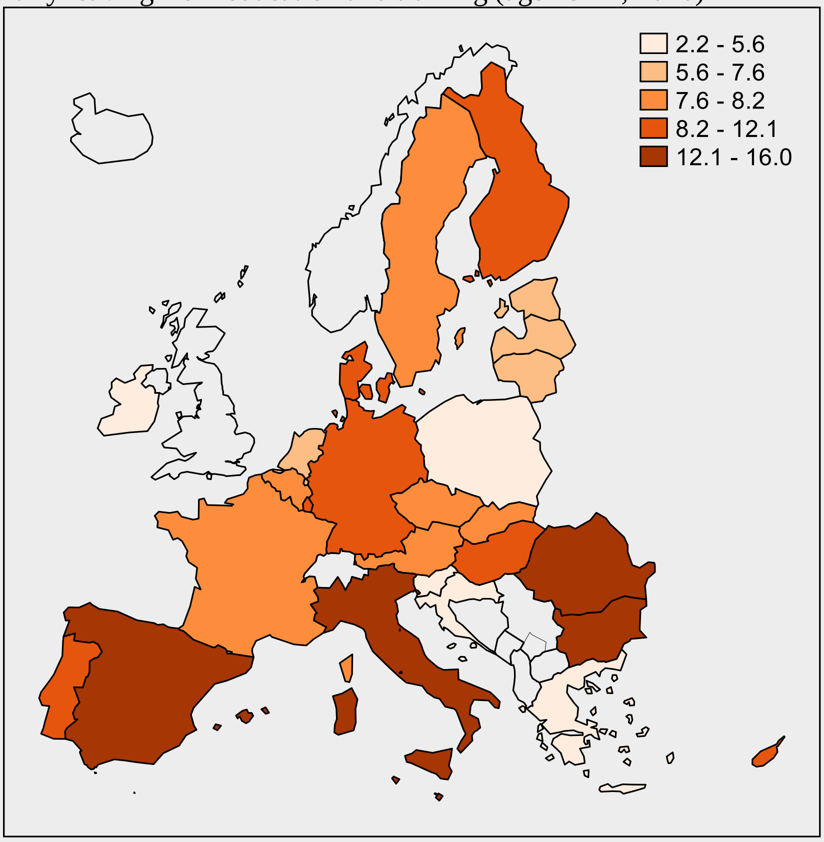
Educational inequalities can determine different starting positions in the labour market, as well as career prospects

A 26.6 pp gap in **reading skills** between pupils in the bottom and top quarters of the economic, social and cultural status index

Pupils' socioeconomic or migrant background is a strong predictor of their **level of digital skills**

Young people born outside the EU are almost three times more likely to leave school before completion

Early leaving from education and training (age 18-24, 2020)



Note: Some administrative units on islands and outermost regions are not represented. Source: Eurostat LFS EDAT_LFSE_02. © EuroGeographics for the administrative boundaries.

Adult skills development remains far from standard practice throughout the EU, with wide cross-country differences and a severe impact from the pandemic; the EU headline target by 2030 will support further efforts needed on this dimension. Ensuring that the workforce has the skills for the labour markets of the future therefore remains a major challenge. Skills forecasts point to a shift in the labour market skills profiles in light of rapid technological change, including due to the green and digital transitions, and a further decline in the low-skilled occupations. This creates an urgent need for upskilling and reskilling. Against this background, the EU headline target on adult learning (over the previous year) was set at 60%, compared to the 2016 rate of 37.4%. The adult learning participation among the low-qualified and migrants remained significantly below the average. Increasing adult learning participation requires an integrated approach that tackles the various barriers in a coherent manner, including through skills intelligence and forecasting in partnerships with relevant stakeholders. This implies combining financial support for direct costs, such as individual training entitlements, with paid training leave and career guidance services, as well as an overview of quality assured training opportunities and information on the validation and certification of skills.

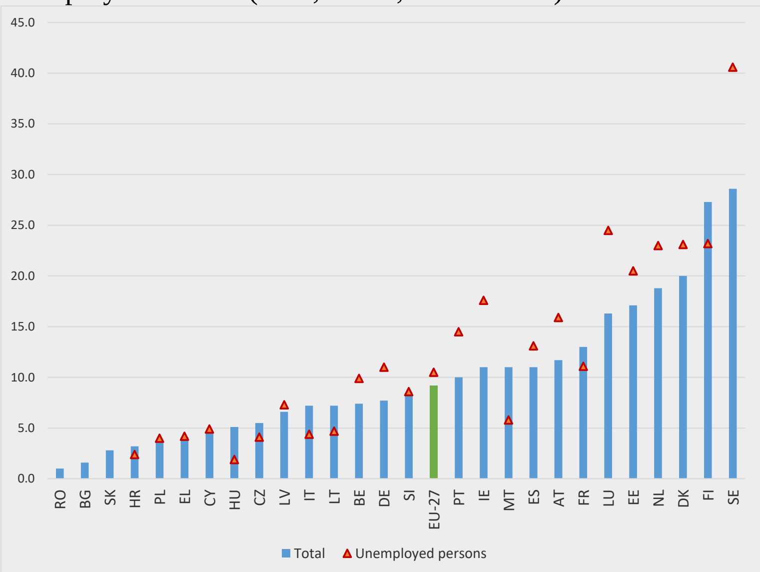
Upskilling and reskilling of the workforce is key to ease job transitions and support the green and digital transformation

9.2% of adults participated in learning (over the previous 4 weeks) in the EU in 2020

Among which only **3.4% of low qualified adults**

89% of EU adults agree that **better financial conditions** would encourage participation in training

Participation rate in adult learning of the total population and the unemployed in 2020 (in %, 25-64, last 4 weeks)



Source: Eurostat LFS [trng_lfse_02]

EU Member States have recorded limited progress in providing basic digital skills for adults, and significant further efforts are needed on advanced digital skills. The pandemic has substantially increased the demand for digital skills at all levels as a transversal requirement across many occupations and sectors. The latest available data for the Social Scoreboard headline indicator, from 2019, show that only 56% of adults had at least basic digital skills. The indicator also suggests a lack of convergence across Member States, and very slow progress since 2014. Digital skills are required (at the appropriate level) in over 90% of current jobs and in nearly all sectors of the economy. Progress in this area is essential if the EU is to meet the rising need for digital skills for the daily participation in society, as well as the economy's specific need for ICT specialists.

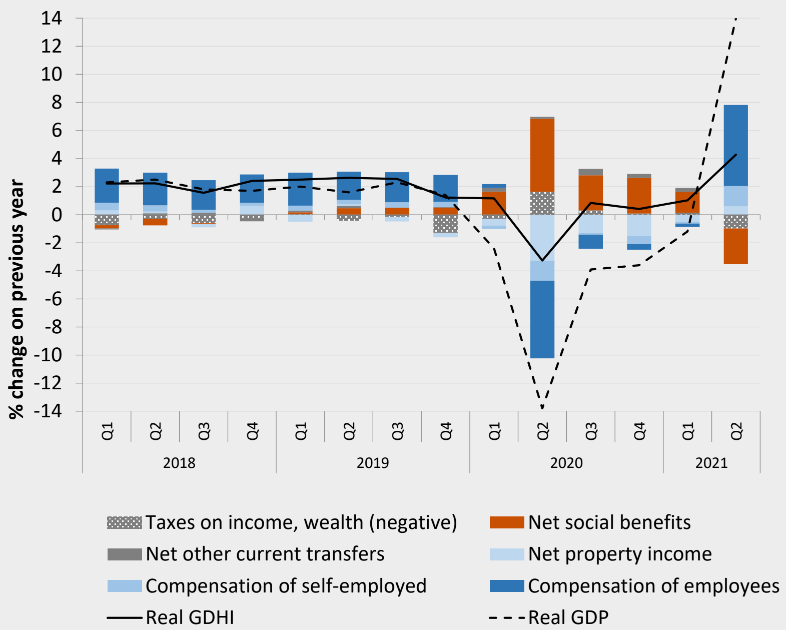
In spite of the COVID-19 crisis, aggregate household incomes remained broadly stable on average across EU Member States in 2020, thanks to the exceptional swift policy response at the Member State and EU level. As the pandemic struck, household income fell sharply in the second quarter of 2020, but recovered by the end of the year and overall remained stable between 2019 and 2020. The drop in compensations of employees was the greatest, and that of the self-employed and net property income saw large declines too. Over 2020, net social benefits contributed strongly to overall income, and played a major role in mitigating the overall drop in household incomes in the second quarter, also supported to some extent by adjustments to taxes on income and wealth. Against the background of a fall in real GDP by 6% year-on-year, this stability of aggregate household incomes in 2020 witnesses the effectiveness of the exceptional discretionary policies put in place to mitigate the social impact of the crisis but also of the automatic stabilising impact of social protection and tax systems. In Q2-2021, both real GDP and compensation of employees' grew rapidly, at about the same rate as they contracted a year before. Overall, real gross disposable household incomes (GDHI) grew more in this quarter than it had contracted a year before, also thanks to net social benefits decreasing at a slower pace than other income sources.

In spite of the COVID-19 crisis, aggregate household incomes remained broadly stable on average in EU Member States in 2020

Income inequality (S80/S20) slightly decreased or remained stable in the majority of Member States

Share of people at risk of poverty or social exclusion (AROPE) was stable **at around one in five persons** in 2020 in the EU

GDP growth, growth in real gross disposable household income and its main components (EU-27)



Source: Eurostat, National Accounts [nasq_10_nf_tr] and [namq_10_gdp]. Notes: see body of the Report.

Social protection systems helped weather the COVID-19 crisis without substantial increases in poverty risks or income inequality. The at-risk-of-poverty or social exclusion rate (AROPE) and each of its components as well as overall income inequality remained broadly stable between 2019 and 2020 in most Member States[13]. This reflects the impact of the tax and benefit systems, as well as of the large public support, including via short-time work schemes and other job retention measures, introduced or extended during the COVID-19 crisis, in particular for vulnerable groups. Early estimates of social protection expenditures in 2020 for 19 Member States[14] point to unprecedented levels and large increases compared to 2019. Despite some temporary measures to improve access to (adequate) social protection, gaps remain in many countries, in particular for non-standard workers and the self-employed. Some structural reforms are announced in the national plans

[13] Also reflecting Eurostat flash estimates for 2020 of at risk of poverty rates and income inequality trends.

[14] Eurostat, Early estimates - Social protection - Eurostat (europa.eu) covering BE, BG, CZ, DE, DK, EE, IE, FR, HR, IT, LV, LT, HU, MT, AT, PL, PT, SI and SE

submitted by the Member States to implement the 2019 Council Recommendation on access to social protection for workers and the self-employed[15].

Poverty and social exclusion risks remain nonetheless high for certain population groups, and notably families with children, persons with disabilities, non-EU born and Roma. Poverty among housheholds with very low work intensity has increased over the last decade. In most Member States children are more exposed to poverty (including persistent poverty) than the adult population. Children growing up in poverty or social exclusion are less likely to do well in school, enjoy good health and realise their full potential later in life. The Action Plan on the European Pillar of Social Rights put forward a complementary ambition to the 2030 EU headline target on poverty reduction, which is to reduce by at least 5 million the number of children at risk of poverty or social exclusion by 2030. In some Member States, the AROPE rate for children raised by a single parent or in families with more than 3 children or with a migrant or Roma background is up to three times higher than that of other children. The Council Recommendation of 14 June 2021 established a European Child Guarantee precisely to prevent and combat social exclusion of children by guaranteeing access to a set of key services. Non-EU born people are also more at risk of poverty or social exclusion. A large majority of Roma live under the national poverty threshold. The housing cost overburden rate continued to decline EU-wide before the crisis, but the situation remains critical for people below the poverty threshold. In 2020, around one tenth of the EU population lived in households that spent 40% or more of their (equivalised) disposable income on housing. Within the population at risk of poverty, the rate of housing cost overburden was significantly higher, with important differences between Member States.

The impact of social transfers on poverty reduction has been stable in the EU-27 since 2015 but has shown divergence just before the crisis. On average in the EU social transfers (excluding pensions) reduced the at-risk-of-poverty rate by about a third. However there are significant differences across Member States, ranging from about 16% to above 50%. Between 2019 and 2020, differences between Member States widened. There is considerable variation in terms of social protection coverage, in particular among non-standard workers and the self-employed, while minimum income benefits as a percent of the poverty threshold fell in almost all Member States in 2019. Minimum income levels lie significantly below 60% of the poverty line for 12 Member States. The Commission intends to propose in 2022 a Council Recommendation on minimum income to effectively support and complement the policies of the Member States.

[15] Council Recommendation 2019/C 387/01 of 8 November 2019.

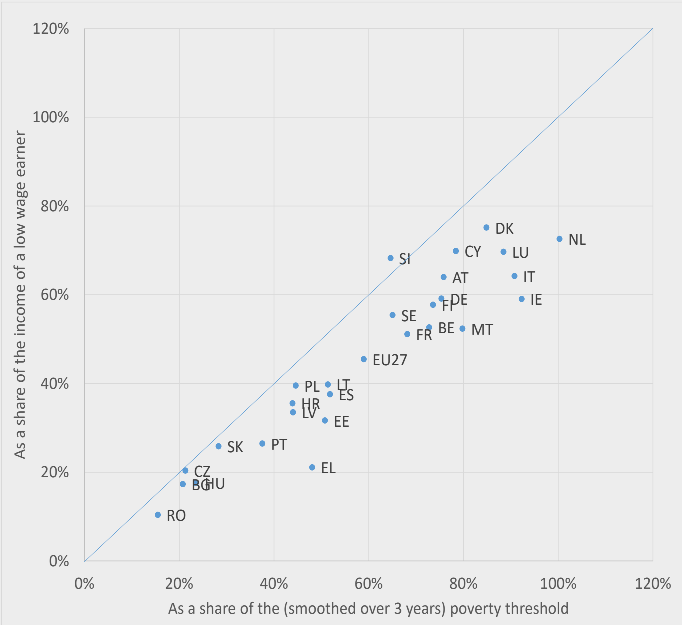
The adequacy of social safety nets differ across Member States

Minimum income benefits as percentage of the poverty threshold decreased in 16 Member States between 2018 and 2019

Minimum income benefits at **less than half of the poverty threshold** in one third of Member States in 2019

The **impact of social transfers on poverty reduction** varies **between 16% and 52%** across Member States

Net income of minimum income recipients as percent of at-risk-of-poverty threshold (smoothed over three years) and of the income of a low wage earner (income year 2019)



Source: DG EMPL computation from EU-SILC microdata. Note: For IE data reflects income year 2020 for MI benefits. For IE, IT, LU and LV, AROP SILC 2020 threshold not yet available. The chart concerns single childless persons. Net income of a minimum income recipient may also include other types of benefits (e.g. housing benefits) than minimum income. The low wage earner considered earns 50% of the average wage and works full time.

Notwithstanding the pandemic, initial evidence suggests that self-reported unmet needs for medical care were broadly stable in most Member States in 2020, but variation is substantial across them. Some groups, like people living in low-income households or people with a migrant background, are more likely to be vulnerable due to unmet medical needs, though the extent of the gaps with the overall population differs across Member States. There could still be challenges related to postponement of medical procedures and a significant interruption of routine patient care, linked also to unmet medical needs that were more substantial at the outset of the COVID-19 crisis. The need to strengthen the resilience, quality and accessibility of health care has been brought to the fore by the pandemic outbreak.

Population ageing is expected to lead to a strong increase in the demand for long-term care (LTC) services. On average, 26.6% of people aged 65 or more living in private households were in need of long-term care in 2019 in the EU. Strengthening access to formal LTC is important to ensure social fairness and gender equality, and also provides an opportunity for job creation. Good quality homecare and community-based LTC services are important to provide an accessible alternative to residential care for all. Households in need of LTC often have limited access to formal homecare services as they are not affordable or simply not available. In 2019, 46.5% of people aged 65 or more with severe difficulties in personal care or household activities in the EU reported that they had an unmet need for help in such activities. This lack of help was significantly more pronounced for those in the lowest income quintile. The lack of access to formal care can translate into unmet care needs or burden on informal carers (mostly women), who provide the largest share of care. In general, the adequacy of social protection in relation to long-term care needs varies considerably across Member States, and persons in need can face very high out-of-pocket payments for formal long-term care, even after receiving social benefits.

Demographic change continues to pose long-term challenges to pension systems. Pension adequacy remained generally stable in 2020. The gender gap in pensions remains large, despite a gradual decrease over the last ten years. Reforms should aim at building inclusive pension systems, providing adequate access for men and women alike and for people in different types of contracts and economic activities, while ensuring adequate income in old age, and preserving the sustainability of public finances.

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Member States should take action to address the employment, skills and social policy challenges identified in this Joint Employment Report. The analysis presented in the report highlights a number of priority areas for policy actions. These should aim to promote an inclusive recovery by fostering job creation, easing transitions from unemployment into employment and across sectors, improving economic and social resilience and ensuring that the green and digital transitions are fair, while progressing towards the 2030 EU headline targets on employment, skills and poverty reduction.

In line with the Employment Guidelines, Member States are invited to:

- Gradually transition from emergency to recovery measures in labour markets, and take measures to promote higher labour market participation and the reactivation of the workers most affected by the pandemic;
- Develop coherent policy packages of hiring and transition incentives, upskilling and reskilling measures and enhanced support by employment services for job transitions, in line with the EASE recommendation;
- Strengthen the efficiency and effectiveness of active labour market policies and public employment services, including by investing in digital infrastructure and services (while ensuring accessibility); skills forecasting and intelligence (also related to the green and digital transitions); profiling systems; and adequate training of staff;
- Enhance the labour market prospects of young people by promoting inclusive and quality vocational education and training and tertiary education; offering targeted employment services' support (including mentoring, guidance and counselling) as well as supporting quality apprenticeships and traineeships (in particular in SMEs), in line with the reinforced Youth Guarantee;
- Ensure gender equality and strengthen the labour market participation of women, including through work-life balance policies; access to affordable, quality long-term care and early childhood education and care services; and ensuring that parents and other people with caring responsibilities have access to family leave and flexible working arrangements, while promoting a balanced use of those entitlements between women and men;
- Improve learning outcomes and reduce inequalities in education and training; expand access to tertiary education (particularly for disadvantaged groups); prevent early school leaving; further increase participation and labour market relevance of tertiary education, with special focus on sectors such as ICT and STEM, including through micro-credentials;
- Invest in reskilling and upskilling of adults, notably in skills needed for the digital and green transitions, by strengthening the provisions on individual training entitlements,

notably delivered through individual learning accounts, supporting large-scale public private multistakeholder partnerships under the Pact for Skills and the Digital Skills and Jobs Coalition, providing greater incentives to businesses and workers to engage in upskilling and reskilling, investing in infrastructure and equipment, including digital;

- Boost the digital competences of pupils and adults and increase the digital talent pool in the labour market by developing digital education and training ecosystems supported by key enablers such as high-speed connectivity for schools, equipment, and teacher training; support institutions with know-how on digitalisation with a special focus on inclusion and on reducing the digital divide;
- Reform labour market regulations and tax and benefit systems, to ensure that labour market segmentation is reduced and quality job creation fostered; make sure that workers in non-standard forms of work and the self-employed have access to adequate social protection in line with the Council Recommendation on Access to Social Protection;
- Ensure that working environments are safe and well adapted to the post-pandemic requirements, and that flexible working arrangements are available;
- Ensure a socially fair transition process;
- Promote collective bargaining, social dialogue and social partners' involvement, including in relation to the implementation of the recovery and resilience plans;
- Provide all children at risk of poverty or social exclusion with free and effective access to healthcare, early childhood education and care, education and school-based activities, effective access to healthy nutrition and adequate housing, in line with the Recommendation establishing a Child Guarantee;
- Invest in adequate and sustainable social protection systems for all, including minimum income schemes, supporting reforms to maintain and reinforce levels of protection, and improving the protection of those who are not or not sufficiently covered; improve of adequacy of benefits, transferability of rights, access to quality services and support for the labour market integration of those who are able to work; strengthen the provision of quality, affordable and sustainable long-term care services; assess the distributional impacts of policies;
- Ensure inclusive and sustainable pension systems, providing adequate access for men and women alike and for people in different types of contracts and economic activities, while ensuring adequate income in old age.
- Address homelessness as the most extreme form of poverty; promote the investment in the renovation of residential and social housing; ease access to quality and affordable housing, social housing or housing assistance, where appropriate;
- Invest in healthcare system capacity including primary care, coordination of care, healthcare staff and eHealth. Reduce out-of-pocket payments, improve healthcare coverage and promote up-skilling and reskilling of health workers.

EU funding, including via the European Social Fund Plus, the European Regional Development Fund and the Recovery and Resilience Facility, supports Member States to step up policy action in these domains.

A full and ambitious implementation of the reforms and investments in the national recovery and resilience plans will be key to ensure an effective support to the recovery and to fair green and digital transitions. It will importantly contribute to addressing employment, skills and social policy challenges indentified in the country-specific recommendations in the context of the European Semester. Measures linked to these policy areas, in the national plans already approved by the Council, amount to approximately EUR 135 billion, around 30% of the total financial allocations of these approved plans, which will provide an important contribution to the implemenation of the European Pillar of Social Rights.

OVERVIEW OF LABOUR MARKET AND SOCIAL TRENDS AND CHALLENGES IN THE EUROPEAN UNION

1.1 Labour market trends

The labour market recovery is taking hold, but employment is not yet back to pre-crisis levels. In the second quarter of 2021, the total number of people in employment in the EU reached 207.5 million[16]. This is 4.1 million more than in Q2-2020, but still 2 million below the peak of Q4-2019. After reaching a low point of 71.6% in Q2-2020, the employment rate (20-64) has recovered partially, to 72.8% in Q2-2021, which is still below the peak of 73.3% of Q4-2019. On a yearly basis, the employment rate stood at 72.5% in 2020 in the EU, 0.7 pps below the 2019 value. In some economic activities employment levels remain significantly lower than before the crisis. In particular, wholesale and retail trade, transport, accommodation and food service activities have still 2.3 million fewer employed people in Q2-2021 compared to Q4-2019 (a reduction by 4.5%), followed by manufacturing (a decrease by 2.5%). To the contrary, sectors like construction and information and communication have already recovered their pre-pandemic employment levels.[17] Overall, employment is projected to increase by 0.8% in 2021 and by 1% in 2022, before moderating slightly to 0.6% in 2023[18]. The EU target of at least 78% of the population aged 20-64 in employment by 2030 reflects a joint commitment to an inclusive and job-rich recovery (see section 1.4).

At the same time, after its initial decline in the context of the COVID-19 crisis, the job vacancy rate has by now increased to almost record levels[19]. Before the crisis, in Q2-2019, the vacancy rate stood at 2.4% in the EU-27. Containment measures to respond to the pandemic and the related halt or slow down in economic activities drove a decline in the job vacancy rate. The rate dropped to 1.6% in the EU-27 in Q2-2020, the lowest since Q1-2016. Since then, it has been rising, reaching 2.3% in Q2-2021, almost completely reabsorbing the impact of the COVID-19 shock. While it is normal that vacancies react faster than unemployment to cyclical swings, the trends and survey information (i.e. Eurofound) point to the need to carefully monitor potential labour shortages (see Section 2.1).

The swift policy response helped contain the labour market impact in the context of the COVID-19 crisis.[20] The pandemic triggered a public health crisis with widespread effects on economic activity, labour markets and society. The unemployment rate (15-74) increased from 6.6% in Q4-2019 (the lowest level ever recorded in the EU-27) up to 7.6% in Q3-2020. In the euro area, the unemployment rate was slightly higher at 8.5% in Q3-2020 (1.1 pps above its value in Q4-2019). More recently, the easing of containment measures and the roll-out of vaccination campaigns helped put the EU economies back in motion and contributed to

[16] Total employment figures come from National Accounts (domestic concept); other figures from Labour Force Survey data. Seasonally adjusted quarterly figures are used throughout this section.
[17] See European Commission (2021), *Labour Market and Wage Developments in Europe Annual Review 2021 (forthcoming)*.
[18] European Commission (2021), *European Economic Forecast, Autumn 2021*, Institutional Paper 160.
[19] The job vacancy rate is given by total posts that are vacant as a percentage of occupied and vacant posts.
[20] For details, see Employment and Social Developments in Europe, Annual Review 2021 (available at: https://op.europa.eu/s/tYkn) and Labour Market and Wage Developments in Europe, Annual Review 2021 (*forthcoming*).

reduce the unemployment rate to 7.3% in Q2-2021 (8% in the euro area). Overall, the increase in unemployment remained below what could have been expected given the magnitude of the COVID-19 impact on the economy. This is thanks to the policy measures introduced by the Member States, including with support from EU funding (notably SURE but also REACT-EU and the Coronavirus Response Investment Initiative, CRII and CRII plus), and also the result of people leaving the labour market into inactivity as finding work became more difficult, causing many to cease their job search. Recent monthly data show that the unemployment rate has further decreased, down to 6.7% in the EU in September 2021 (7.4% in the euro area), getting closer to pre-crisis levels. However, there is significant heterogeneity across Member States (see Section 2.1). Also, the long-term unemployment rate reached 2.9% of the active population in Q2-2021 in the EU, showing a moderate though steady increase compared to its record low in Q2-2020 (2%).

Total hours worked have partially recovered from the sharp decline following the pandemic outbreak, but they are still below pre-crisis levels. In Q2-2021, their number stood at 82.8 billion. This is 9.7 billion hours more than the record low in Q2-2020 (73.1 billion), largely due to the improved labour market conditions, the extension of the possiblities of remote work and the reduction in the weekly absences from work (from 19.4% of total employment in Q2-2020 to 10.5% in Q2-2021). However, this is still nearly 2.5 billion hours less than the peak reached in Q1-2019, still highlighting the role that short-time work and temporary lay-off schemes have or had for many workers, together with dismissal restrictions imposed by several Member States to help preserve employment (see Section 2.1). The number of hours worked per employed person had been on a slow but steady decline over the past decade in the EU, with the expansion of part-time work and other flexible working arrangements (i.e. zero-hour contracts or on-demand work in the context of platform work) as the main determinants.

The outbreak of the COVID-19 pandemic put a halt to the positive trend in the activity rate observed in recent years. The EU activity rate for those aged 20-64 stood at 77.8% in 2020, 0.5 pps lower than in 2019. Yet, in Q2-2021 it had recovered to 78.3%, in line with values seen before the crisis. Behind the aggregate, an increase is observed for women (to 72.7%, 0.3 pps more than in Q4-2019) while a decrease is recorded for men (to 84%, 0.3 pps below the Q4-2019 value). The 55-64 age cohort showed the most positive performance with only a slight decline at the peak of the crisis and Q2-2021 figures above pre-pandemic levels.

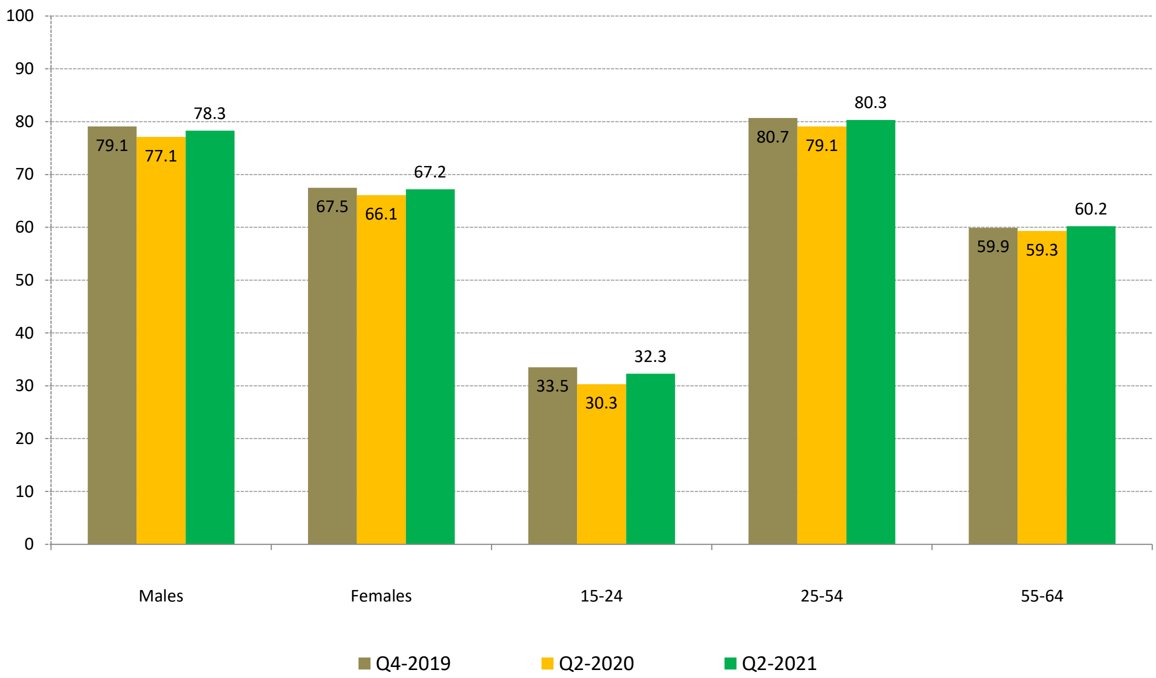
While the employment rate of women has decreased, under the impact of the COVID-19 crisis, slightly less than that of men, significant gender differences persist. In 2020, the employment rate of women (age 20-64) went down to 66.9%, 0.5 pps lower than in 2019, while for men it decreased to 78%, 0.9 pps below its value in the previous year. In quarterly terms, the employment rate of women fell from 67.4% in Q4-2019 to 66.1% in Q2-2020, but had recovered to 67.2% by Q2-2021. The employment rate for men stood at 78.3% in Q2-2021, 0.8 pps below Q4-2019. These developments translated into a slight reduction in the gender employment gap, at 11.1 pps in Q2-2021 compared to 11.6 pps in Q4-2019 (in yearly terms, respectively 11.1 pps and 11.5 pps in 2020 and 2019).

The crisis has heavily impacted labour market outcomes of young people, though their situation is improving since late 2020. The youth unemployment rate (15-24) reached 17.1% in 2020 in the EU, 1.8 pps higher than in 2019. In Q2-2021, the youth unemployment rate stood at 17.4%, i.e. 2.6 pps higher than in Q4-2019, but 1 pps below the peak reached in the third quarter of 2020. Overall, some 3.2 million young people (15-24) were unemployed in the EU in Q2-2021, reaching 5.1 million when all those neither in employment, nor in education or training (NEET) are considered, and 9.4 million for the larger age bracket of 15 to 29. The quarterly NEET rate for this age group stood at 13.2% in the EU in Q2-2021 (0.7 pps higher than in Q4-2019, but 1.5 pps below the peak of Q2-2020).

Older workers have weathered the labour market impact of the COVID-19 crisis better than other groups. The employment rate of older workers (55-64) has remained relatively stable since the COVID-19 outbreak. It reached 60.2% in Q2-2021, 0.4 pps above the level observed in Q4-2019 and with a steadily increasing trend over the past decade. The employment rate of adults aged 25-54 stood at 80.3% in Q2-2021, still slightly below the pre-pandemic level (80.8% in Q4-2019). The EU unemployment rate of those aged 55-74 has increased moderately, from 4.7% in Q4-2019 to 5.3% in Q2-2021.

Figure 1: The employment impact of the crisis has differed across age groups

Employment rates by gender and age group in the EU-27, seasonally adjusted data, not calendar adjusted (in %)

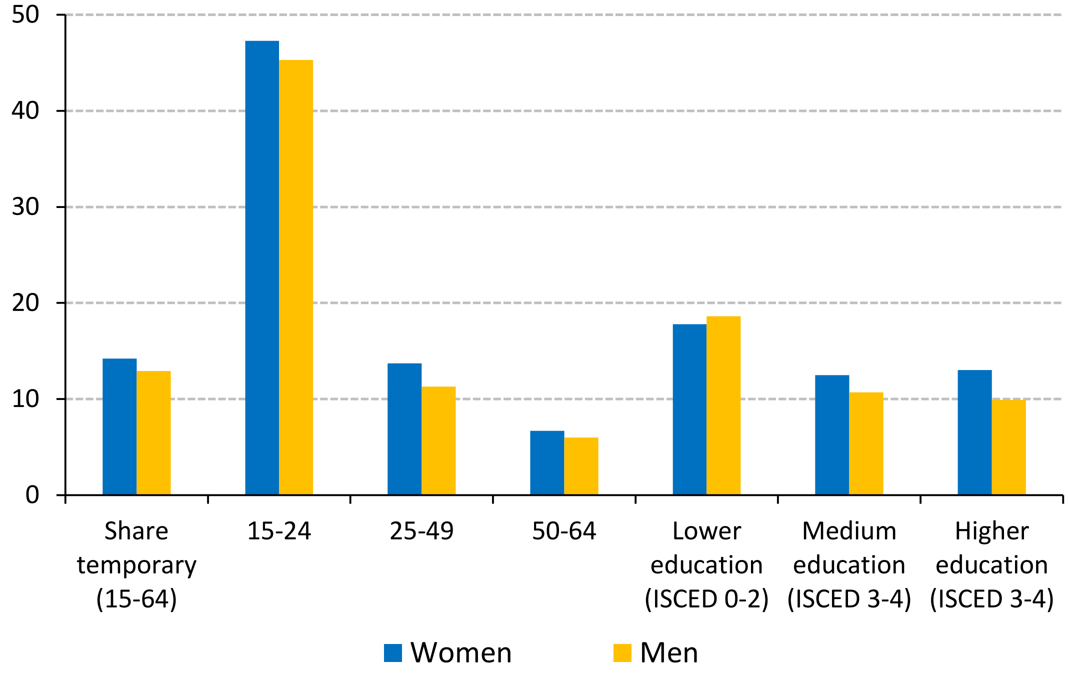


Note: Break in time series from Q1-2021.
Source: Eurostat, Labour Force Survey [lfsi_emp_q].

Workers in non-standard forms of employment and the self-employed were particularly affected by the crisis. Over the total number of employees (aged 20-64) in the EU in 2020 (161.6 million), some 19.9 million (12.4%) had a fixed-term employment contract (1.3 pps below the figure observed for 2019). Some 21.3 million workers (20-64, seasonally adjusted) were on temporary contracts in Q2-2021, still 0.8 million fewer people compared to Q4-2019. The share is much higher among the youth (15-24) than for the rest of the population, and significantly higher for the low skilled compared to the medium- and high-skilled. The share of involuntary temporary employment continued to decrease (by 1.1 pps) compared to 2019, reaching 6.8% in 2020. The proportion of temporary contracts in total employment (20-64) has increased from the Q2-2020 low (10.1%), up to 11.3% in Q2-2021. The number of people working part-time increased steadily over 2020. As a result, the proportion of part-time workers (20-64) in total employment reached 17.7% in Q2-2021 (0.6 pps below the Q4-2019 value). The share of involuntary part-time workers went down to 25% in 2020 (1.5 pps less compared to 2019). Since the start of the pandemic in Q1-2020, the number of self-employed decreased by 0.7 million people (from some 25.8 million to 25.1 million in Q2-2021.

Figure 2: There is a different incidence of temporary contracts by age group and level of qualification

Share of employees on temporary contracts by age and education level in the EU-27 (2020)



Source: Eurostat, Labour Force Survey [lfsa_etgar], [lfsa_etpgan] and [lfst_r_e2tgaedcu].

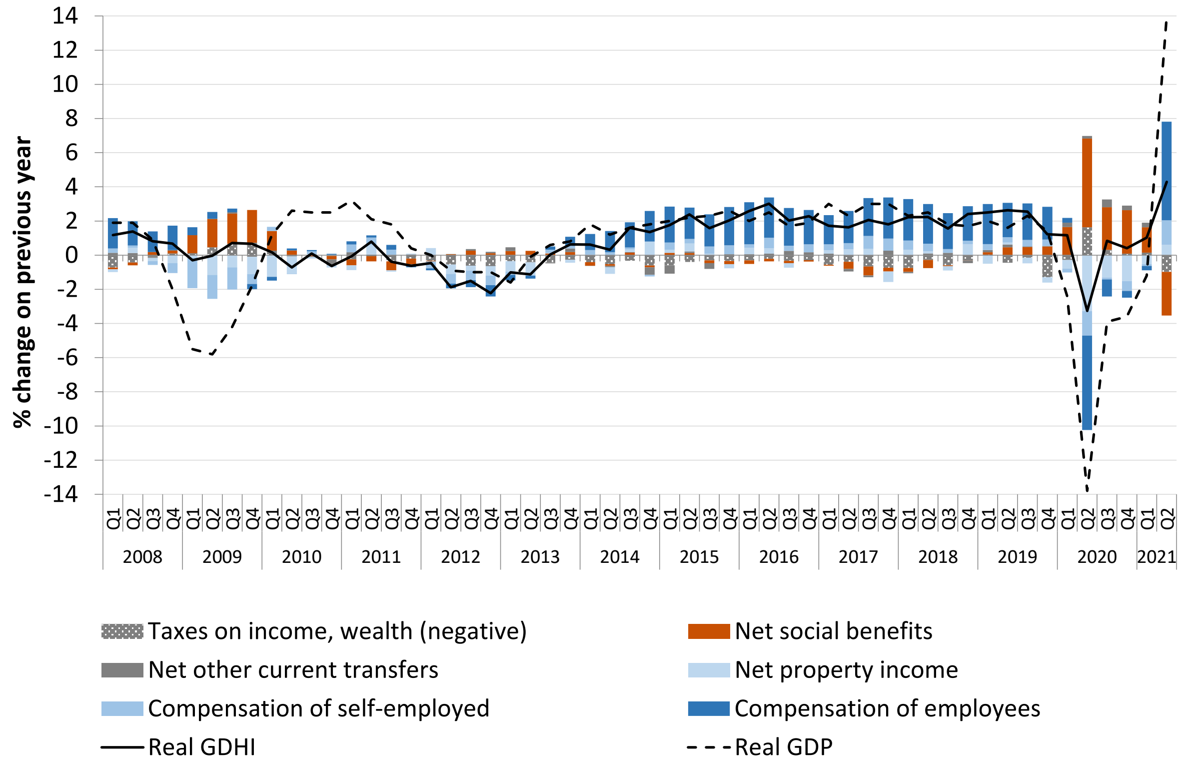
Labour market outcomes of non-EU born people have been strongly impacted by the crisis. In 2020, the employment rate (20-64) of people born outside the EU stood at 65.3%, 2.4 pps below the 2019 value, and 8.2 pps lower than for the native-born. The unemployment rate (15-74) of non-EU born stood at 12.3% in 2020, up from 10.8% of the previous year. Unemployment figures also show an increase from 13.5% in Q2-2020 to 13.9% in Q2-2021.

1.2 Social trends

In spite of the COVID-19 crisis, household incomes remained broadly stable on average across EU Member States in 2020, thanks to the swift policy response. As the pandemic struck, real gross disposable household income (GDHI) fell sharply, by 3.3% (year-on-year) in Q2-2020, but recovered by the end of the year and overall remained stable between 2019 and 2020 (with a decrease of 0.25%). The drop in compensations of employees was the largest (-5.5%), but compensation of the self-employed (-1.4%) and net property income (-3.3%) saw large declines too – see Figure 3. Over 2020, net social benefits contributed strongly to overall income, and played a major role in mitigating the overall drop in household incomes in the second quarter, also supported to some extent by adjustments to taxes on income and wealth. This trend continued in Q2 and Q3-2020 as well as in Q1-2021, with growth in income from social benefits more than offsetting the declines in compensation of employees and the self-employed (much reduced compared to the decline in the second quarter) and the fall in net income from property. Against the background of a fall in market income and real GDP by 6% year-on-year, this stability in aggregate household incomes witnesses the support provided by the exceptional discretionary policies put in place to mitigate the social impact of the crisis and the automatic stabilising effects of social protection and tax systems. Changes in Q2-2021 marked a turning point: both real GDP and compensation of employees grew rapidly, approximately at the same rate as they contracted a year before, in Q2-2020. Overall, real GDHI grew more than it had contracted a year before, also thanks to net social benefits decreasing at a slower pace than other income sources.

Figure 3: Broad stability in aggregate households' income on average in the EU in the context of the COVID-19 crisis resulted from the unprecedented policy response

GDP growth, growth in real gross disposable household income and its main components (EU-27)



Notes: DG EMPL calculations. Nominal GDHI was deflated using the price index of household final consumption expenditure. The real GDHI growth for the EU is estimated as a weighted average of Member States' values for those with avilable quarterly data based on the ESA2010 (overall 95% of EU GDHI).
Source: Eurostat, National Accounts [nasq_10_nf_tr] and [namq_10_gdp]. Data are non-seasonally adjusted.

Overall, income inequality remained broadly stable in the majority of Member States. According to Eurostat's flash estimates[21], the average income quintile share ratio (S80/S20) in the EU remained stable or registered a slight drop in 2020. This was again the result of the massive public support put in place and the strong automatic stabilisation that alleviated the consequences of the crisis, in particular for vulnerable groups. While employment incomes are estimated to have dropped by 10% for the first income quantiles and 2% for the fifth, the overall impact on disposable incomes was largely contained across the whole income distribution, thanks to the beneficial smoothing effect of the tax and benefit systems, and the operation of short-time work and other job retention schemes.

The share of people at risk of poverty or social exclusion remained broadly stable in the first year of the COVID-19 crisis. In 2020, about one in five persons was at risk of poverty

[21] Released on July 2021, available on Eurostat website. The full data for 2020 will be available in 2022.

or social exclusion (AROPE) in the EU (21.9%). All three components[22] of the AROPE indicator were stable for most Member States year-on-year. According to the flash estimates of Eurostat, the at risk of poverty (AROP) rate was unchanged in at least half of the Member States in comparison to 2019. These estimates show that the newly introduced policy measures, in combination with the tax and benefit systems, cushioned the impact of the COVID-19 crisis, stabilised incomes, and significantly contributed to preventing an increase in poverty risks. This resulted also in a broad stability of the material and social deprivation rate (6.8%, only a 0.2 pps increase). The share of people living in quasi-jobless households also remained stable (at 8.2%, only a 0.1 pps increase), mirroring the contained impact in terms of job losses, also a result of short-time work and other job retention measures. Energy poverty is an increasingly important form of poverty. On 13 October 2021, the Commission adopted a Communication on *Tackling rising energy prices*[23], which highlighted fair tax-benefit systems, targeted income support measures and inclusive renovation policies as key elements of a toolbox to mitigate energy poverty and address the immediate impact of price increases.

The at-risk-of-poverty or social inclusion rate (AROPE) for children was also stable but with larger cross-country differences and an increase in monetary poverty. There was more variation in the AROPE rate for children across Member States: four Member States registered values over 30%, while four others are under 15%. In addition, monetary poverty was less contained, as it increased substantially in a third of the Member States in 2020. Single parents and large families were significantly more at risk of poverty or social exclusion than families with 1-2 children (42.1% and 29.6% on average in the EU, respectively).

Poverty among people in employment remains a challenge. In-work poverty in the EU-27 increased by 0.5 pps (from 8.5% to 9%) between 2010 and 2019. While the data for 2020 is not yet fully available, the situation does not appear to have changed significantly since 2019. In general, vulnerable workers face more difficult circumstances: those on temporary contracts face a higher risk of in-work poverty than those on permanent contracts (16.2% vs 5.9%), as do low-skilled workers compared to high-skilled ones (19% vs 4.9%), and non-EU born compared to the native-born (20.1% vs 8.1%).

Despite social resilience at the aggregate level, vulnerable groups were more negatively affected by the COVID-19 crisis. Confinement measures have had a disproportionate impact on persons with disabilities[24], for instance, notably in terms of access to healthcare, education and other on-line support services, also aggravating pre-existing limitations in access to employment. People with a migrant background have been experiencing AROPE rates that are sometimes double those for the native-born.[25] The pandemic lockdowns cut many Roma living in segregated settlements from any source of income and (formal or informal) economic activity, leading to a further deepening of their poverty rates.[26]

[22] See Chapter 1.3 for details.

[23] Communication from the Commission on 'Tackling rising energy prices: a toolbox for action and support', COM (2021) 660 final

[24] European Commission, *Employment and Social Developments in Europe 2021*, June 2021

[25] As shown by Eurostat indicators [ilc_peps06] AROPE for foreign-born and native-born.

[26] According to surveys conducted by the European Union Agency for Fundamental Rights (FRA) in 2016 (EU 9 countries) and 2019 (EU 5 countries). See SWD(2020) 530 final.

1.3 The revised Social Scoreboard: overview of challenges related to Pillar principles

The analysis in the 2022 Joint Employment Report relies on a revised set of Social Scoreboard headline indicators endorsed by the Council.[27] The European Pillar of Social Rights Action Plan, published in March 2021, presented a proposal for a revised Social Scoreboard, which was then discussed with the Employment Committee (EMCO) and the Social Protection Committee (SPC) and endorsed by the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council on 14 June 2021. The revision aims at covering the Pillar Principles more comprehensively, reinforcing the role of the Social Scoreboard as the main quantitative tool to monitor progress towards the implementation of the Pillar in the context of the European Semester. The revised Scoreboard will also help complement the existing monitoring tools, in particular the Employment Performance Monitor and the Social Protection Performance Monitor[28].

Headline indicators in the revised Social Scoreboard support the monitoring of 18 out of the 20 Pillar principles[29] (four more than under the previous version), contributing to assessing key employment and social challenges in the Member States. The set of headline indicators was revised according to the principles of parsimony, availability, comparability, and statistical robustness. The indicators, linked to each of the three Pillar chapters, are as follows (new indicators are marked with **, revised ones with *)[30]:

- *Equal opportunities*
    - Adult participation in learning during the last 12 months (age 25-64)**
    - Share of early leavers from education and training (age 18-24)
    - Share of population with basic overall digital skills or above (age 16-74)
    - Young people neither in employment nor in education or training (NEET rate) (age 15-29)*
    - Gender gap in employment rate (age 20-64)
    - Income inequality measured as quintile share ratio (S80/S20)
- *Fair working conditions*
    - Employment rate (age 20-64)[31]

[27] Discussions with Member States took place in the Indicator Group of the Employment Committee (EMCO) and the Indicator Subgroup of the Social Protection Committee (SPC). The opinion by EMCO and SPC reporting on the agreement reached on the headline indicators of the revised Social Scoreboard was endorsed by the Employment, Social Policy, Health and Consumer Affairs Council on 14 June.

[28] The Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM) are yearly reports prepared respectively by the Employment Committee and the Social Protection Committee. They identify trends to watch, key employment and social challenges in Member States, and monitor progress towards the relevant EU wide employment and social targets.

[29] The two principles not yet covered are 7 and 8 'Information about employment conditions and protection in case of dismissals' and 'Social dialogue and involvement of workers', respectively. There are strict quality requirements for headline indicators, that also need to have a clear normative interpretation. So far, it was not possible to find such an indicator for these principles, but the Commission will conduct further work on this.

[30] As part of the revision, the headline indicator 'Net earnings of a full time single worker earning the average wage' was deleted.

[31] From 2021, in line with the relevant Regulations, Eurostat, through the National Statistical Institutes of Member States, collects data for the EU-LFS according to a revised methodology. This change aims to improve the labour market data, but has to be observed when interpreting changes in indicators close to the time of the change, 1 January 2021. Affected are in addition the Youth NEET rate, the Unemployment rate, the Long-term unemployment rate, the Gender gap in employment rate, the AROPE for children headline indicators.

  - Unemployment rate (age 15-74)
  - Long-term unemployment rate (age 15-74)
  - Gross disposable income of households in real terms, per capita[32]
- *Social protection and inclusion*
  - At-risk-of-poverty or social exclusion rate (age 0+) (AROPE 0+)[33]
  - At-risk-of-poverty or social exclusion rate for children (age 0-17) (AROPE 0-17)**[34]
  - Impact of social transfers (other than pensions) on poverty reduction[35]
  - Disability employment gap (age 20-64)**[36]
  - Housing cost overburden rate**[37]
  - Children aged less than 3 years in formal childcare
  - Self-reported unmet need for medical care (age 16+)[38].

The 'Disability employment gap' headline indicator temporarily uses EU-SILC as the statistical source, but will switch to the EU-LFS for improved accuracy as of 2022, providing

[32] As demanded by the Social Protection Committee, this indicator is measured using 'unadjusted income' (i.e. without including social transfers in kind) and dropping reference to the use of purchasing power standards (PPS) units.

[33] Together with its three sub-indicators: Severe material and social deprivation, full population (SMSD 0+), At risk of poverty, full population (AROP 0+) and Share of people living in households with very low work intensity (quasi jobless households), age 0-64 (QJ 0-64). SMSD 0+ replaces the component Severe Material Deprivation in data published from 2021 on to represent a more realistic set of needs in EU societies.

[34] Together with its three sub-indicators: Severe material and social deprivation, children (SMSD 0-17), Severe material and social deprivation, children (AROP 0-17) and Share of people living in households with very low work intensity (quasi jobless households), children (QJ 0-17). SMSD for children is modified version of SMSD for the whole population.

[35] This is measured as the difference, among total population, between the share of people at risk of (income) poverty before and after social transfers.

[36] The disability employment gap indicator is currently computed from the EU-SILC and based on the disability status as given by the Global Activity Limitation Index (GALI). Survey respondents answer the following questions: 1) 'Are you limited because of a health problem in activities people usually do? Would you say you are … severely limited; limited, but not severely; or not limited at all?' Is answer to question 1) is 'severely limited' or 'limited but not severely', respondents answer the question 2) 'Have you been limited for at least for the past 6 months? Yes nor No?'. A person is considered disabled if the answer is 'Yes' to the second question. As computed from EU-SILC, one observes a correlation between the prevalence of disability based on the GALI concept and the disability employment gap based on it in year 2020 across Member States of the EU27 (Pearson correlation coefficient = -0.6).

[37] The indicator measures the share of the population living in households where the total housing costs represent more than 40% of disposable income (both 'net' of housing allowances). The Methodological Guidelines and Description of EU-SILC variables (version April 2020) describes allowances (only means-tested ones included) as including rent benefits and benefits to owner-occupiers, but excluding tax benefits and capital transfers. The document defines housing costs as monthly and actually paid, connected with the household's right to live in the accommodation. They include structural insurance (for tenants: if paid), services and charges (sewage removal, refuse removal, etc.; mandatory for owners, for tenants: if paid), regular maintenance and repairs, taxes (for tenant: on the dwelling, if applicable) and the cost of utilities (water, electricity, gas and heating). For owners paying a mortgage, related interest payments are included (any tax relief deduced, but housing benefits not deduced). For tenants at market price or at reduced price, also rental payment is included. For rent free tenants, housing benefits should not be deduced from the total housing cost.

[38] Self-reported unmet needs for medical care concern a person's subjective assessment of whether he or she needed examination or treatment for a specific type of health care, but did not have it or did not seek it because of the following three reasons: 'Financial reasons', 'Waiting list' and 'Too far to travel'. Medical care refers to individual healthcare services (medical examination or treatment excluding dental care) provided by or under direct supervision of medical doctors or equivalent professions according to national healthcare systems (Eurostat definition). The problems that people report in obtaining care when they are ill can reflect barriers to care.

data in 2023. The Commission services, including Eurostat, will continue to monitor its quality and will review the indicator in the medium term, once LFS-based data become available (2023), and will support further steps to improve cross-country comparability and explore the development of additional indicators in this area. The headline indicator 'Adult participation in learning during the past 12 months' will also use the EU-LFS from 2022 onwards. The Commission will monitor the indicator together with Eurostat and conduct a thorough analysis of the data from the two survey sources when they will become available (2023) in order to ensure data quality and comparability. To ensure the monitoring of the Employment Guidelines 6 and 7, including in regard to active labour market policies, this Joint Employment Report 2022 will exceptionally use the indicator on adult participation in learning in the past 4 weeks (age 25-64).

Headline indicators are analysed using the common methodology agreed by the EMCO and SPC (see Annex 4 for more details). This methodology evaluates the situation and developments in Member States by looking at levels and changes with respect to the preceding year[39] of each of the headline indicators included in the Social Scoreboard. Levels and changes are classified according to their distance from the respective (unweighted) EU averages. Member States' performances on levels and changes are then combined using an agreed rule so that each Member State is assigned to one out of seven categories ('best performers', 'better than average', 'on average/neutral', 'good but to monitor', 'weak but improving', 'to watch' and 'critical situations'). On this basis, Table 1 provides a summary of the readings of the scoreboard according to the latest figures available for each indicator.

The Social Scoreboard headline indicators point at key challenges in EU Member States across the three areas of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion. In terms of 'critical situations' (red in Figure 4), a relatively large number of Member States still face significant challenges in relation to the labour market situation of women and the participation of children in formal childcare (with five red flags for both indicators). Labour market outcomes of other groups also raise concerns in a relatively large number of Member States, with the disability employment gap and the youth NEETs rate flashing red for six and four countries respectively. Early leavers from education and training also remain critical for four Member States. Finally, in the area of social protection and inclusion, the impact of social transfers (other than pensions) on poverty reduction is critical in a high number of Member States (6), and as many as four face critical challenges in relation to both poverty risks in general and child poverty in particular. Income quintile ratios are also 'critical' in four Member States. When extending the view to cover also the 'to watch' situations, on top of the 'critical' ones, the three indicators of youth NEETs, the impact of social transfers on poverty reduction, and children aged less than 3 in formal childcare flag most problematic cases with ten countries for the first two and eleven for the last one. A detailed analysis of the sixteen indicators, including longer-term trends, and additional indicators where relevant, is presented in Chapter 2.

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[39] With the exception of the Gross Disposable Household Income, which is measured as an index number (2008=100, thus reflecting a change compared to pre-crisis) and changes in the latest year, in agreement with the Employment Committee and the Social Protection Committee.

EU financial and technical support to employment, skills and social policy measures

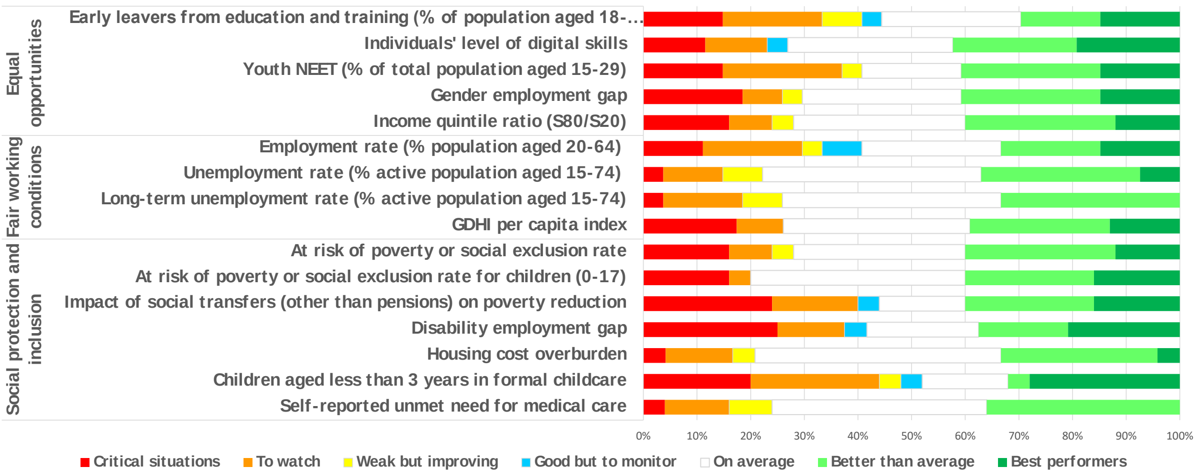
Significant EU funding is provided via different financial tools to support the implementation of the European Pillar of Social Rights. With around EUR 500 billion (including national co-financing) for the period 2021-2027, EU cohesion policy funds (notably the European Social Fund Plus, ESF+, and the European Regional Development Fund, ERDF) aim at reducing socio-economic disparities, supporting upward economic and social convergence and fostering structural change. In May 2020 the Commission proposed NextGenerationEU (EUR 807 billion in current prices, embedded in the 2021-2027 EU Multiannual Financial Framework) to mitigate the economic and social impact of the crisis, strengthen economic and social resilience and make the EU's economies and societies better prepared for the challenges and opportunities of the green and digital transitions, including in relation to their fair dimension. The new Recovery and Resilience Facility (RRF) is at the heart of NextGenerationEU (more details further down). The impact of EU funding is further reinforced via technical assistance financed through the Technical Support Instrument. Aim of the latter is to support – upon demand – national authorities with cutting-edge policy advice and tailor-made capacity building in priority areas for reform, including in the labour market, skills and social policy domains. Technical support can be offered on a bilateral or multi-country basis.

The Recovery and Resilience Facility (worth EUR 723.8 billion in current prices) provides large-scale financial support to reforms and investments in the Member States that support sustainable and inclusive growth and job creation, with particular attention to those addressing the challenges identified in the Country-Specific Recommendations in the European Semester context. As many as four of the six pillars that define the remit of the Facility are relevant for the implementation of the European Pillar of Social Rights: smart, sustainable and inclusive growth; social and territorial cohesion; health, and economic, social and institutional resilience, and policies for the next generation, children and the youth. As a result, due attention is provided to employment, skills and social policy areas in the recovery and resilience plans put forward by the Member States, endorsed by the Commission and approved by the Council.

With a budget of almost EUR 99.3 billion for the period 2021-27, the ESF+ will support, complement and add value to Member States' policies in the employment, skills and social policy domains. The Fund will finance measures that ensure equal opportunities, equal access to the labour market, fair and quality working conditions, social protection and inclusion, in particular focusing on quality and inclusive education and training, lifelong learning, investment in children and young people and access to basic services. At the start of the COVID-19 crisis, cohesion funds provided a rapid response under the Coronavirus Response Investment Initiative and the Coronavirus Response Investment Initiative Plus (CRII and CRII+), resulting in a net increase of over EUR 11 billion for employment and healthcare measures by November 2021. An additional EUR 50.6 billion Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) contributed to strengthening crisis-repair capacities in Member States. Finally, EUR 100 billion in loans have been made available through the Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) in favour of short-time work schemes and similar job-retention measures, in particular for the self-employed.

As part of the European Green Deal Investment Plan, the Just Transition Mechanism (JMT) was set up to help support a just transition towards climate-neutrality. The first pillar is the Just Transition Fund (JTF)[40], established in the framework of cohesion policy, which provides EUR 19.3 billion to mitigate the adverse effects of the transition process to a climate-neutral economy by supporting the most affected territories.

Figure 4: Employment, skills and social challenges across EU Member States by headline indicator in the revised Social Scoreboard



Notes: 1) data for the indicator on adult participation in learning is not yet available; 2) indicator on digital skills refers to 2019 data; 3) Data is missing for some countries in some indicators: the legends for all indicators are presented in the Annex.

[40] Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund; EUR-Lex - 32021R1056 - EN - EUR-Lex (europa.eu)

Table 1. Social Scoreboard headline indicators: overview of challenges across Member States

		Year	Best performers	Better than average	Good but to monitor	On average / neutral	Weak but improving	To watch	Critical situations
Equal opportunities	Early leavers from education and training (% of population aged 18-24)	2020	EL, HR, IE, SI	EE, LV, PL, PT	LT	AT, BE, DE, DK, FR, NL, SK	ES, MT	CY, CZ, FI, LU, SE	BG, HU, IT, RO
	Individuals' level of digital skills	2019	DE, DK, FI, NL, SE	AT, CZ, EE, EL, HR, IE	LU	BE, ES, FR, LT, MT, PT, SI, SK		CY, HU, PL	BG, LV, RO
	Youth NEET rate (% of total population aged 15-29)	2020	DE, LU, NL, SE	AT, BE, DK, FI, HR, MT, SI		CZ, EE, FR, LV, PL	RO	CY, HU, IE, LT, PT, SK	BG, EL, ES, IT
	Gender employment gap	2020	FI, LT, LV, SE	DE, DK, EE, FR, LU, PT, SI		AT, BE, BG, CY, ES, IE, NL, SK	MT	CZ, HR	EL, HU, IT, PL, RO
	Income quintile ratio (S80/S20)	2020	CZ, SI, SK	AT, BE, DK, FI, NL, PL, SE		CY, EE, EL, FR, HR, HU, LU, PT	RO	ES, MT	BG, DE, LT, LV
Fair working conditions	Employment rate (% population aged 20-64)	2020	CZ, DE, NL, SE	DK, FI, LV, MT, PL	EE, LT	AT, CY, FR, HU, LU, SI, SK	HR	BE, BG, IE, PT, RO	EL, ES, IT
	Unemployment rate (% active population aged 15-74)	2020	CZ, PL	BG, DE, FR, HU, MT, NL, RO, SI		AT, BE, CY, DK, FI, HR, IE, LU, PT, SE, SK	EL, IT	EE, LT, LV	ES
	Long-term unemployment rate (% active population aged 15-74)	2020		CZ, DE, DK, HU, MT, NL, PL, PT, SE		AT, BE, BG, CY, FI, FR, HR, IE, LV, RO, SI	EL, IT	EE, LT, LU, SK	ES
	GDHI per capita growth (2008=100)	2020	HU, LT, PL	CZ, IE, LV, MT, SI, SK		DE, DK, FI, HR, LU, NL, PT, SE		AT, BE	CY, EL, ES, IT
Social protection and inclusion	At risk of poverty or social exclusion rate	2020	CZ, SI, SK	AT, CY, DK, FI, NL, PL, SE		BE, EE, FR, HR, HU, LU, MT, PT	LV	DE, LT	BG, EL, ES, RO
	At risk of poverty or social exclusion rate for children (0-17)	2020	CZ, DK, FI, SI	EE, LT, NL, PL, SE, SK		AT, BE, CY, FR, HR, HU, LU, LV, MT, PT		DE	BG, EL, ES, RO
	Impact of social transfers (other than pensions) on poverty reduction	2020	BE, DK, FI, FR	CZ, HU, LU, SE, SI, SK	AT	CY, EE, NL, PL		DE, EL, LT, PT	BG, ES, HR, LV, MT, RO
	Disability employment gap	2020	AT, DK, EE, FI, PT	ES, LT, LU, SI	FR	CY, CZ, EL, NL, SK		MT, RO, SE	BE, BG, DE, HR, HU, PL
	Housing cost overburden	2020	SK	CY, FI, HR, LT, MT, PT, SI		AT, BE, CZ, ES, HU, LU, LV, NL, PL, RO, SE	EL	BG, DK, EE	DE
	Children aged less than 3 years in formal childcare	2020	BE, DK, FR, LU, NL, PT, SE	SI	ES	EE, FI, LV, MT	HR	AT, BG, CY, DE, EL, LT	CZ, HU, PL, RO, SK
	Self-reported unmet need for medical care	2020		AT, CY, CZ, DE, ES, HU, LU, MT, NL		BE, BG, DK, FR, HR, LT, PT, SE, SI, SK	EE, EL	FI, LV, RO	PL

Note: update of 28 October 2021. Income quintile ratio, At risk of poverty or social exclusion rate, At risk of poverty or social exclusion rate, for children, Impact of social transfers on poverty reduction, Housing cost overburden, Children aged less than 3 years in formal childcare and Self-reported unmet need for medical care not available for Ireland and Italy. GDHI growth not available for Bulgaria, Estonia, France, Romania. Disability employment gap not available for Ireland, Italy and Latvia. Breaks in series and flags are reported in Annexes 1 and 2.

1.4 EU headline targets by 2030

The EU set three headline targets for 2030 on employment, skills and poverty reduction, as presented in the European Pillar of Social Rights Action Plan. The headline targets were welcomed by the EU Leaders in the 8 May Porto Declaration and by the June European Council and endorsed by the June EPSCO Council.[41] Together with the complementary goals that are presented below, they reflect the three chapters of the Pillar, i.e. equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion[42]. The three targets will help steer action towards a job-rich recovery and growth model, with lifelong learning supporting workers in making the most of economic and societal transformations, while fighting poverty and social exclusion in the EU and contributing to achieving the Sustainable Development Goals. They are set at ambitious though realistic levels, taking into account the socio-economic context, wider trends and the planned reforms and investments, including under the Recovery and Resilience Facility. Based on the agreed targets, by 2030 in the EU:

- At least 78% of the population aged 20 to 64 should be in employment.[43]
- At least 60% of adults (25-64) should participate in training every year.
- The number of people at risk of poverty or social exclusion should be reduced by at least 15 million.

Member States are now in the process of setting their own national targets in line with the ambitions embedded in the EU headline targets. The Porto Social Commitment of 7 May 2021 (signed by the Presidents of the European Parliament and the European Commission, the Portuguese Prime Minister, EU social partners and the Social Platform) called on the Member States to set ambitious national targets which, taking due account of the starting position of each country, constitute an adequate contribution to the achievement of the European targets. In July 2021, the Commission invited the Member States to send their initial proposals for 2030 national targets. Both the EU headline targets and the national targets will be monitored in the context of the European Semester.

As reflected by the employment rate headline target, a high level of employment is a key priority for 2030 to ensure that everyone can participate fully in the economy and society. Participation in the labour market is important to support sustainable and inclusive growth potential, foster active participation in society and contribute to the adequacy and fiscal sustainability of social protection systems, also in the light of population ageing. Progress in green and digital labour market transitions will be important for the achievement of this target. The EU-wide employment rate stood at 72.5% in 2020, 5.5 pps below the 2030 78% ambition embedded in the headline target (see Figure 5).

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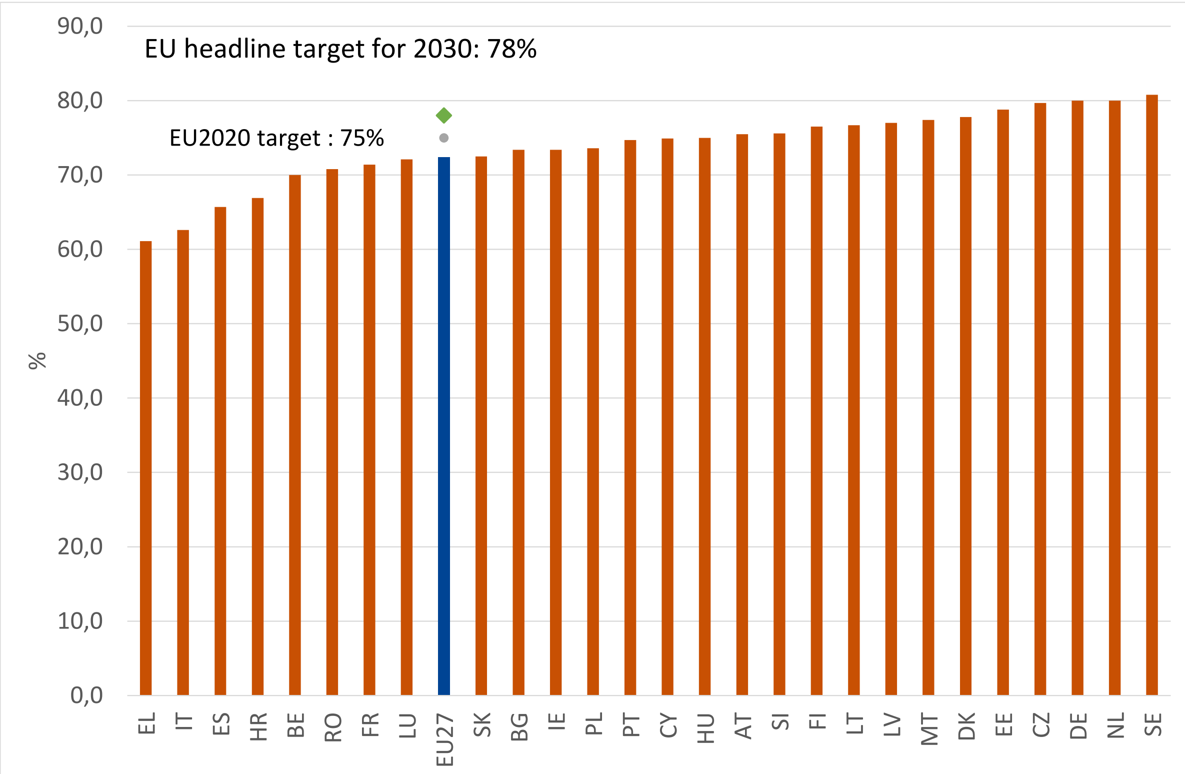
[41] The Porto declaration and the European Council meeting (24 and 25 June 2021) Conclusions.

[42] These complement other frameworks such as the European Green Deal, the European Skills Agenda, the European Education Area, the EU Roma strategic framework for equality, inclusion and participation, and the Digital Decade.

[43] The employment rate target was set in the light of scenarios simulated on the basis of potential GDP growth rates and Eurostat population projections until 2030 as well as the employment – GDP relationship during the 2013-2019 recovery.

Complementary goals were set by the European Pillar of Social Rights Action Plan to increase the labour market participation of women and young people, thus supporting the overall employment rate target. The complementary ambitions aim at halving the gender employment gap, increasing the provision of formal early childhood education and care (ECEC), and decreasing to 9% the share of young people (15-29) who are neither in employment, nor in education or training (NEETs). Increasing the labour market participation of women is important to raise growth potential, and respond to the challenge related to an ageing population and a shrinking workforce. Supported by formal ECEC, stronger participation of women in the labour market can also contribute to the reduction of poverty and social exclusion, including among children, through the positive impact on households' incomes. Similarly, reducing the NEET rate means activating the untapped potential of young people as key to ensure their full participation in society.

Figure 5. Employment rate of the 20-64 years old in 2020

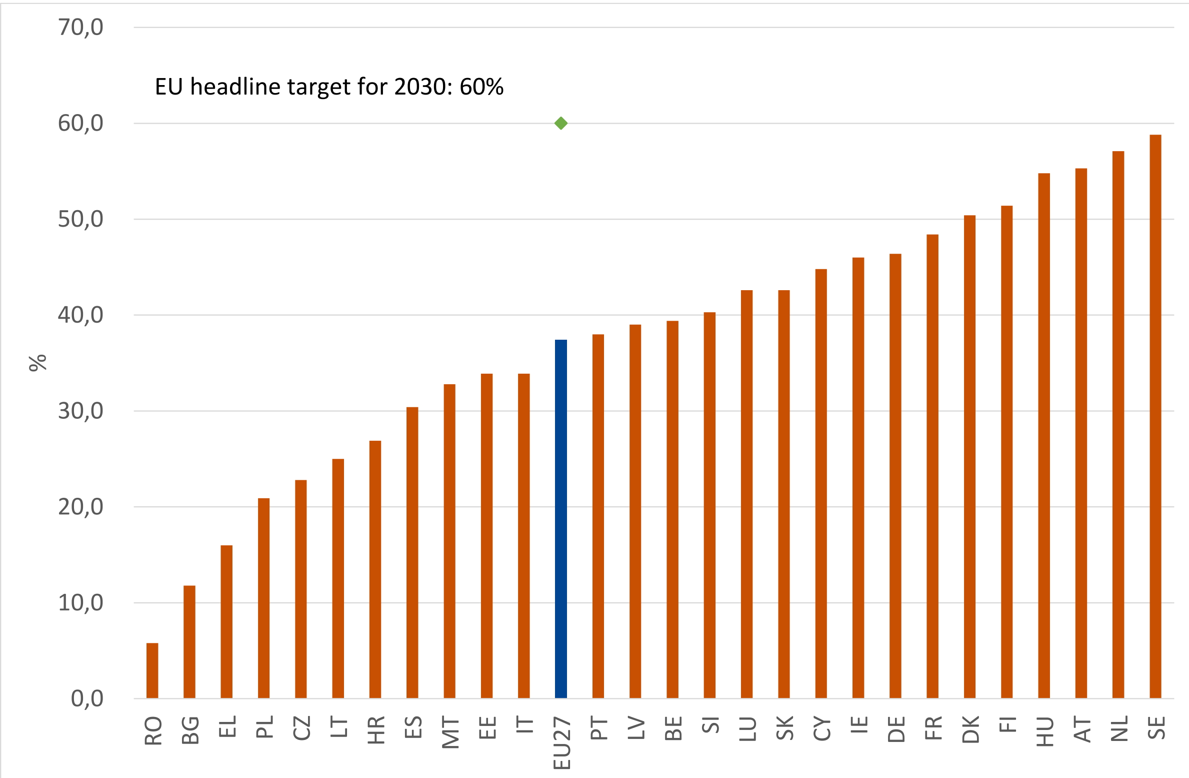


Source: Eurostat, indicator [tesem010]

The 2030 headline target on adults' participation in learning reflects the need to ensure adaptation and the capability to reap benefits in a context of rapidly changing labour market needs, following the COVID-19 shock and in light of the green and digital transformations. The impact of the pandemic on the economy and society as well as structural changes ahead highlight the need for career-long requalification and lifelong skills development. This is more important than ever, as the digital and green transitions are expected to fundamentally change the skill requirements of many jobs and create new ones. Against this background, the EU headline target on adult learning was set at 60%, compared to the 2016 rate of 37.4%[44] (see Figure 6). The 2030 target was thus set at an ambitious level, with reinforced EU and Member States' efforts triggered by the European Skills Agenda, as well as significant additional EU funding made available for training, including under the Recovery and Resilience Facility (see Chapter 2.2).

Reaching the adult learning target is possible only with solid foundations in education and training systems, while skills acquisition needs to respond to the labour market needs of the future. Educational attainment is a major factor in determining the employment prospects of young people, also setting the foundations for learning later in life. Despite this, as many as 9.9% of young people in the EU had not attained at least upper secondary education in 2020. For this reason, the Pillar Action Plan set the complementary goals of further reducing early school leaving and increasing participation in upper secondary education. Moreover, the complementary goal of at least 80% of those aged 16-74 having at least basic digital skills recognises the key role of these to ensure full participation in the labour markets and societies of the future. Action in this area is particularly urgent given the slow EU-wide progress made since 2015 (from 54% in 2015 to 56% in 2019).

Figure 6. Adult participation in learning during the past 12 months (%, 2016)



Source: special extraction, available [online from Eurostat].

Achieving an ambitious decline in poverty and social exclusion is essential to ensure inclusive growth and upward social and economic convergence in the EU. The 2030 target entails a reduction of 15 million fewer people at risk of poverty or social exclusion

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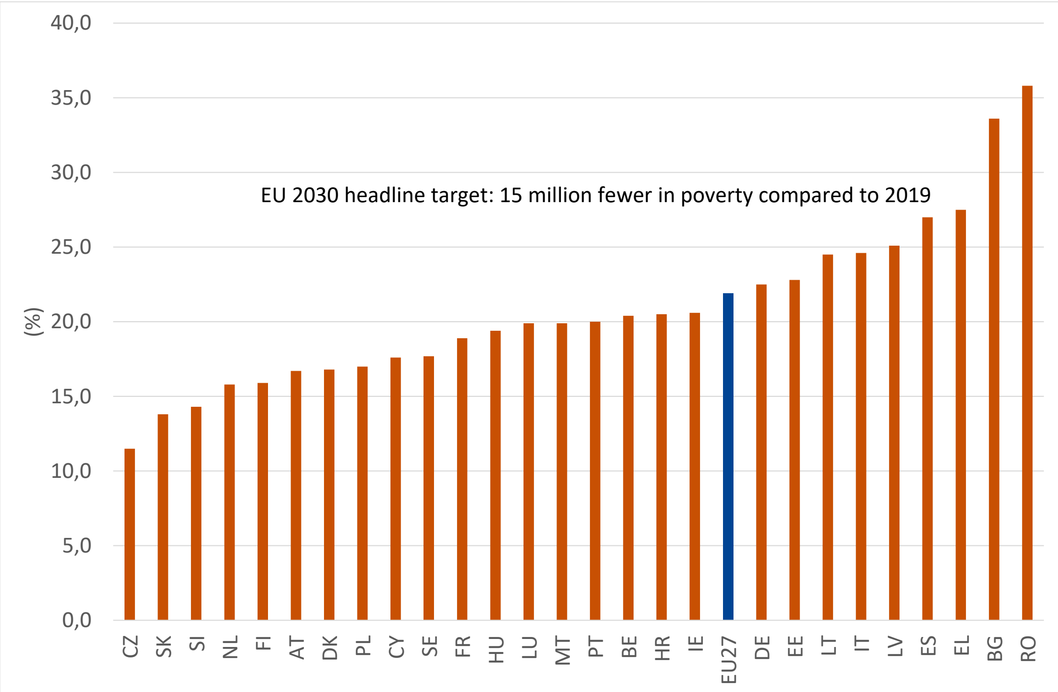
[44] As presented in 1.2, the latest available data is from 2016. The Commission will monitor the indicator together with Eurostat and conduct a thorough analysis of the data from the two survey sources when they will become available (2023) in order to ensure data quality and comparability.

(AROPE) by 2030.[45] In 2020, the EU-wide AROPE rate stood at 21.9% (see Figure 7). To achieve the ambition embedded in the EU poverty reduction target, Member States will need to take action along the three dimensions of income support, access to goods and services and labour market integration.

The European Pillar of Social Rights Action Plan has set as a complementary goal the reduction in the number of children at risk of poverty or social exclusion. Focussing on children is key to break the intergenerational cycle of poverty and contribute to equal opportunities in the EU. To commit to this ambition, this complementary goal proposes to reduce the number of children AROPE by at least 5 million by 2030.

Figure 7: AROPE rate for the whole population in 2020 (%)



Source: Eurostat indicator [tepsr_lm410]. The 2030 target of a reduction of 15 million persons by 2030 would correspond to an AROPE rate of 17.6% according to the base value in 2019 and the central demographic scenario of Eurostat for the 2020 decade.

Benchmarking frameworks supporting analysis and policy making

The 2017 Communication on establishing the European Pillar of Social Rights proposed benchmarking as a tool to support structural reforms and foster upward convergence in the employment and social fields. As a multilateral exercise, benchmarking frameworks combine quantitative indicators (on performance and outcomes) with the qualitative analysis of policy design features and policy levers that affect good policy making. In addition to supporting policy making, the benchmarking frameworks, together with the Social Scoreboard indicators, help inform the analysis in the European Semester and the Joint Employment Report.

Since 2017, benchmarking frameworks have been developed by the Commission and discussed with Member States in several areas, in line with a common approach agreed by the Employment

[45] Taking into account the central demographic scenario of Eurostat for the 2020 decade.

Committee (EMCO) and the Social Protection Committee (SPC). The frameworks addressed the areas of 1) unemployment benefits and active labour market policies, 2) adult skills and learning, and 3) minimum income. The main results of these exercises were reported in the previous Joint Employment Reports. The Commission has also started working on additional frameworks for possible use in the future Semester cycles, notably in cooperation with the Employment Committee on benchmarking minimum wages and on mapping collective bargaining, and with the Social Protection Committee on pension adequacy and on childcare and support to children.

The framework on childcare and support to children has been agreed by the Social Protection Committee in October 2021. It identifies outcome indicators (on early childhood education and care attendance, child poverty and child specific deprivation) and performance indicators (the gap in childcare attendance for children along income quintiles, the impact of social transfers on child poverty, gaps in housing cost overburden and housing deprivation rate for children, the impact of parenthood on employment in the age bracket 25-49 and the share of population, aged 25-49, inactive or working part-time due to care responsibilities, by gender). To assess the adequacy of income support, two indicators were agreed relating to the income of a non-working couple with two children and that of a low-wage, single-earner couple with two children, both as a share of the poverty threshold. A range of contextual information is provided for better accounting for Member States' situations in monitoring trends. Some areas are also highlighted for further work, especially on policy levers.

By strengthening the common understanding of the pertinent indicators and policy levers in a policy area, benchmarking frameworks make a strong contribution to the implementation of the European Pillar of Social Rights. Following the adoption of the European Pillar of Social Rights Action Plan, future benchmarking frameworks will be adjusted to the revised Social Scoreboard. The main results of these exercises are reported in the Joint Employment Report.

EMPLOYMENT AND SOCIAL REFORMS – MEMBER STATES PERFORMANCE AND ACTION

2.1. Guideline 5: Boosting the demand for labour

This section looks at the implementation of the employment guideline no. 5, which recommends Member States to create the conditions that promote labour demand and job creation, in line with Pillar principles 4 (active support to employment) and 6 (wages). Subsection 2.1.1 focuses on key labour market developments, also reflecting the impact of the COVID-19 crisis. Subsection 2.1.2 reports on the measures implemented by the Member States in these areas, with a special focus on those that preserved employment in the COVID-19 crisis and support job creation.

2.1.1 Key indicators

After the initial shock from the COVID-19 crisis, labour market outcomes have stabilised in 2021. Despite a year-on-year decline in EU GDP by 6% in 2020, the unemployment rate only rose by 0.4 pps, from an average 6.7% to 7.1% over the same period (with an increase of 1.4 pps in monthly figures from the pre-crisis low of 6.3% in March 2020 to the peak of 7.7% in September 2020). Support measures in the form of short-time work and other job retention schemes contributed to the relatively limited increase in unemployment. A lower participation in the labour market, mainly due to fears of contagion and reduced chances to find a job given subdued economic activity, also mitigated the increase in the unemployment rate. While the economic recovery will sustain job creation, getting back to pre-crisis employment levels is not expected before 2022. This is despite the fact that the unemployment rate approaches the pre-crisis level (6.7%) in September 2021.

The number of workers benefiting from short-time work and similar job-retention schemes remained high until mid-2021. All EU Member States either introduced or strengthened short-time work and/or similar job-retention schemes in the COVID-19 crisis. During the first wave of the pandemic (April-May 2020), the use of such schemes reached unprecedented levels (up to 40% of total employees in up to 60% of all companies in Member States such as France and Italy, see Figure 2.1.1). Albeit at lower levels, the use of these schemes remained significant in the second half of 2020 and the first half of 2021. These support measures contributed significantly to limiting the labour market impact of the pandemic, notably in terms of employment rates and in particular for workers on lower incomes (Eurostat, 2021[46]). In some Member States (e.g. Estonia and Latvia) the schemes were closed and then subsequently re-introduced to deal with the resurgence of the pandemic. As part of the EU response to the pandemic, in 2020 19 Member States, for a total of approximately 31 million people and 2.5 million firms, received support from SURE [47]. It will be important to make sure that short-time work schemes facilitate and support restructuring processes and do not delay structural adjustments. For this the exceptional emergency measures should be phased out once time is ripe.

[46] Impact of COVID-19 on employment income - advanced estimates - Statistics Explained (europa.eu).
[47] Second report on the implementation of SURE (COM/2021/596).

Figure 2.1.1: The proportion of employees and companies supported by short-time work and other job retention measures decreased gradually

The coverage of job retention measures varied among Member States (in %, Q1-2020 to Q2-2021)

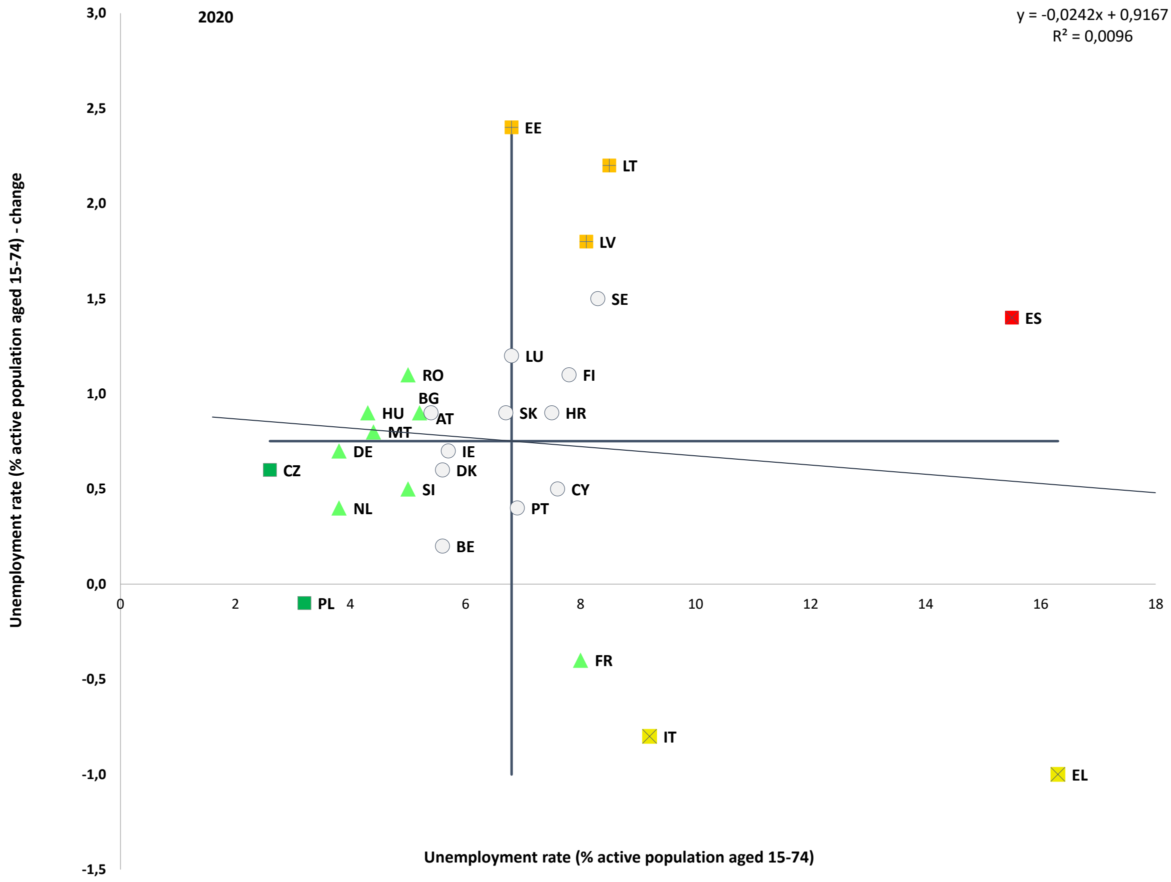
Note: No data available for Czechia and Romania.
Source: Eurostat, COVID-19 statistics[48]

Unemployment in most EU Member States worsened in 2020 compared to 2019. In 2020 the unemployment rate increased in all but four Member States compared to 2019 (see Figure 2.1.2), with the peak for the EU (7.7%) reached in September 2020. The Social Scoreboard situation remains 'critical' in Spain, which recorded an increase in 2020 from an already high unemployment rate, while Greece and Italy are 'weak but improving'. The unemployment situation in the Baltic States worsened significantly in the course of 2020, though recent data indicate that a rebound has taken place in 2021. In the first nine months of 2021, the strongest decreases in unemployment were recorded in Cyprus (-3.5 pps), Greece (-3.1 pps) and Austria (-2.1 pps). Over the same period smaller improvements, but still higher than 1 pp, were recorded in Ireland, Denmark, Slovenia, Estonia and Spain.

48 Society and work - COVID-19 - Eurostat (europa.eu).

Figure 2.1.2: Unemployment rose in most Member States in 2020

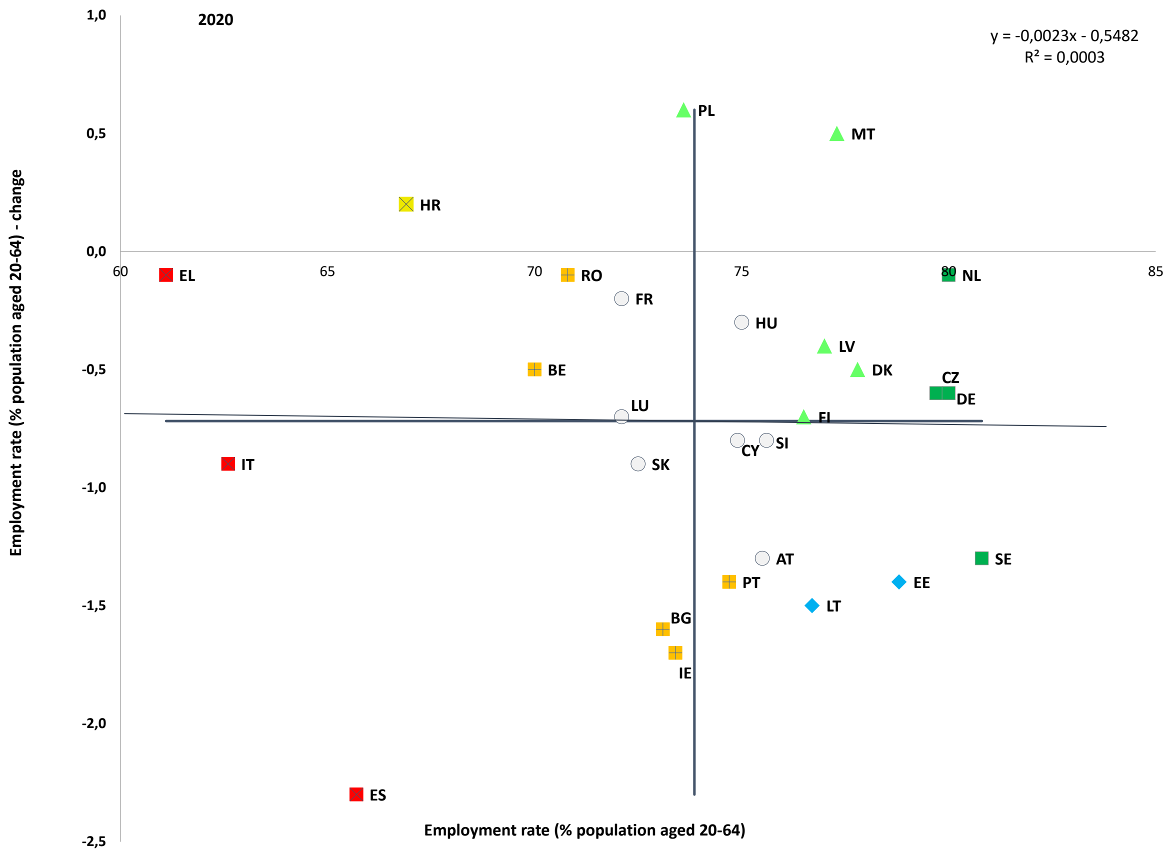
Unemployment rate (age 15-74) and yearly change from 2019 to 2020 (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.
Source: Eurostat, [une_rt_a] LFS.

According to the Social Scoreboard indicator, employment in almost all EU countries decreased in 2020 compared to 2019. As shown in Figure 2.1.3, Greece, Italy and Spain are still in 'critical situations' according to the Social Scoreboard methodology, due to further decline in employment which left rates at around or below 65%. On the other hand, Sweden, Germany, Czechia and the Netherlands are 'best performers' (with rates close to or above 80% in 2020). Overall, the EU employment rate (age group 20-64) dropped to 72.5 in 2020 (-0.7 pps compared to 2019). Employment rates have started recovering in Q3-2020. Still, the EU employment (employees and self-employed) was 1% lower in Q2-2021 (according to national accounts data) than at the peak in the last quarter of 2019, with persistent regional differences (see Annex 3). The EU employment rate gap between cities and rural areas was not affected by the COVID-19 crisis and stood at 0.9 pps in 2020 for the population aged 20-64 (a decline of 0.1 pps from 2019). National accounts data show that from Q1 to Q2-2021, the employment growth was positive in all Member States except for Estonia and Spain. In nine Member States (Belgium, Denmark, France, Luxembourg, Hungary, Malta, the Netherlands, Poland and Portugal) the employment rate in Q2-2021 had overtaken pre-crisis levels (Q4-2019).

Figure 2.1.3: The employment rate dropped in almost all Member States in 2020
Employment rate (age 20-64) and its yearly change from 2019 to 2020 (Social Scoreboard headline indicator)



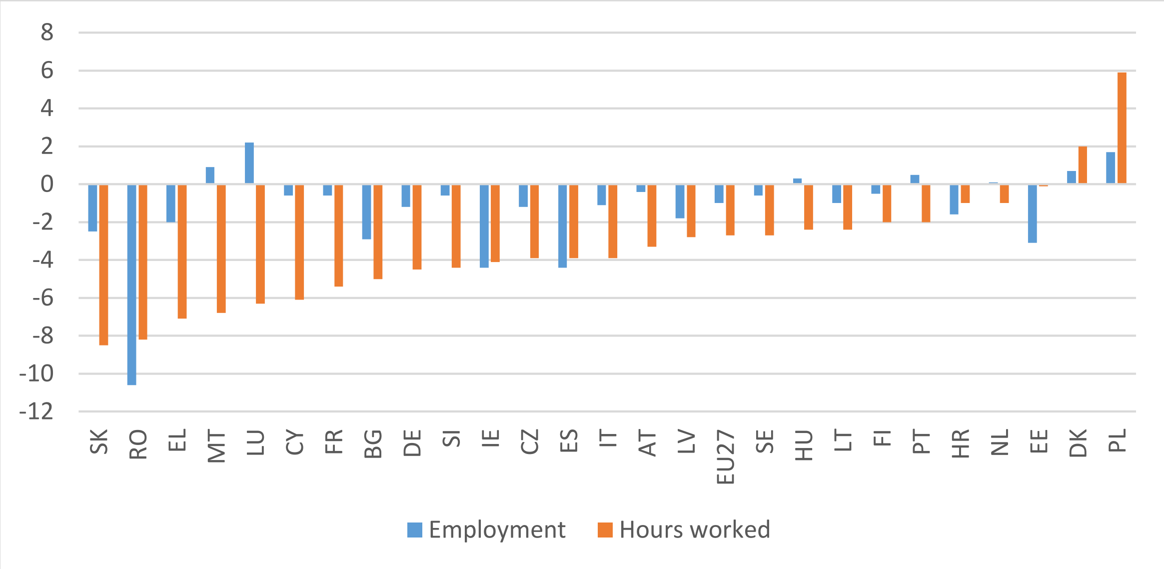
Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.
Source: Eurostat [lfsi_emp_a], LFS.

All but two Member States experienced a fall in hours worked per employed person since the start of the COVID-19 crisis. As a result of measures to contain the immediate employment impact of the crisis, the reduction in total hours worked shows a more severe decline than may have been suggested by changes in aggregate employment rates (Figure 2.1.4). The degree to which employment losses could be avoided also depended on occupational characteristics, including the critical nature and the degree of 'teleworkability' of occupations and required social interaction. After spiking in Q2-2020, the number of workers absent from work fell to pre-pandemic levels in most Member States. Since the start of the recovery, hours worked have remained below pre-pandemic levels in all countries except for Denmark and Poland. Low levels of hours worked may reflect the use of short-time work in light of the still reduced activity; yet, it is also unclear when hours worked per employee will return to pre-crisis levels[49]. A breakdown by gender of the developments on hours worked is presented in section 2.2.

[49] European Commission (2021), Labour Market and Wage Developments in Europe, Annual review 2021. Luxembourg: Publications Office of the European Union (forthcoming).

Figure 2.1.4: Most Member States recorded a significant fall in employment and total hours worked

Change in total employment and total hours worked between Q4-2019 and Q2-2021 (in %)



Note: seasonally and calendar adjusted data, except only seasonally adjusted for CZ, EL, FR, MT, PL, PT, SK (employment) and MT, SK (hours worked). Data on hours worked for BE is not available. Data on LU and IE are for Q1-2021.

Source: Eurostat [namq_10_a10_e] National accounts

Employment declined more strongly in sectors more affected by the lockdowns and the necessary containment measures introduced to combat the pandemic. The highest declines in employment were registered in the sectors most severely affected by the lockdowns, such as accommodation, food, travel agency activities, culture and household services.[50] On the contrary, manufacture of basic pharmaceuticals, insurance, computer programming and telecommunications are among the activities that experienced the highest increases in employment in 2020 (compared to the previous year).[51] Most impacted sectors were also among the main beneficiaries from short-time work arrangements.

Self-employment dropped more than total employment, with some differences across countries. In 2020, the number of self-employed in the EU fell by 1.5% representing a share of 14%; this decrease was most pronounced among the self-employed with employees (-4.7%). Particularly hit were the self-employed in Germany and Italy. Eleven Member States however recorded growth in the number of self-employed, particularly Poland, France, the Netherlands and Hungary. In the second quarter of 2021, the number of self-employed in the EU went down by 2.6% compared to the same quarter of one year before, with a 5% decrease among the solo self-employed. The largest declines in 2021 were recorded in Romania, Italy,

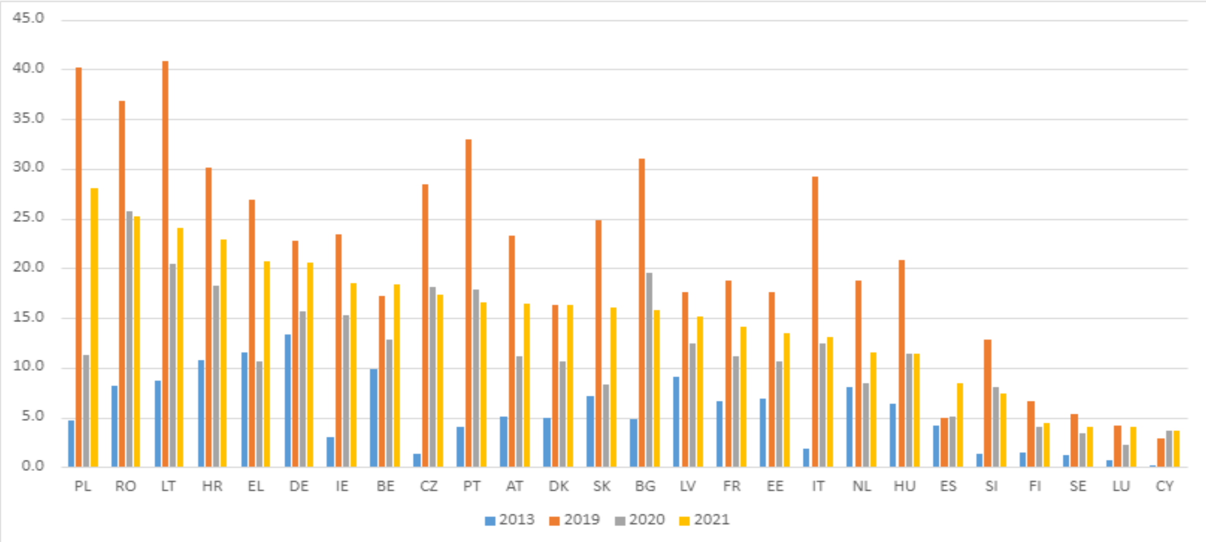
[50] Eurofound (2021), COVID-19: Implications for employment and working life, COVID-19 series, Publications Office of the European Union, Luxembourg.
[51] European Commission (2021) Employment and social developments in Europe 2021.

Portugal and the Netherlands. Between Q1-2021 and Q2-2021, while total employment has been recovering in the EU, self-employment[52] has not.

The COVID-19 crisis temporarily reduced the historically high levels of labour shortages reached before, but in most Member States they are again on the rise. Labour shortages occur when employers cannot find the workers they need to fill open vacancies. Before the crisis, in Q2-2019, the vacancy rate stood at 2.4% in the EU-27. The job vacancy rate dropped to 1.6% in Q2-2020, and has been rising since then to reach 2.3% in Q2-2021, almost completely reabsorbing the impact of the COVID-19 shock. According to the European Business and Consumer Surveys (EU-BCS), prior to the pandemic labour shortages were at their historical peak in 15 Member States (Austria, Belgium, Bulgaria, Czechia, Estonia, Greece, France, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Portugal, Romania and Slovakia – see Figure 2.1.5)[53]. The COVID-19-induced decline in economic activity led to a drop in labour shortages in almost all Member States[54]. In 2021, following the easing of the lockdown measures and the gradual economic recovery, labour shortages have started rising again in most Member States. In sectors such as construction, health and long-term care, as well as information and communication, long-lasting skills shortages drive this process. Shortages moved closer to their pre-pandemic levels in the second quarter of 2021, while unemployment declined only marginally. Some Member States have experienced a sharper increase in labour shortages than others. The shares of employers reporting that labour shortages were a major factor limiting the production in the first three quarters of 2021 were highest (above 20%) in Poland, Romania, Lithuania, Croatia, Greece and Germany.

Figure 2.1.5: Reported labour shortages declined as a result of the pandemic in most Member States, but they are again on the rise with the recovery taking hold

Labour shortage index - Share of employers in manufacturing, services and construction reporting that labour shortages are a major factor limiting their production (in %, 2013-2021).



[52] National Accounts figures, seasonally adjusted.

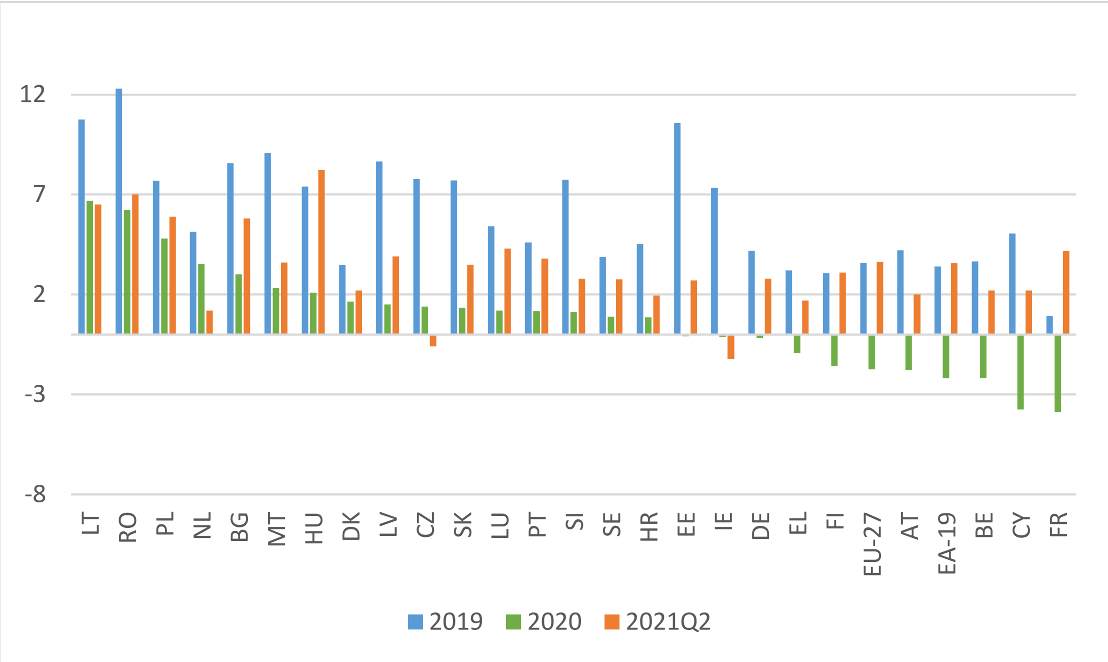
[53] The results broadly correlate with the findings from the European Investment Bank Group Investment Survey 2019.

[54] Though this was likely limited by the introduction of short-time work and other employment support measures.

Notes: Countries are ranked in descending order of labour shortages in 2021. Data for 2021 is calculated as the average of the first three quarters.
Source: EU-BCS.

The COVID-19 crisis caused a large fall in the nominal wage growth rate, followed by a recovery in the first half of 2021. Compared to 2019, when wages[55] expanded at a rate of 3.6% for the EU-27, in 2020 wage growth was negative, at -1.8%. The reduction can at least partly be explained by the impact of short-time work, with variations depending on the design of national measures[56]. However, the negative aggregate masks substantial heterogeneity among countries. In 2020, Lithuania, Romania, Poland, the Netherlands and Bulgaria recorded high nominal wage growth at or above 3%. Wages decelerated in southern European countries, plus Belgium, Austria and Finland. The largest deceleration rates were recorded in Italy (-6.9%), Spain (-5.4%), France (-3.9%) and Cyprus (-3.6%) (Figure 2.1.6). This is mainly due to the reduction of hours worked associated with the widespread use of short-time work schemes. In the first half of 2021, with several Member States exiting the recession, and short-time work schemes being phased out, all Member States, apart from Ireland and Czechia, have again recorded increases in wage growth. Overall, in the first half of 2021 wage growth stood at 3.6% in both the EU and the euro area.

Figure 2.1.6: Nominal wage growth turned negative during the crisis in several Member States but has recovered in 2021
Nominal compensation per employee (annual % change, 2019-2020 and Q2-2021)



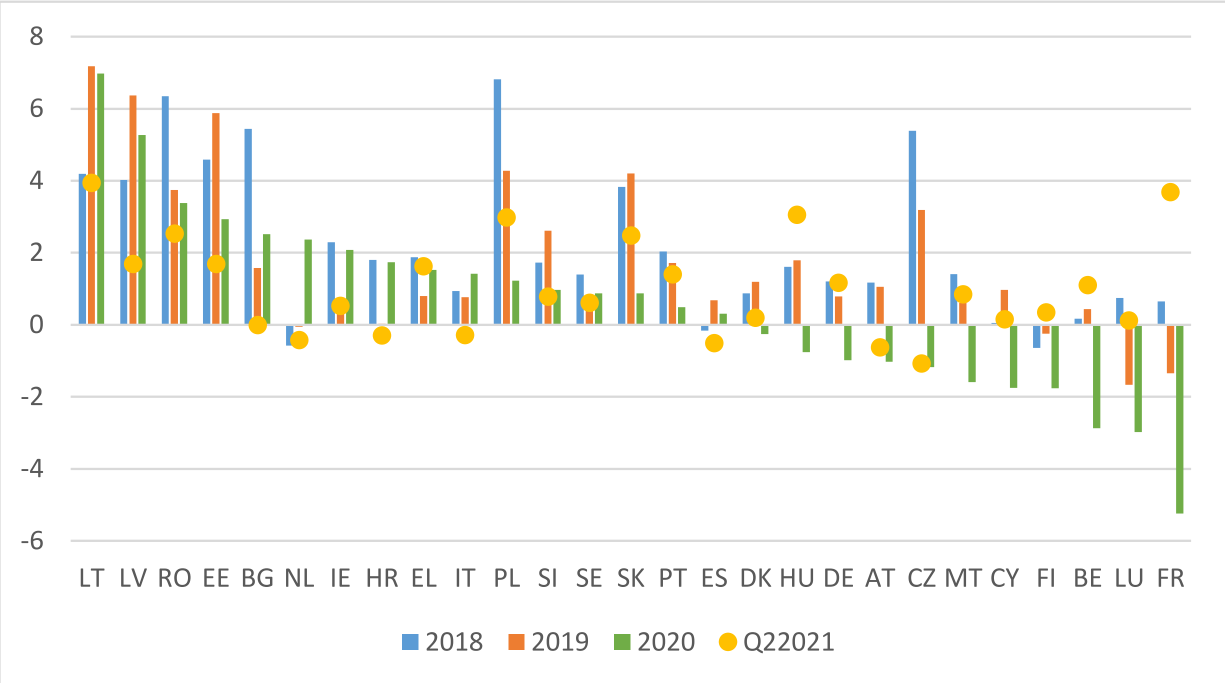
Notes: (1) Wages are measured by the indicator 'Nominal compensation per employee', which is calculated as a total compensation of employees divided by total number of employees. The total compensation is defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period and it has two components: i) Wages and salaries payable in cash or in kind; and ii) Social contributions payable by employers. (2) All the data used are national accounts data. The

[55] Measured by nominal compensation per employee.
[56] In countries where benefits are paid directly to the employees and recorded as social transfers, short-time work schemes led to an observed drop of wage costs.

indicators are based on national currency values. (3) Countries are ranked in ascending order of real wage growth in 2020.
Source: European Commission, AMECO database.

Real wages decreased in a number of Member States and on aggregate for the EU in 2020, but have been increasing again in 2021. Denmark, Hungary, Germany, Austria, Czechia, Malta, Cyprus, Finland, Belgium, Luxembourg, and France experienced a year-on-year reduction in real wage growth in 2020 (see Figure 2.1.7). The largest decreases were observed in France (-5.2%) and in Luxembourg (-3.0%). Real wages on the contrary increased the most in 2020 in Lithuania (7.0%), Latvia (5.3%) and Romania (3.4%). Following negative average real wage growth in 2020 (-0.9%), real wages increased by 1.1% in the EU in the first half of 2021. The highest real wage growth in the first half of 2021 was recorded in Lithuania (3.9%), France (3.7%) and Hungary (3.1%). Going forward, uncertainty around the inflation outlook may influence real wage developments.[57]

Figure 2.1.7: In 2020 real wages decreased on average in the EU but have been increasing again in first half of 2021
Real compensation per employee, deflator GDP (annual % change; 2018, 2019, 2020 and Q2-2021)



Source: AMECO

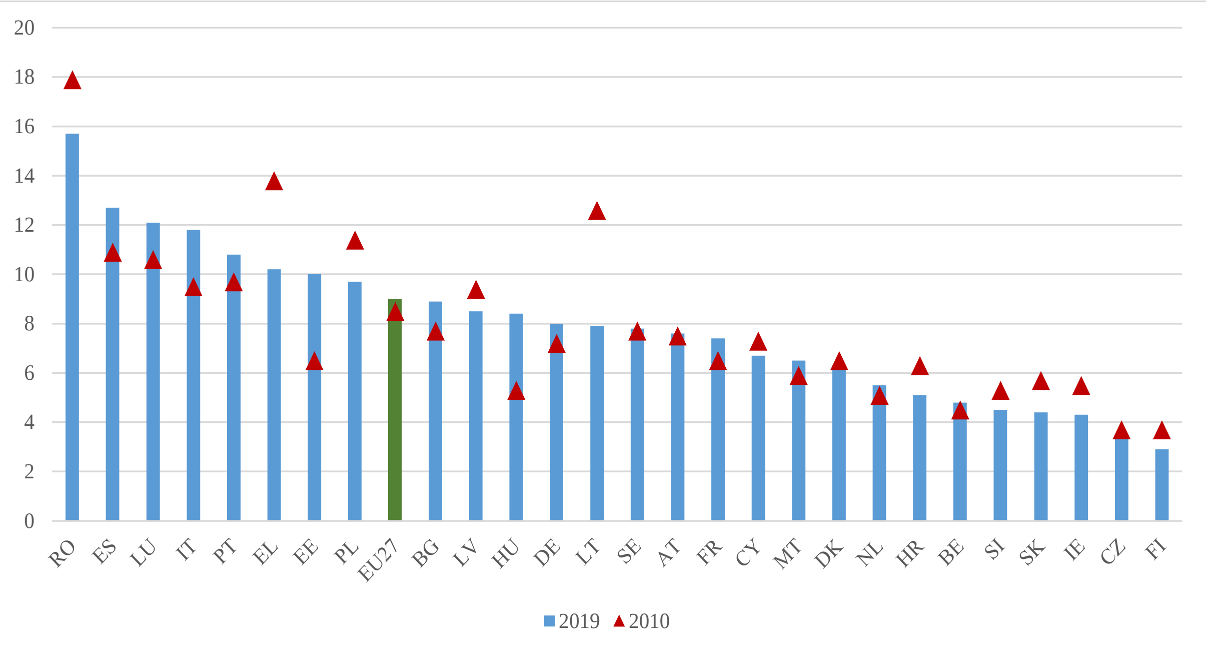
Hourly wages increased significantly in 2020 due to the drastic downward adjustment in hours worked related to short-time work and similar job-retention measures. Hourly wages rose by about 4.6% and 5.2% for the EU and the euro area respectively (the highest rates since 2001), up from 2.7% and 2.2% in 2019. On a quarterly basis, the observed

[57] The European Commission's 2021 summer forecast projects a moderate increase in inflation in 2021 and 2022, but notes that inflation may turn out higher than forecast if supply constraints are more persistent and price pressures are passed on to consumer prices more strongly. See European Commission Institutional paper 156, July 2021 (summer forecast).

symmetric changes in hourly compensation and compensation per employee suggest that the fall in compensation per employee was mainly due to the fall in hours worked, largely related to short-time work. In some Member States (Austria, Greece, France, Malta and Slovenia) the increases in compensation per hour were more than four times higher than those observed in nominal compensation per employee. In the first quarter of 2021, hourly compensation in the EU expanded at a slightly higher rate than in the last quarter of 2020 (0.3%).

A job does not always provide for a decent living income. In-work poverty has increased from 8.5% in 2010 to 9.0% in 2019 in the EU-27[58] (as reflected on Figure 2.1.8). In general, workers on temporary contracts face a higher risk of in-work poverty than those on permanent contracts (16.2% vs 5.9%), as do low-skilled workers compared to high-skilled ones (19% vs 4.9%). In addition, non-EU born workers are much more likely to experience in-work poverty than the native-born (20.1% compared to 8.1%). Figure 2.1.8 shows that in 2019 more than 10% of workers were at risk of poverty in Romania, Spain, Luxembourg, Italy, Portugal and Greece. Within this group, the in-work poverty rate has increased in 2019 compared to 2010 in Spain, Italy, Luxembourg and Portugal.

Figure 2.1.8: In-work poverty has increased in the EU over the last decade.
In-work at-risk-of-poverty rate, 2019 and 2010 (in %)



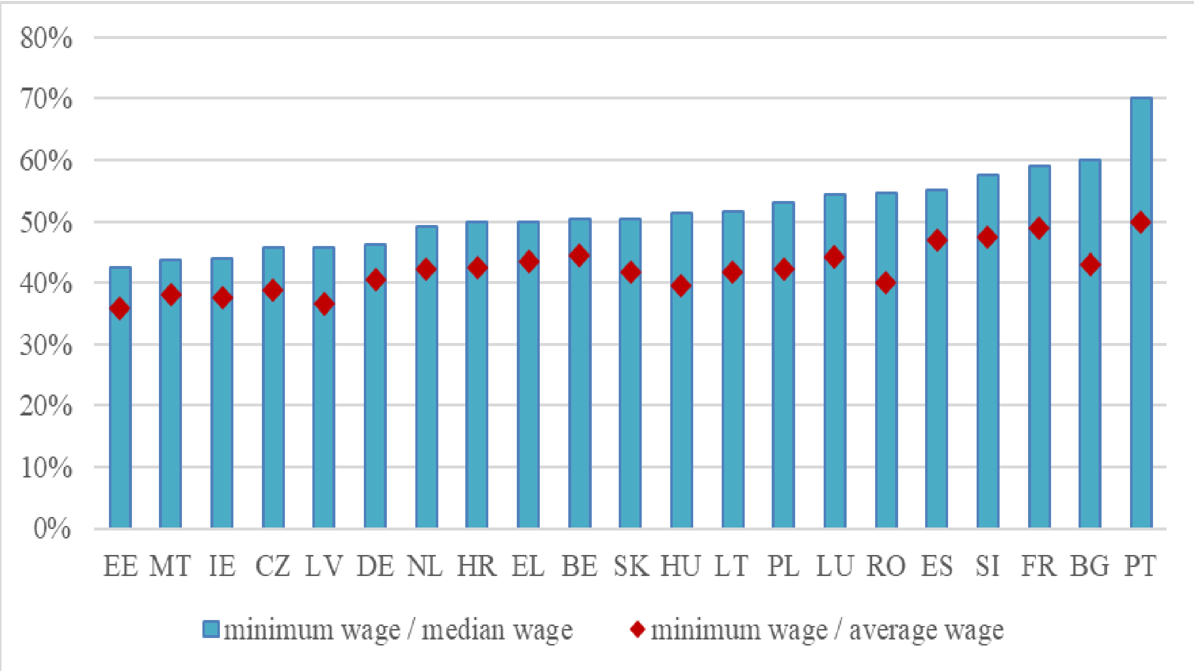
Source: Eurostat [ilc_iw01]

[58] The EU-27 data were not available at the cut-off date of 28 October 2021. In-work poverty is the share of persons who are at work and have an equivalised disposable income below the at risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers). For 2007, the data refers to the only comparable EU aggregate available for that year, namely EU-27 including the UK but excluding Croatia. In the average of the current 27 Member States (i.e. including Croatia and excluding the UK), in-work poverty increased from 8.5% in 2010 (earliest available data) to 9% in 2019.

Despite recent minimum wage increases in many Member States, statutory minimum wages often remain low compared to other wages in the economy. In almost all Member States the statutory minimum wage is below 60% of the median wage and below 50% of the average wage (see Figure 2.1.9). Furthermore, in the same year, in countries including Lithuania, Ireland, the Netherlands, Hungary, Estonia, Latvia and Czechia the minimum wage was below 50% of the median wage and below 40% of the average wage[59].

Figure 2.1.9: In almost all Member States, the statutory minimum wage is below 60% of the median wage and below 50% of the average wage.

Statutory minimum wages as a percentage of the gross median and average wage of full-time workers (in %, 2019)



Note: The graph does not include AT, CY, DK, FI, IT and SE, who do not have a statutory minimum wage. In these countries, minimum wage protection is provided by collective agreements.

Source: Eurostat [earn_mw_cur], OECD

Collective bargaining plays a key role in achieving adequate minimum wage protection in the Union. Collective bargaining coverage has been on a decreasing trend in many Member States over the past two decades. The downward trend was most pronounced in Greece, Romania, Bulgaria, Slovakia, Cyprus and Slovenia (see Figure 2.1.10). In several Member States the decrease in collective bargaining coverage could be explained by a reduction in multi-employer bargaining at the sectoral or national level as a result of regulatory changes, adjustments in the modalities of collective bargaining extension or changes in other factors such as employer organisation density [60] and trade union

[60] Employer organization density is defined as membership in terms of all employees employed by member firms as a share of the total of employees in the organizational domain of the organizations

membership[61]. Also, the trend has been driven by the structural shifts in the economy towards less-unionised sectors, notably services, and by the decline in trade union membership related to the increase in non-standard forms of work, such as platform work. In countries where minimum wages are exclusively set through collective bargaining, the level of coverage is above 80%. The sole exception is Cyprus with a significant decrease in the last two decades (from 65% to 43%), and an announced shift towards a legislative minimum wage by 2022. In Italy, Spain, Finland and Denmark, the coverage has increased since 2000, while in Austria the collective bargaining coverage remained at the same high level (with 98% of employees covered). The Commission proposal for a directive on adequate minimum wages[62] aims at improving their adequacy also through the promotion of collective bargaining on wages. The Commission is providing support to strengthen social partner capacity under the prerogative calls for social dialogue, the EU Programme for Employment and Social Innovation (EaSI) and ESF+.

Figure 2.1.10: Collective bargaining coverage rate among employees has fallen in almost all Member States over the period 2000-2019

Number of employees covered by the collective agreement, divided by the total number of wage and salary-earners (in %, 2000 and 2019).

Note: (1) Latest available data is from: 2019 (AT, BE, CZ, HU, IT, LT, NL, PL, PT), 2018 (BG, DE, DK, ES, FR, LU, LV, SE), 2017 (EL, FI, IE, SI, RO), 2016 (CY, MT), 2015 (SK) and 2014 (HR). (2) For IT the coverage has been revised to 100% reflecting the fact that the base wages fixed in collective agreements (minimi tabellari) are used by labour courts as a reference for the application of the constitutional principal of commensurate and sufficient remuneration

Source: OECD/AIAS database (2021)

[61] European Commission (2021), *Employment and Social Developments in Europe*, Annual Review.

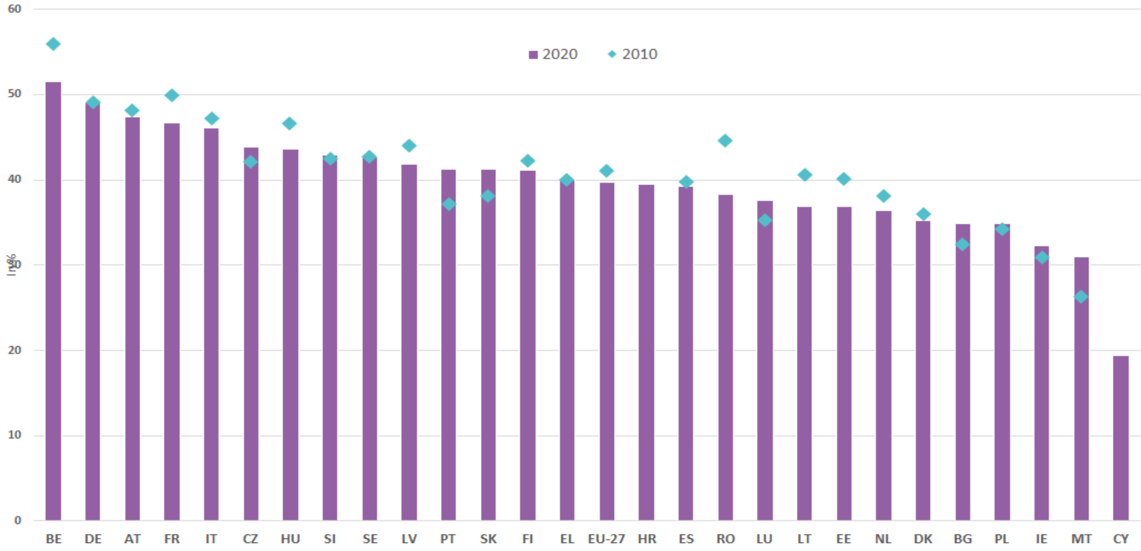
[62] Proposal for a directive of the European Parliament and of the Council on adequate minimum wages in the European Union, COM (2020) 682

The green and digital transitions are expected to significantly influence future labour market developments. The pandemic has accelerated ongoing trends in digitalisation of EU economies and societies. Digital technologies bring new ways to learn, work, fulfil ambitions, and improve access to education and employment opportunities. On the labour market, they create new employment opportunities and contribute to a better matching between employers and employees. However, they also entail risks to existing jobs, in particular for those in activities that are routine-intensive and for the less educated. This may lead to greater polarisation, with a decline of employment in medium-paid occupations and a simultaneous increase of low- and high-paid occupations[63]. At the same time, with the right accompanying policies in place, the transition towards climate neutrality could create up to one million additional green jobs by 2030 in the EU, though impacts are expected to vary again across occupations, sectors and regions.[64] Interestingly, the analysis shows that jobs will be created in sectors related to renewable energy, construction, agriculture and forestry and mostly in the middle-skill group and can thereby help to mitigate the aforementioned trend in labour market polarisation. However, also in this case there are workers who will lose jobs (notably extractive resources sectors and high energy-intensive sectors) and, even more, will be subject to changing tasks and skill requirements. A rapid reallocation of labour may contribute to efficiency gains, boosting productivity and wages, notably in future-oriented sectors, with a key role for the upskilling and reskilling of the workforce (see Pillar box 1 and chapter 2.2.1).

A high tax wedge on labour may negatively affect both labour demand and supply. The tax wedge on labour measures the difference between employers' labour costs and employees' net pay, expressed as a ratio to total wage cost. The average tax wedge in the EU-27 for a single person on an average wage has gradually declined since 2010, to 39.7% in 2020. Since 2010, seven EU Member States have recorded notable declines (more than 2 pps) in their tax wedge at the average wage, with the strongest decreases in Romania (-6.3 pps), Hungary (-5.8 pps) and Belgium (-4.4 pps) and Lithuania (-3.7 pps). Conversely, since 2010, significant increases occurred in Malta (4.6 pps), Portugal (4.2 pps) and Czechia (1.7 pps) (see Figure 2.1.11).

[63] European Commission (2019): Labour Market and Wage Developments in Europe: Annual Review 2019 Report, Directorate-General for Employment, Social Affairs and Inclusion.
[64] Impact assessment accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 14 July 2021 on 'Fit for 55: delivering the EU's 2030 Climate Target on the way to climate neutrality', COM/2021/550 final.

Figure 2.1.11. The tax wedge on the average wage has decreased in most EU Member States over the last decade
Tax wedge for single person earning an average wage, changes 2010 and 2020 (in %)



Notes: 2010 data are not available for Croatia and Cyprus.
Source: European Commission, Tax and benefits database, based on OECD tax/benefit model (updated March 2021).

The tax wedge for low-income earners is usually lower than for those with higher incomes. The taxation of low-income earners has important implications for the labour market (transitions to work, shadow economy; see section 2.3), and for social inclusion (see section 2.4). There is high diversity among EU Member States in this respect. In 2020 the tax wedge for people earning 50% of the average wage was above 40% in Hungary and Germany, while below 20% in Cyprus and France. In many EU countries the tax wedge has decreased for workers at the bottom of the income distribution over the last decade. For the EU average, a tax wedge decrease by 2.6 pps was observed between 2010 and 2020 for earners at 50% of the average wage. In six countries (France, Belgium, Latvia, Lithuania, Estonia, Italy) the decrease was above 5 pps (see Figure 2.1.12).

Figure 2.1.12. In a majority of EU Member States, taxes are decreasing for workers at the bottom of the income distribution

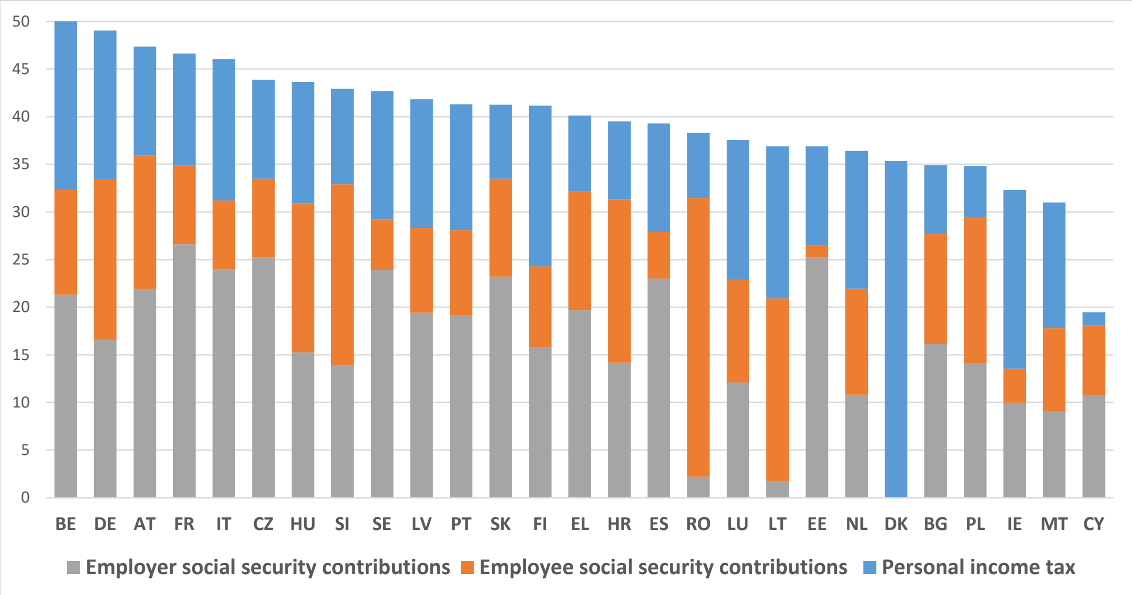
Evolution of the tax wedge for low-income earners (50% and 67% of average wage), single person (pps, 2010-2020)

Notes: (*) data for Croatia from 2013 and (**) data for Cyprus from 2014.
Source: European Commission, Tax and benefits database, based on OECD tax/benefit model (updated March 2021).

The composition of the tax wedge on labour varies significantly across Member States. Its components (i.e. personal income tax, employee's and employer's social security contributions), and in particular their size, may differentially influence labour supply or demand, at least in the short run. Figure 2.1.13 presents the breakdowns of the tax wedge for a single worker on the average wage in 2020. France, Czechia and Estonia have the highest employer social security contributions, accounting for over 25% of employment costs. Overall combined social security contributions (employer's and employee's) are largest, as a proportion of employment costs, in Austria (36%) followed by France, Slovakia and Czechia. Apart from Denmark, which does not have social security contributions elements in the tax wedge, Ireland (13.6%) and Malta (17.8%) have the lowest overall social security contributions as a proportion of labour costs. Romania (29%) and Lithuania (19.1%) have the highest proportion of the tax wedge paid by the employees. Employers' social security contributions are less than 5% in Lithuania and Romania.

Figure 2.1.13. The differences in the composition of the tax burden on labour are high across countries

Tax wedge composition for a single earner on the average wage (in %, 2020)



Note: Member States are ranked in descending order by the level of the total tax wedge; Family allowances do not influence the data as the data is for a single earner with no spouse or children.
Source: European Commission, Tax and benefits database, based on OECD tax/benefit model (updated March 2021).

There is scope in some cases for shifting taxation from labour, in particular by reducing the tax wedge for low and middle income groups, to more growth-friendly tax bases, while duly accounting for potential distributional impacts and ensuring adequate social protection. The legislative proposals presented in the 'Fit for 55' package[65] of 14 July 2021, including the proposed revision of the EU Emissions Trading System and the Energy Taxation Directive, are designed to enable a cost-efficient and fair transition to clean energy by aligning economic incentives with the EU's increased and legally binding climate targets. Evidence shows that taxes on fuels and other energy products put the highest burden, as a proportion of disposable income, on the lowest-income households.[66] A careful policy design is therefore needed to address the distributional impacts especially for the lowest income groups.[67] In 2019, about 7% of the EU-27 population, i.e. 31 million people, were unable to

[65] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 14 July 2021 on 'Fit for 55: delivering the EU's 2030 Climate Target on the way to climate neutrality', COM/2021/550 final.

[66] European Commission (2020). Employment and Social Developments in Europe. Annual Review 2020. Luxembourg: Publications Office of the European Union. Available online.

[67] A recent study found that a simulated portfolio of EUR 30 billion of green taxes replacing income tax could raise the EU GDP by EUR 35 billion (0.2%) by 2030, raising employment by 140,000 FTE (0.1%). The simulation in the study showed positive or zero impacts on income in all parts of the distribution in all Member States.

keep their homes adequately warm, with significant differences between Member States and income groups, in particular affecting also lower middle income groups[68] [69].

2.1.2 Policy response

The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) importantly helped prevent a rise in unemployment in 2020 and 2021. SURE provided back-to-back loans with an envelope of EUR 100 billion to support Member States in protecting jobs and workers' incomes in the context of the COVID-19 pandemic. To date, the Commission has already disbursed nearly 95% of the total SURE financial assistance granted by the Council. During the first wave of the pandemic in 2020, SURE is estimated to have supported approximately 31 million people and around 2.5 million firms in 19 Member States. Feedback from beneficiaries has shown that SURE support played an important role in the creation of their short-time work schemes, and in increasing their coverage and volume.[70]

Between March and September 2020 alone it is estimated that close to EUR 100 billion was spent on short-time work and similar job retention schemes in the EU. The specific nature, eligibility criteria, level and duration of support as well as the source of funding and inclusion of training requirements and dismissal protection varied from country to country. Provisions also differed in requirements on the minimum reduction in turnover. 14 Member States stipulated a minimum reduction ranging from 10% to 50% of turnover, which could potentially significantly limit the share of eligible businesses and workers. The level of income received during the hours not worked differed substantially between Member States. Income replacement rates ranged from 60% to 100% with caps applied in most countries.[71] All but six Member States offered some form of dismissal protection for workers on short-time work. **Austria**, **Greece**, **Italy**, **the Netherlands** and **Portugal** ruled out dismissals in the entire workforce of a business that claimed government support for a period of time. Four countries included a requirement to offer training during downtime in their short-time work provisions (**Austria**, **Hungary**, **Germany** and **France**), with **Germany** and **France** also offering financial incentives to do so.[72]

More than three quarters of Member States introduced specific income support measures for the self-employed during the pandemic. In all but three countries, these

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[68] In 2019, the share of lower-middle income households (between 60% of the median income and the median income) reporting an inability to keep their homes adequately warm reached above 20% of that income group in 5 Member States (BG, CY, LT, PT, EL).

[69] However, groups of lower socio-economic status tend to be more negatively affected by environmental health hazards, as a result of both their greater exposure and higher vulnerability: https://www.eea.europa.eu/publications/unequal-exposure-and-unequal-impacts/.

[70] Second report on the implementation of SURE (COM 2021/596)

[71] These caps meant that short-time work and similar schemes tended to be more beneficial in preserving the income of lower wage earners.

[72] Eurofound (2021), COVID-19: Implications for employment and working life, COVID-19 series, Publications Office of the European Union, Luxembourg.

measures were entirely new and time-limited. In terms of eligible groups, some countries largely focused the support on the self-employed in the most impacted sectors (e.g. **Belgium**[73] and **France**), others mainly or only targeted solo self-employed (**Netherlands** and **Poland**) or specific legal structures[74]. **Czechia**, **Greece**, **Poland** and **Portugal** did not allow self-employed income support to be combined with other government support. Lower or upper earnings thresholds from self-employed income were also in place in some countries to delimit eligible groups. In terms of minimum turnover losses, **Latvia** and **Romania** limited access to their schemes to self-employed affected by full closures of certain sectors, while thresholds in some other countries ranged between 10% and 5% of turnover loss. Overall, the level of income support provided to self-employed fell below that offered to employees under short-time work and temporary unemployment schemes.[75]

In the course of 2021, most Member States started to withdraw or scale back their emergency support schemes. In **Czechia**, **Estonia**, **Hungary**, **Latvia**, **Lithuania** and **Poland**, the special temporary schemes introduced in response to the crisis were phased out between May and August 2021; in **the Netherlands** and **Sweden** in September 2021; in **Cyprus** in October 2021. In **Bulgaria, Denmark**, **Greece**, **Croatia**, **Malta**, **Ireland**, **Slovakia** and **Romania** the respective emergency schemes are expected to remain in force (at least) until the end of 2021. The Member States with permanent schemes already in place before the COVID-19 crisis started to lift the emergency procedures that had facilitated access to short-time work support.

A number of Member States have adapted and complemented their short-time work schemes to better respond to labour market challenges in the recovery, in line with Pillar principle 4 (active support to employment). **Austria**, **Germany**, **France**, **Italy**, **Portugal**, **Spain** and **Sweden** provide incentives for training of workers on short-time work. In **Portugal**, short-time work support was complemented by a scheme incentivising employers to resume activities. In some countries, for example **Italy** and **France**, short-time work schemes are used not only to deal with temporary disruptions of activity, but also to address permanent reductions in activities in the context of business restructuring processes. In **Italy** this measure includes support to move to a new job, while in **France** a separate scheme exists for this purpose (Transco). Some Member States (such as **Slovakia, Czechia** and **Spain**) are reforming their short-time work schemes on a permanent basis.

Member States have implemented a number of measures to promote employment following the COVID-19 shock (see Figure 2.1.14). Hiring incentives, such as temporary or one-off subsidies provided by the government to firms hiring employees upon certain conditions (e.g. for a certain amount of time, on a particular contract, focusing on certain categories) have been extensively used in most Member States to promote a job-rich recovery. Half of these hiring incentive schemes were put in place already in 2020, while others were

[73] In Belgium, an already-existing support was extended during the COVID-19 crisis.
[74] This refers to different ways of setting up as self-employed (for legal and tax purposes), e.g. sole trader, limited company, partnership, etc. Particularly in countries such as Italy, which have a multitude of different structures for setting up a self-employed undertaking, not all were entitled to claim benefits under the scheme.
[75] Eurofound (2021), COVID-19: Implications for employment and working life, COVID-19 series, Publications Office of the European Union, Luxembourg.

introduced in 2021. The end dates of these measures vary across Member States, mostly in 2021 and 2022.

Target groups of the employment support measures adopted differ, but most focus on the unemployed, the youth, persons with disabilities and older people. As Figure 2.1.14 shows, the unemployed were the most addressed category of people, and in some cases (**Belgium**, **Denmark**, **Estonia**, **Greece, Spain**, **Croatia, Hungary, Austria and Slovakia**) included targeted provisions for the long-term unemployed (LTU). Very often, measures supported young people or NEETs (in as many as 16 Member States). Many incentive schemes related to apprenticeship or internship programmes, like for instance in **Austria**, where a bonus up to EUR 3,000 is paid for every apprentice hired (and another EUR 1,000 if a company takes over apprentices from an insolvent company). Other categories addressed were women (**Bulgaria**, **Greece, Italy**, **Luxembourg** and **Austria**) and persons with disabilities (**Czechia**, **Denmark, Greece, Spain**, **France**, **Italy, Luxembourg**, **Malta**, **Austria**, **Portugal and Slovakia**). **Belgium** applied temporary social security rebates for companies in the events, hotel and travel sectors, as well as for companies newly hiring or returning employees from temporary unemployment. **Estonia** provided specific incentives for the agricultural sector and **Italy** reinforced the measures adopted for the South (*Decontribuzione Sud*), among others. Finally, **Greece**, **Slovenia** and **Sweden** introduced subsidies for firms that created 'green jobs' or operated in low-emission sectors. Altogether, 23 Member States introduced hiring subsidies in favour of specific groups.

Figure 2.1.14: All but two Member States introduced some forms of hiring incentives in response to the COVID-19 crisis

Hiring incentives measures adopted by the Member States in response to the COVID-19 shock, by target population (2020-2021)

	Unemployed	LTU	Young/NEET	Women	Older persons	Persons with disabilities	Apprenticeships / internships	Particular sectors	Particular regions
BE	X	X	X				X	X	
BG	X			X	X	X		X	
CZ						X			
DK		X			X	X	X		
DE							X		
EE	X	X	X					X	X
IE	X		X				X		
EL	X	X	X	X	X	X		X	X
ES	X	X			X	X			
FR			X			X	X		
HR		X	X						
IT	X		X	X		X	X	X	X
CY	X		X				X		
LV	X								
LT	X								
LU	X			X	X	X	X		
HU	X	X	X						

MT	X		X		X	X			
NL									
AT	X	X	X	X	X	X	X		
PL									
PT	X		X			X	X		X
RO	X		X		X			X	
SI	X							X	
SK	X	X	X		X	X			
FI								X	
SE			X					X	

Note: No measures detected for the Netherlands and Poland. In Spain, the table relates to some regions' measures, in addition to the previously existing national hiring incentives. Source: European Commission own analysis; Eurofound COVID-19 EU PolicyWatch; ECE Labour Law Flash Reports and the adopted EU Member States' RRPs.

Several Member States have announced measures to stimulate entrepreneurship and self-employment. Spain aims to create a network of centres of orientation, entrepreneurship and innovation as part of measures to improve public employment services' (PES) coordination across regions, and plans training for PES staff. Under the umbrella of job creation in support to the green and digital transitions, **Croatia** will direct funds and PES resources to prioritise reactivation and (self-) employment of inactive, long-term unemployed and NEETs. Similarly, **Lithuania** will set up a pilot project to support entrepreneurship and job creation for the twin transition and the circular economy, coupled with upskilling of PES employees to the purpose. These countries' measures receive support under the Recovery and Resilience Facility and / or the European Social Fund Plus.

A few Member States are taking measures to support the social economy. In particular, **Spain** will develop at least 30 social economy projects focused on young entrepreneurship, and digital platforms for population in rural areas. **Poland** intends to adopt in 2022 the Social Economy Act, which will introduce definitions of, inter alia, a social enterprise into the Polish legal order, lay down rules for the functioning of the social economy sector and provide a framework for its cooperation with other public and private actors. The Act will support the employment and social integration of people at risk of social exclusion, create new jobs in social enterprises and facilitate the provision of social services to the local community by social economy actors.

Pillar Box 1: **Active support to employment (EASE)**

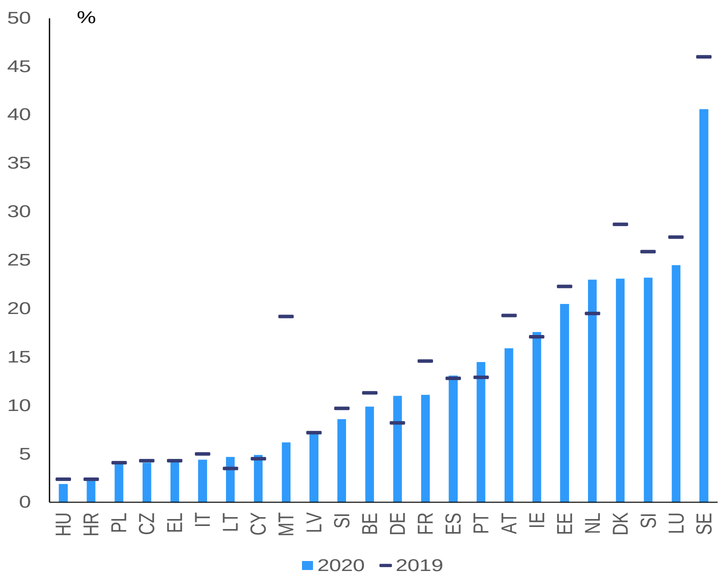
As outlined in the Commission Recommendation on effective active support to employment (EASE)[76], coherent policy packages to support labour market transitions are needed to promote a job-rich recovery following the COVID-19 shock, in line with the principle 4 of the European Pillar of Social Rights (active support to employment). The focus of employment policies should gradually shift towards supporting job creation and easing job transitions. In this sense, the EASE Recommendation invites Member States to develop coherent policy packages to address the labour market challenges triggered by the pandemic, bridge the skills shortages that are building up during

[76] Commission Recommendation of 4 March 2021 on an effective active support to employment following the COVID-19 crisis (EASE), C(2021)1372 final.

the recovery, and help every individual to successfully navigate the green and digital transitions. These packages should include (i) hiring and transition incentives to promote quality job creation and support the employability of workers, (ii) upskilling and re-skilling and (iii) enhanced support by employment services. These measures are particularly important also to support the headline target of at least 78% of the population aged 20 to 64 in employment in the EU by 2030.

Hiring incentives can help bolster labour demand in the initial phase of the recovery. During the COVID-19 pandemic, businesses have been hoarding labour, also with the help of public support. Companies are also less likely to invest and expand their labour force in a situation which is still uncertain. In this context, hiring incentives can create employment opportunities for 'disadvantaged' jobseekers (such as young unemployed with little or no work experience). In addition, they can also support the reallocation of workers being made redundant, facilitating their transition towards new sectors or occupations. As discussed in section 2.1.2, most Member States have introduced hiring subsidies in favour of specific groups, such as young people and NEETs (19 countries, including apprenticeships and internships), and the unemployed (20 countries, including the long-term unemployed).

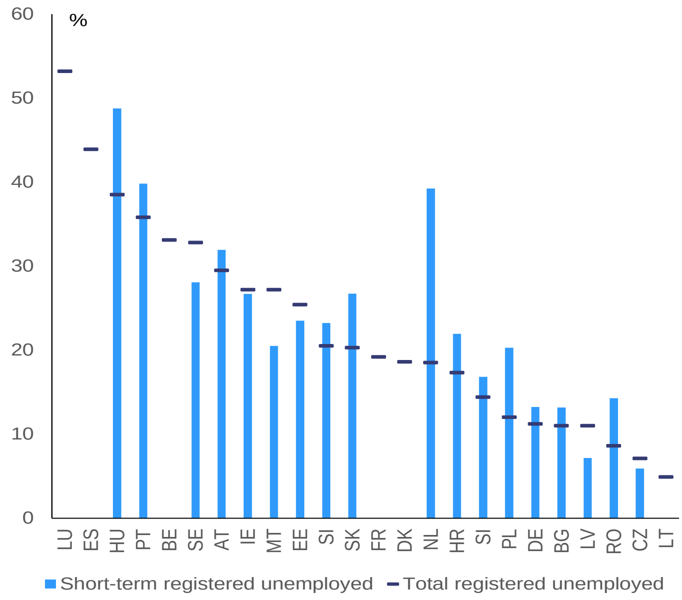
Adult participation in learning (previous four weeks), unemployed population aged 25-64



Notes: Data not available for BG, RO and SK, for which the participation rates are below 3%. Break in time series and provisional data for DE in 2020. Data are unreliable for HU, HR, CY, MT, PL, SI in 2020 and for CY, HR, HU, LT, SI in 2019.
Source: Eurostat [trng_lfse_02]

Ensuring a sustainable and inclusive growth model requires investing in upskilling and reskilling of the adult population. Training and skills acquisition are key to ease job transitions that are expected to be needed following the COVID-19 shock. Upskilling and reskilling have become even more essential in view of the changes coming with the green and digital transitions. Providing training opportunities that effectively support job transitions and labour market (re-)integration requires an adequate system of adult and continued vocational training, providing labour market relevant skills. Significant differences are nonetheless observed across Member States in participation in adult learning (see section 2.2), in particular for the unemployed (see chart). In 2020, there was a gap of 38.5 pps between the top and lowest performer in terms of participation in learning among unemployed adults (Sweden and Hungary, respectively), and the overall participation rate for this category was only 1.3 pps higher than for the total population aged 25-64 (10.5% compared to 9.2%).

Participation in early activation[77] measures of the unemployed registered with a PES (2019)



Note: Short-term unemployed are individuals unemployed for less than 12 months. Data not available for EL, IT and CY. 2018 data for BE, BG, IE, FR, NL and RO. Information on short-term unemployed not available for BE, DK, ES, FR, LT and LU.
Source: European Commission, Labour Market Policy Database.

Well-functioning public employment services are critical for effective labour market (re-) integration and support to job-to-job transitions. In combination with active labour market policies, early and targeted support by employment services and individual counselling can increase the likelihood of re-employment of job-seekers and prevent long-term unemployment, contribute to more dynamic labour markets and higher employment. There is, however, high cross-country variation in participation in early activation measures (see chart). In Hungary, close to 50% of the short-term unemployed who are registered with a PES have taken part in such measures[78], whereas in Czechia, less than 6% have.

Fast-paced digitalisation and the green transition make it critical to better match a country's skill supply to the needs of the labour markets of the future. Mitigating skill mismatches and shortages requires an integrated approach to skills governance, including skills intelligence and forecasting through partnerships of relevant stakeholders[79]. All EU Member States use at least one skills anticipation method to develop skills intelligence, and four out of five use skills forecasts, although at different levels of development[80]. There are also wider ongoing efforts to digitise public employment services and strengthen their ability to provide remote and on-line assistance[81]. To better understand skills needs, and develop better labour market skills intelligence, Cedefop has launched the

[77] Early activation refers to measures addressed to those in unemployment for less than a year and comprise for example training, supported employment and rehabilitation or direct job creation as well as counselling by the national public employment services (PES).
[78] Although the activation rate of jobseekers is relatively high in Hungary, this is mainly driven by public works and other employment incentives, while the reskilling and upskilling of jobseekers remains marginal in comparison.
[79] Key findings from existing forecasts and foresight studies on green jobs and skills are available in the PES network (2021). Greening of the labour market – impacts for the Public Employment Services.
[80] Cedefop skills intelligence portal.
[81] The PES network (2020). The role of PES in modernising the labour market and managing structural change.

Skills-OVATE portal on the jobs and skills employers demand based on online job advertisements in 28 European countries[82].

Recovery and Resilience plans (RRPs) include EASE-type measures on hiring and transition incentives and entrepreneurship support, upskilling and reskilling, and support by employment services. On hiring incentives, for instance, **Portugal** included a strategy to improve job quality in the Qualification and Skills component of its national plan. By means of different hiring incentives, it aims to promote the creation of permanent and qualified jobs, raise youth employment and reduce the gender employment gap across the different sectors. Similarly, the **Irish** Plan includes the Work Placement Experience Programme, which officially started in July 2021. Under the latter, any unemployed for at least six months is eligible for a sector-specific training (over maximum six months) while working for a host company, which is exempt from specific wage costs during that period. **Greece** included hiring subsidies for over 70,000 new jobs targeting youth, long-term unemployed and groups with specific barriers to labour market integration. **France** has foreseen a set of hiring subsidies, particularly focused on firms hiring apprentices and younger people. **Cyprus** intends to reform and digitalise the hiring schemes of its Department of Labour, in addition to providing employment subsidies to firms that employ NEETs.

Statutory minimum wages were increased in most Member States in 2021 as compared to the previous year[83] in line with Pillar principle 6 (on wages). The largest percentage increase in minimum wage occurred in **Latvia** (16.3%), although it still remains the lowest among the Baltic States. Other Central and Eastern European countries, which usually have relatively low minimum wages, also increased them quite considerably (for example, **Slovenia** by 8.9%, **Poland** by 7.7%, **Slovakia** by 7.4%, **Lithuania** by 5.8%, **Croatia** by 4.6%). In **Slovakia**, the minimum wage has been set at 57% of the average wage for 2021.[84] In Member States where minimum wage setting is based on formulas (including **France**,, **Luxembourg**, **Malta** and **the Netherlands**), there was a rather moderate increase (**Luxembourg** by 2.8%, the other listed countries below 2%) and no major crisis-related deviation from the formula took place. Only **Estonia** and **Greece** decided to freeze their minimum wage rates for 2021. **Belgium** will increase its statutory minimum wage in 2022, 2024 and 2026. In September 2021, **Spain** increased its minimum wage by 1.6%, with the objective to raise it to 60% of the average wage before the end of the current government term.

A number of measures to reduce the tax wedge on labour were put in place to boost the net incomes of lower income workers and families, and in some cases encourage labour supply. For example, **Greece** revised the basis for calculating personal income tax liabilities and reduced the social security contributions for full-time employees by 0.9 pps with effect from June 2020 and by further 3 pps with effect from January 2021. **Italy** reduced the tax wedge for dependent workers: for income up to EUR 28,000 per year, an allowance of EUR 600 was given for the last six months of 2020, which became an annual EUR 1,200 from 2021. Lower allowances are envisaged for higher incomes, up to EUR 40,000. In **Belgium** (Flanders region), from 2021 an 'employment bonus' will increase the net salaries of

[82] Skills-OVATE: Skills Online Vacancy Analysis Tool for Europe | Cedefop (europa.eu).
[83] See Eurofound (2021): Minimum wages in 2021: Annual Report.
[84] Every year, if no agreement has been reached among the social partners, the amount of the monthly minimum wage for the following calendar year shall be set at 57% of the average nominal wage of an employee in the Slovak economy for the calendar year which precedes the calendar year by two years.

low-wage earners by a maximum of EUR 50 per month for those with a full-time monthly (gross) wage of EUR 1,700 euro per month. The bonus is intended to address unemployment and inactivity traps and will gradually decrease to zero for people with a gross monthly salary of at least EUR 2,500. **France** reduced the personal income tax rate in the first bracket from 14% to 11% and adjusted the tax relief mechanism (‘*décote*’) to smoothen the application of the personal income tax. **Austria** increased the maximum reimbursement of social security contributions for low-income earners from EUR 400 to EUR 700 and, as of January 2020, reduced income tax rates in the first bracket from 25% to 20%, plus its RRP includes a commitment to take further measures to lower income tax rates. **Croatia** implemented a reduction in personal income tax liability by 100% for under-25s and by 50% for people from 26 to 30 years of age for annual salaries under HRK 360,000 (approximately EUR 50,000). As of 2022, **Hungary** exempts young people aged below 25 from paying personal income tax up to the amount of the average gross income of the previous year, with the aim to increase activity and employment of young people. **Bulgaria** introduced tax relief for parents raising children. The Commission published a Toolkit for stakeholders to support the shift from labour taxation to environmental taxes[85].

[85] https://ec.europa.eu/environment/news/environmental-pollution-new-study-finds-polluters-do-not-pay-damage-they-cause-2021-11-12_en

2.2 Guideline 6: Enhancing labour supply and improving access to employment, skills and competences

This section looks at the implementation of the employment guideline no. 6, which recommends Member States to create the conditions to enhance labour supply, skills and competences, in line with the European Pillar of Social Rights principles 1 (education, training and life-long learning), 2 (gender equality), 3 (equal opportunities), 4 (active support to employment), 9 (work-life balance), 11 (childcare and support to children) and 17 (inclusion of persons with disabilities). Section 2.2.1 reports key developments in the area of education and skills, as well as on the labour market situation notably of vulnerable and under-represented groups. Section 2.2.2 reports on policy measures undertaken by Member States in these policy areas.

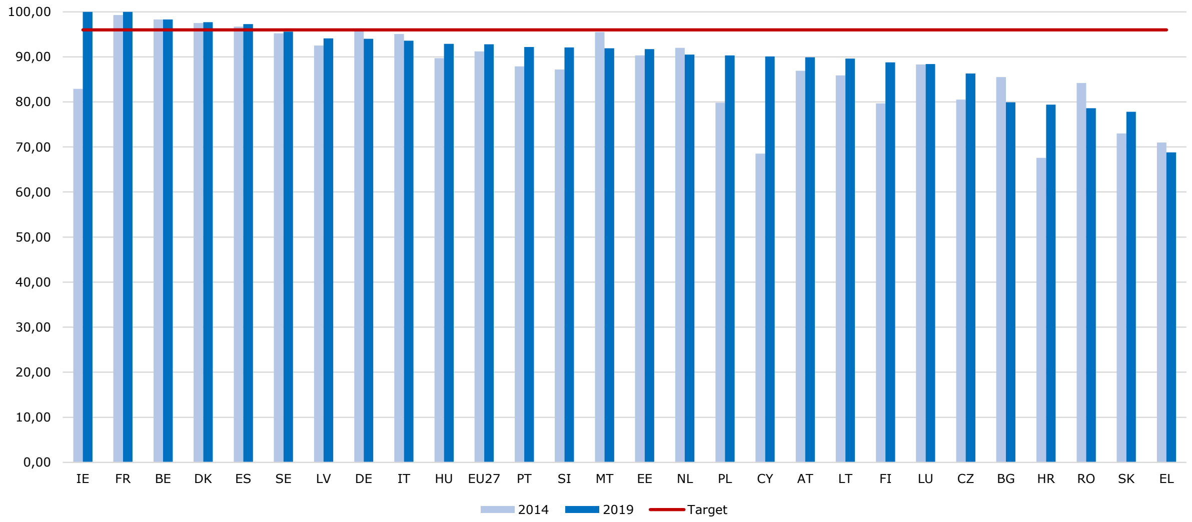
2.2.1 Key indicators

Participation in early childhood education and care (ECEC) has continued to increase in recent years, although significant differences remain across Member States in terms of accessibility and quality. ECEC enrolment has important implications for children's future educational pathways, job prospects and active participation in society as well as on increasing the labour market participation of their parents. In 2021, Member States agreed on a EU-level target that, by 2030, 96% of children between the age of three and the start of compulsory primary education should participate in ECEC[86]. In 2019, the share of participation in ECEC in this age group was 92.8% EU-wide, which represents an increase of 1.6 pps compared to 2014. This target complements the Barcelona target on childcare, set to support the labour market participation of women and used in the revised Social Scoreboard[87]. As shown in Figure 2.2.1, the lowest participation rates were registered in Greece (68.8%), Slovakia (77.8%), Romania (78.6%), Croatia (79.4%) and Bulgaria (79.9%), while participation in Ireland and France was universal. On average, children at risk of poverty or social exclusion have participation rates that are much lower than those of their peers from more affluent families[88]. To ensure the quality of ECEC, by the school year 2019-20, most countries had set criteria on the qualification of staff or on their continuing professional development[89].

[86] Council Resolution on a strategic framework for European cooperation in education and training towards the European Education Area and beyond (2021-2030) 2021/C 66/01. The indicator for the European Education Area target measures attendance of ECEC programmes that fall under the ISCED 0 category (Eurostat data code educ_uoe_enra21).
[87] See Section 1.3. The Barcelona targets were agreed in 2002 by the Barcelona European Council. They state that 33% of children under three, and 90% of children between three years old and the mandatory school age should be enrolled in childcare.
[88] There is a 11.3 pps gap in ECEC participation for children at risk of poverty or social exclusion based on latest available data (2016). For more detail see JER 2021.
[89] European Commission/EACEA/Eurydice (2021) Structural Indicators for Monitoring Education and Training Systems in Europe (forthcoming).

Figure 2.2.1: Just over half of the Member States have improved access to ECEC from the age of 3 to the start of compulsory education

Participation in ECEC of children between 3 and the age of starting compulsory primary education (2014 and 2019), and EEA target for 2030 (in %)

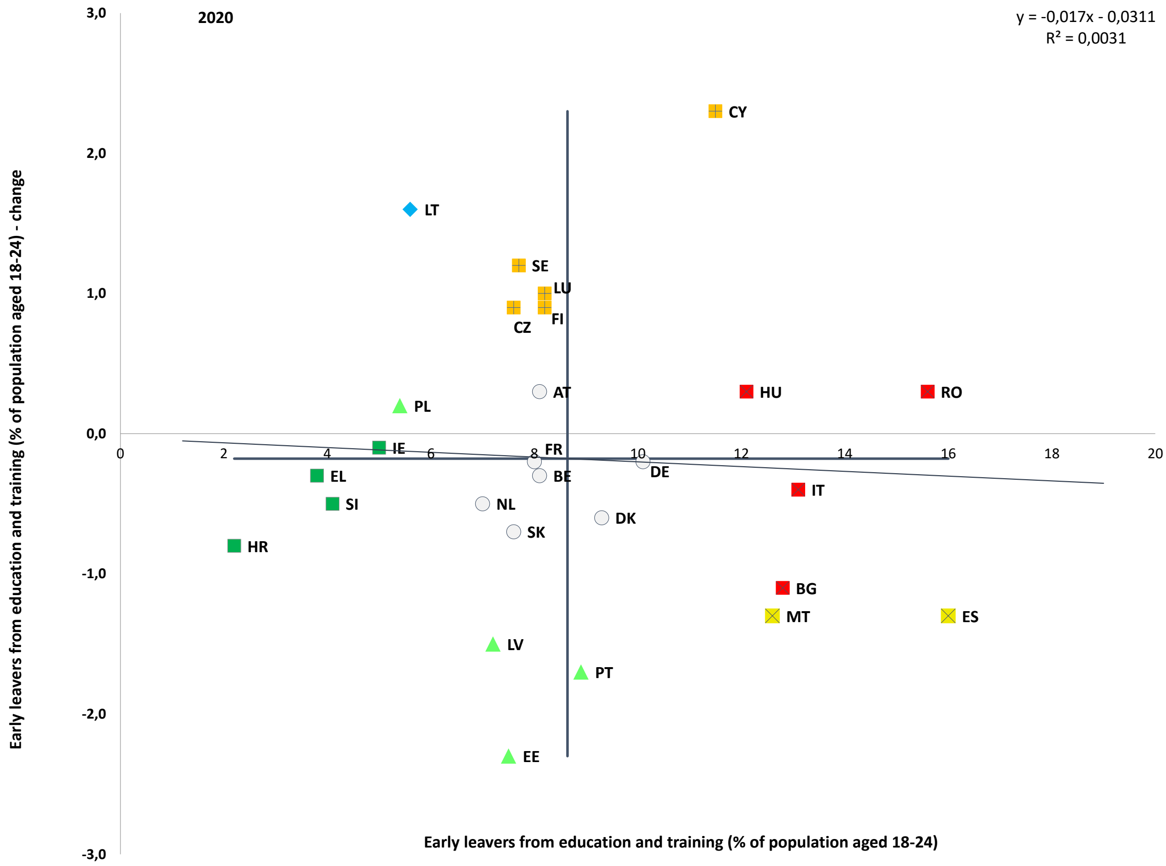


Note: Data is estimated for IE, PL; data is provisional for FR, the definition differs for the EU-27, BE, MT. Data not available for PT.
Source: Eurostat (UOE) [educ_uoe_enra21].

The share of early leavers from education and training has decreased significantly, although the positive trend has slowed down and differences remain across countries. The rates of early school leaving in the EU fell from 13.8% in 2010 to 9.9% in 2020, but recorded only a slight improvement of 1.1 pps between 2015 and 2020. The pandemic is likely to have a further negative impact, particularly with regard to vulnerable households[90]. The Social Scoreboard headline indicator points to six Member States (Cyprus, Lithuania, Sweden, Luxembourg, Czechia and Finland) having recorded an increase in early school leaving of around or above 1 pp between 2019 and 2020. Overall, differences across countries remain pronounced (Figure 2.2.2). The European Education Area target on early school leaving is expected to reduce this rate to less than 9% by 2030. Eighteen Member States have already reached this target, while six others still report figures higher than 12% (Spain, Romania, Italy, Bulgaria, Malta and Hungary). Some regions in southern Spain and Italy, and eastern Bulgaria and Romania, record early school leaving rates higher than 15% (see Annex 3). While on average there were 8% of young women leaving school early in the EU in 2020, the rate for young men was 11.8%. This gap is particularly marked (more than 5 pps) in Spain, Portugal, Cyprus and Italy. Romania and Czechia are the only Member States where the rate is lower for men than for women.

[90] Including notably pupils and students without the infrastructure to access remote learning, such as in rural and remote areas. See JER 2021 and the Education and Training Monitor 2020 for a more comprehensive coverage.

Figure 2.2.2: Despite improvements, early school leaving remains a challenge
Early leavers from education and training, population aged 18-24 (in %, 2020 and change from 2019, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for DE in 2020 and NL in 2019. Unreliable data for HR in 2019 and 2020. Provisional data for DE in 2020.
Source: Eurostat (edat_lfse_14).

Early school leaving rates are significantly higher among non-EU-born pupils. In 2020, the EU early school leaving rate among the native-born 18-24-year-olds was 8.7%, while for young people born outside the EU it was almost three times as high (23.2%). Early school leaving was even more prominent among young non-EU born men in comparison to their native-born peers (25.2% vs 10.5%). In 2020, more than a quarter of non-EU born young people in Italy, Germany, Spain, Malta, Cyprus and Greece were early school leavers[91]. Slovenia (7.4%) and Czechia (8%) recorded good outcomes for pupils born outside the EU, below the 9% target value, but still higher than for the native-born.

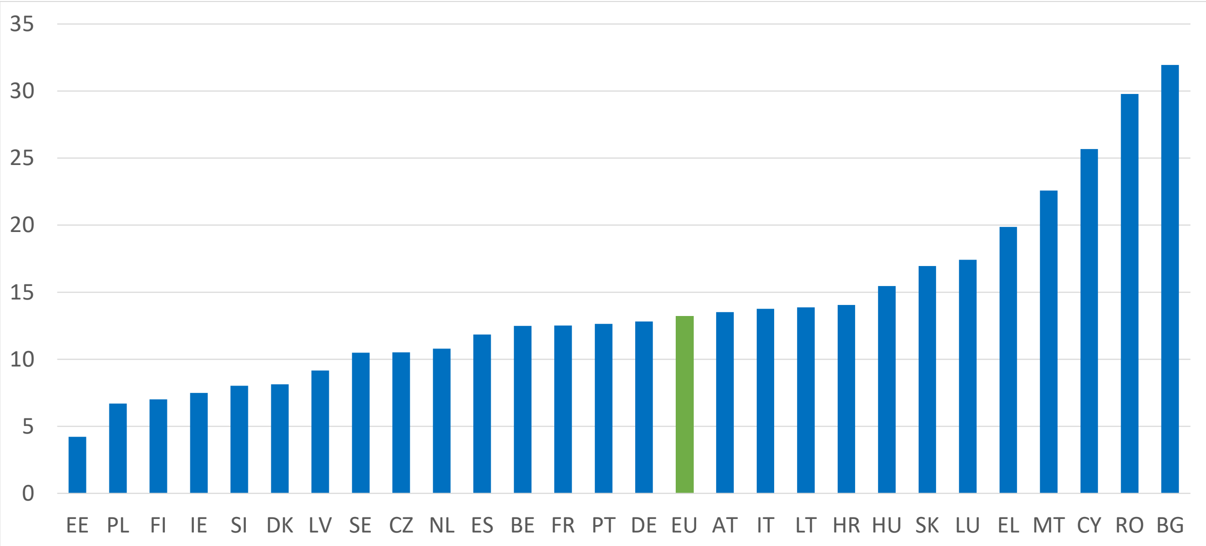
After years of steady progress, the share of 15-year-old pupils showing underachievement in basic skills is again on the rise, and students with lower socio-economic backgrounds face particularly difficult circumstances. The 2018 OECD Programme for International Student Assessments (PISA) shows that the European Education Area EU-level target (i.e. an underachievement rate of less than 15%) is far from being

[91] To avoid calculations based on very small sample sizes, this report shows results only for EU Member States where the percentage of pupils with a migrant background is at least 5%.

reached in any of the three domains tested by PISA (see Figure 2.2.3). Compared to 2015, the situation has worsened in all three domains: by 2.5 pps in reading, 0.5 pp in mathematics, and 1.1 pps in science. Students with lower socio-economic status and/or with a migrant background are overrepresented among the low achievers and have difficulties to obtain baseline proficiency in all three domains. The comparison between the shares of low achievers in the bottom and top quarters of the economic, social and cultural status (ESCS) index[92] shows a 23 pps gap in reading, mathematics and science. In the last PISA round of 2018, substantial ESCS differences were registered in reading skills in Bulgaria, Romania, Hungary, Slovakia and Luxembourg (at or above 37.5 pps). The performance gap was below 15 pps in Estonia and Finland. Inequalities in educational outcomes linked to socio-economic or migrant backgrounds represent major obstacles to providing equal opportunities to everyone, with potential further effects on individual skills levels and the growth potential of the economy.

Figure 2.2.3: The rate of low achievement in basic skills remains high in the majority of Member States

Low achievers rate in the PISA domains of reading, mathematics and science (in %, 2018)



Note: The chart shows the percentage of pupils who are underachievers in all three domains at the same time.
Source: PISA 2018, OECD, extraction of EU data available here.

Significant efforts are necessary to boost pupils' digital skills across the EU. In order to do so, Member States set a European Education Area EU-level target to reduce the share of low-achieving eight-graders (13 or 14 year-olds) in computer and information literacy below 15% by 2030. The 2013 and 2018 cycles of the International Computer and Information Literacy Study (ICILS)[93] show that only two among the participating Member States

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[92] The OECD measures the ESCS index taking into consideration the parents' education, parents' occupation, home possessions, number of books and educational resources available at home.

[93] ICILS measures pupils' achievement through computer-based assessment in two domains of digital competences: computer and information literacy and computational thinking. Two cycles have been completed so far, the first in 2013 and the second in 2018. A third cycle is scheduled for 2023. Nine Member States participated in the first cycle and seven in the second. Denmark and Germany were the only two Member States that participated in both cycles. However, in 2013 Denmark did not meet the sample participation rate, and the 2013 results are thus not comparable to the 2018 results.

approached the EU level target: Czechia in 2013 (15%) and Denmark in 2018 (16.2%). The study also revealed that the pupils' socioeconomic or migrant background remains a strong predictor of their level of digital skills. Boosting pupils' digital skills requires the development of high-performing digital education ecosystems, supported by key enablers such as connectivity, equipment, technical support to institutions, and assistive technologies for learners with disabilities. It also requires well-trained teachers, who are digitally prepared when they enter the profession and have the opportunity to further develop and reinforce their specific digital competence throughout their career[94]. As part of the Digital Education Action Plan, work is ongoing, at the EU and Member State level, to achieve these goals.

Addressing inequalities in schools is fundamental to give every pupil the chance to develop the skills and knowledge to participate actively in the economy and society. In many EU countries, schools face challenges in ensuring a more equitable distribution of learning opportunities and outcomes[95], which can result in reproducing existing patterns of socio-economic (dis)advantage. For example, those with lower educational attainment (less than upper secondary) are less likely to find work, or to move from a fixed-term to an open-ended contract[96]. In addition, discrimination negatively affects school retention rates, in particular for children with ethnic minority background or children experiencing limitations in usual activities due to disabilities or long-term health problems[97]. Some countries have taken measures to ensure a shift in pedagogical approaches to strengthen inclusion in classrooms, coupled with active desegregation measures and diversity teaching[98] (see section 2.2.2). However, more effort is required for all schools in the EU to provide equal opportunities for all.

Roma pupils and students still face significant obstacles, and new EU-level commitments aim to improve their situation. Despite some limited progress in the past decade, the educational gap between Roma and the general population remains significant. Based on the Fundamental Rights Agency surveys[99], only 42-55% of Roma children attend early childhood education and care, and 26-28% of young Roma aged 20-24 complete at least upper secondary education. In addition, one in three Roma children attends classes where most classmates are Roma. Council of Europe reports published in 2020 on Bulgaria, Czechia, Hungary and Slovakia point to continued challenges with separate schooling of Roma children[100]. The COVID-19 pandemic has further exacerbated the problem, notably with

[94] For a detailed analysis of digital skills of pupils, and the role of teachers in strengthening educational outcomes, see the JER 2021.
[95] In addition to the wide performance gap between the bottom and the top quarters of the economic, social and cultural status (ESCS) index, the link between socio-economic status and learning outcomes was discussed in more detail in the JER 2021. Data is available from PISA 2018, OECD.
[96] See 'Employment and Social Developments in Europe Annual Review 2020', chapter 2.5 on social mobility).
For a detailed analysis of transmission of educational (dis)advantage from one generation to the next, see 'Employment and Social Developments in Europe Annual Review 2018', Chapter 3.
[97] More information is available in European Commission (2019), Assessment of the implementation of the 2011 Council recommendation on policies to reduce early school leaving.
[98] FRA, Fundamental rights report 2021.
[99] Data are not given as a single value as they come from two waves of the surveys, which covered BE, BG, CZ, EL, ES, FR, HR, HU, IE, NL, PT, RO, SE, SK. See in SWD(2020) 530 final accompanying the Communication on Union of Equality: EU Roma strategic framework for equality, inclusion and participation, COM(2020) 620 final, based on FRA, EU-MIDIS II 2016; FRA, RTS 2019; Eurostat [edat_lfse_03] 2019 (General population).
[100] FCNM Advisory Committee for Bulgaria and Hungary, and ECRI report for Czechia and Slovakia, reported in FRA, Fundamental rights report 2021.

regard to internet access, IT equipment and household learning support[101]. To address these concerns, the EU put forward new targets in the EU Roma strategic framework for equality, inclusion and participation 2030[102] and the Council Recommendation for Roma equality, inclusion and participation[103].

Young persons with disabilities still face difficult labour market prospects as a result of higher early school leaving and lower levels of tertiary educational attainment. In 2019, at EU level about 21.8% of young persons with disabilities (aged 18-24) were early school leavers compared to 9.7% for those without.[104, 105] The rates were lower for young women with disabilities (16.7%) than for young men (27%). A similar pattern is observed for the migrant population, with 34.6% of young migrants with disabilities (both EU and non-EU born) leaving school early in comparison to 19.8% for young migrants without disabilities[106]. Also, in the EU 32.5% of persons with disabilities completed tertiary education or equivalent in 2019 against 43.6% for persons without. Investing in education for persons with disabilities decreases their relative disadvantage as the disability employment gap is lower for persons with higher education (14 pps) than for those with primary education only (28 pps)[107] (see section 2.3.1).

While Vocational Education and Training (VET) systems moved towards more flexible learning offers during the pandemic, including relying on digital tools, they face some sector-specific challenges. In VET, the pandemic caused similar challenges related to the digital divide as in general education[108], but VET schools and providers additionally faced specific challenges[109]. While 37% of respondents to a survey on support to apprenticeships[110] report moving some of their activities online during the pandemic, 86% of respondents to the ILO Global survey on the impact of COVID-19 on staff development and training[111] indicated a full or partial interruption of the training of apprentices. The most frequently mentioned challenges were: (i) difficulties in delivering hands-on training, (ii) infrastructure or equipment issues and (iii) lack of adapted training programmes and resources. To support the digital transition of VET schools and training companies, the EU-developed tool SELFIE for

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[101] FRA, Coronavirus pandemic in the EU-impact on Roma and Travellers, 2020.
[102] Adopted in October 2020.
[103] Adopted in March 2021, OJ C 93, 19.3.2021, p. 1–14
[104] For explanations on the statistical methodology used as regards disability, see: Eurostat, Disability statistics introduced - Statistics Explained (europa.eu). Unless specified, statistics on disability are drawn from EU-SILC micro data (EU-SILC 2019) or from statistics published in the Eurostat health database. The EU-SILC sample includes people living in private households and does not include people living in institutions. The concept used to identify people with disabilities (impairments) is whether 'for at least the past 6 months' the respondent reports that they have been 'limited because of a health problem in activities people usually do'. The data do not cover the period of the COVID-19 crisis.
[105] European Disability Expertise (EDE), 2021 (forthcoming at this page). The data is based on EU-SILC 2019, with slight differences possible from the Labour Force Survey data on the same topic.
[106] These rates are based on a small number of observations.
[107] Data come from EU-SILC 2019 analysed by the European Disability Expertise (EDE).
[108] Presented in more detail in the Joint Employment Report 2021 and the Education and Training Monitor 2020.
[109] See for example: OECD (2021). Implications of the COVID-19 pandemic for Vocational Education and Training.
[110] Apprenticeship Support Services (2021). European Alliance for Apprenticeship Monitoring Survey 2019-2020.
[111] ILO (2021). Skilling, upskilling and reskilling of employees, apprentices and interns during the COVID-19 pandemic: Findings from a global survey of enterprises.

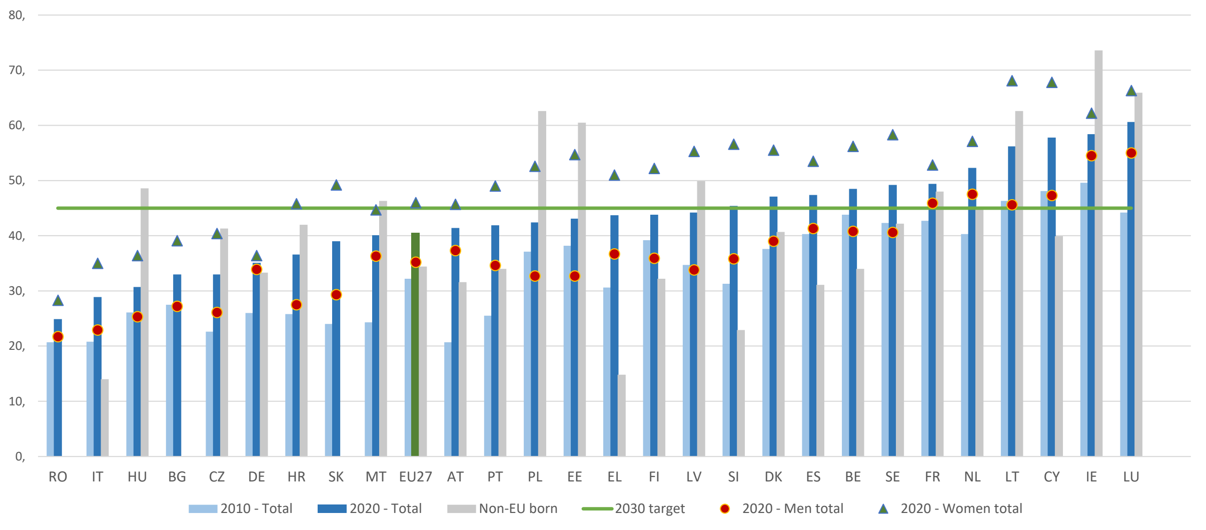
schools was expanded in autumn 2021 with a new module for work-based learning. This helps VET providers and training companies to assess their digital readiness and identify practical areas for improvement.

Tertiary educational attainment continues to increase in the EU; still there is a persistent underrepresentation of young men and non-EU born students. Quality tertiary education plays a key role in peoples' labour market prospects and social mobility[112]. Member States have agreed on a European Education Area EU-level target of a share of 25-34 year-olds with tertiary educational attainment of at least 45% by 2030. In 2020, this share stood at 40.5% in the EU, 8.3 pps higher than in 2010 and with improvements in all Member States (Figure 2.2.4). There are nonetheless pronounced differences between countries. Eleven Member States have already reached the EU-level target and, among the group of countries that have tertiary attainment rates below 45%, only Romania and Italy have not reached 30% in 2020. There is however a significant gender gap: the average share of 25-34 female year-olds with tertiary educational attainment is 46% and thus 10.8 pps higher than that of men (35.2%). Moreover, people born outside the EU record worse outcomes. In 2020, the EU average tertiary educational attainment rate for 25-34 year-olds stood at 41.3% for native-born people and 34.4% for those born outside the EU.[113] Finally, students from lower educational backgrounds are underrepresented in 19 out of 20 Member States taking part in the Eurostudent survey on the social and economic conditions of student life in Europe (Ireland is the only exception)[114]. Taken together, these factors point to persistent challenges in terms of equity and access.

[112] Vandeplas, A. (2021) Education, Income, and Inequality in the European Union, in Fischer, G. and Strauss, R. (ed.) Europe's Income, Wealth, Consumption, and Inequality, Oxford University Press.
[113] Notable exceptions include Poland, Estonia, Hungary, Ireland and Luxembourg, where the gap is in the opposite direction.
[114] Hauschildt, Gwosć, Schirmer, Wartenbergh-Cras (2021) EUROSTUDENT VII Synopsis of Indicators 2018–2021, wbv Media.

Figure 2.2.4: Tertiary educational attainment has risen across the EU, but there are wide Member State and gender differences

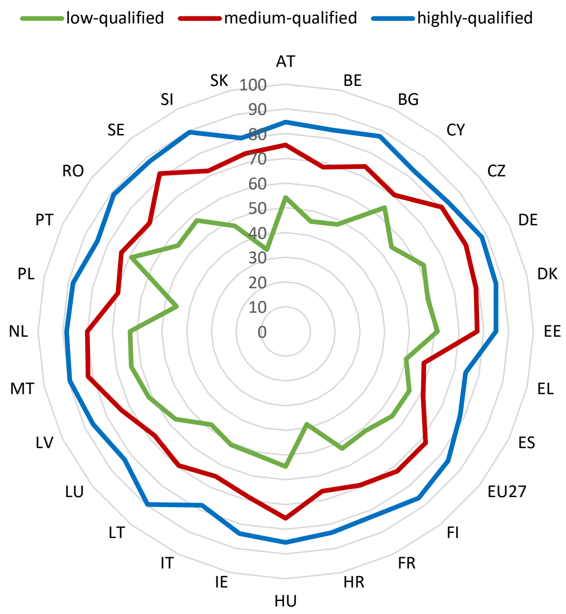
Tertiary educational attainment by country, gender and citizenship, 2010 and 2020, and the 2030 European Education Area target (in %, age 25-34)



Note: DE: break in time series and provisional data in 2020. BE, RO, SK: no data for non-EU born in 2020. LT: unreliable data for non-EU born in 2020.
Eurostat, EU Labour Force Survey. Online data code [edat_lfs_9912].

When looking at the employment rates of population groups with different educational attainments, similar declines can be observed across the board in 2020. In the EU in 2020, the employment rate of 20-64 year-olds fell by 0.8 pps for the low-qualified, 1.2 pps for the medium-qualified and 0.9 pps for the highly-qualified (to 54.9%, 72.2% and 83.9% respectively, see Figure 2.2.5). A bigger drop was recorded in the employment rates of recent graduates aged 20-34, which fell by 4.7 pps for people with lower qualifications and by 4.5 pps for those with general secondary education. The employment rate of recent VET graduates aged 20-34 dropped by 3 pps, from 79.1% in 2019 to 76.1% in 2020, with three countries recording a drop larger than 10 pps (Spain, Cyprus and Lithuania). Those who recently graduated from tertiary education recorded only a 1.3 pps decline, which supports the long-term trend of better employment outcomes of persons with tertiary education.

Figure 2.2.5: The pandemic affected the employment rates across all levels of education
Employment rates by education level (% persons aged 20 – 64 in 2020)



Note: break in time series and provisional data for DE
Source: Eurostat [lfsa_ergaed]

The existing skills shortages in the EU labour markets[115] are likely to persist and grow larger in some sectors and occupations. In the 2020 investment survey by the European Investment Bank, the share of EU employers considering difficulties in finding workers with the right skills to be an obstacle to investment increased from 66% in 2016 to 76% in 2019, with only a small reduction to 73% in 2020[116]. Eurofound reported increasing job vacancy rates in the construction, health care and information and communication sectors, where skills shortages were a structural problem already before the pandemic[117]. The COVID-19 crisis may have accelerated the ongoing shift in employees' skills profiles (see figure 2.2.6) and the move of employment from lower- to higher-qualification jobs[118]. The broader trend is related to digitalisation, changing patterns of consumer demand and associated structural changes in the economy[119].

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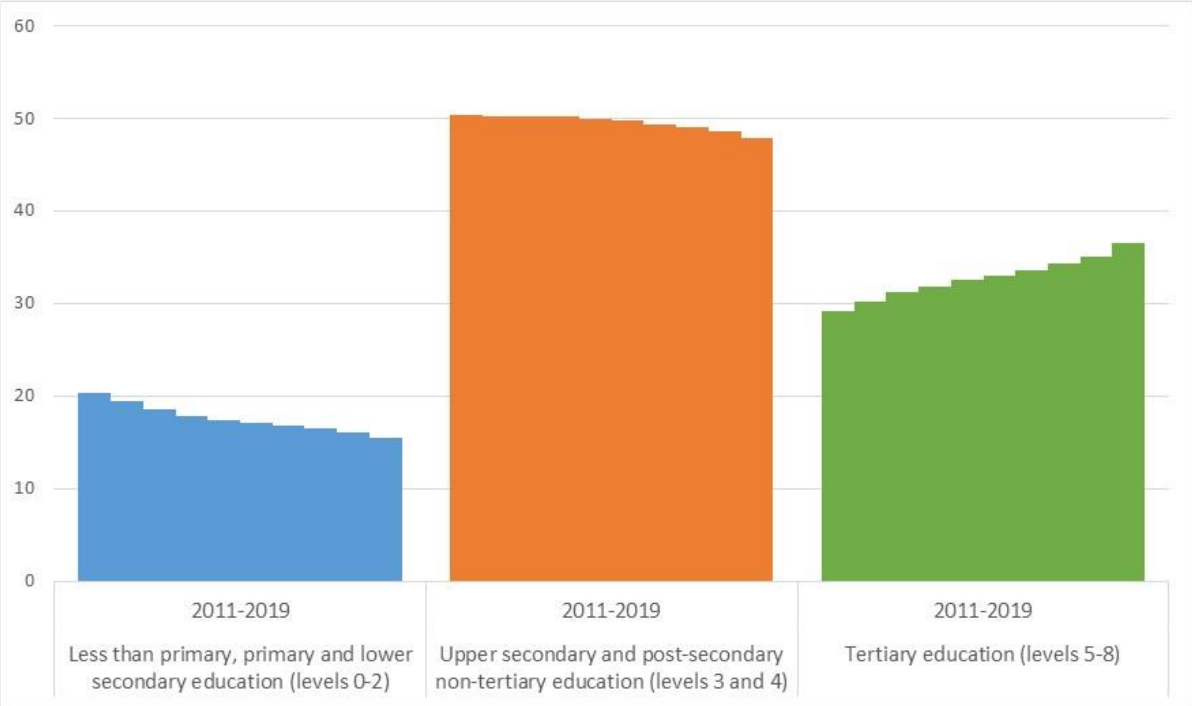
[115] See Section 2.1. Skills shortages were discussed in more detail in the JER 2021.
[116] EIB Investment Report 2020/2021: Building a smart and green Europe in the COVID-19 era and EIB data portal.
[117] Eurofound (2021), Tackling labour shortages in EU Member States.
[118] Cedefop (2021). Digital, greener and more resilient. Insights from Cedefop's European skills forecast.
[119] See European Commission (2021), Employment and social developments in Europe 2021, Publications Office of the European Union, Luxembourg and Briefing note - Trends, transitions and transformation | Cedefop (europa.eu).

Figure 2.2.6 – The share of employees holding low- and medium-level qualifications has been decreasing over the past decade

Share in total employment rate by level of qualification in EU-27 (%, 2011 – 2020)



Source: Eurostat [lfsi_educ_a]

Adult skills development remains far from standard practice throughout the EU; the EU headline target by 2030 will support further efforts on this dimension. Ensuring that the workforce has the skills for the labour markets of the future remains a major challenge with wide cross-country differences and a severe impact from the pandemic. In 2019, the participation rate of adults (aged 25-64) in learning activities (over the previous four weeks) reached 10.8%. In the context of the pandemic, in 2020, this rate dropped to 9.2%, falling short of the 15% target set by the Education and Training 2020 Strategic Framework[120]. France, Denmark and Sweden recorded drops of more than 5 pps between 2019 and 2020. There is overall great variation, and little convergence, between Member States. Only six countries stood above the target in 2020 (Sweden, Finland, Denmark, the Netherlands, Estonia, and Luxembourg). On the other hand, seven countries remained below 5% (Cyprus, Greece, Poland, Croatia, Slovakia, Bulgaria and Romania). More women participated in learning than men in the EU in 2020: 10% of women against 8.2% of men (Figure 2.2.7), with a very significant difference in Sweden (35.5% of women and 21.9% of men) and Finland (31.7% compared to 23%)[121]. To strengthen efforts on adult learning, the Council welcomed the Commission proposal for a headline target of at least 60% adults participating in learning over the previous 12 months) by 2030[122]. The target is supported by the Council Resolution on a new European agenda for adult learning 2021-2030 (forthcoming) and the European

[120] The Education and Training 2020 target measured participation in adult learning in the last four weeks (Eurostat code [trng_lfs_01]). To better track all forms of adult learning, the Council decided, in June 2021, to change the indicator to measure participation in adult learning in the last 12 months (see Section 1.3).

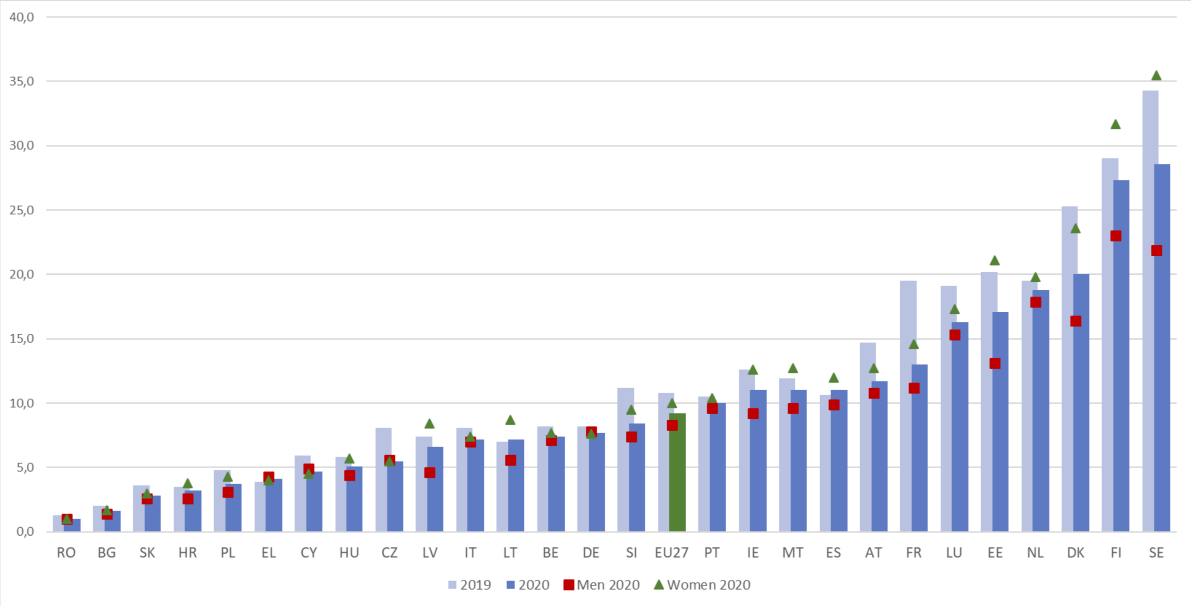
[121] The pandemic has not had a significant impact on the adult learning participation pattern by gender.

[122] The Council conclusions of 25 June 2021.

Skills Agenda, and financially supported by ESF+ and the Recovery and Resilience Facility (RRF).

Figure 2.2.7: The pandemic caused a setback in adult learning participation in almost all Member States

Adult participation in learning (last four weeks, 25-64 year-olds) in 2019 and 2020, by country and gender



Source: EU Labour Force Survey, Eurostat [trng_lfs_01]

Adult learning participation among the low-qualified remains significantly below the average. In 2020, the average EU participation of low qualified adults in learning (3.4%) was around one third of the overall aggregate figure, and also recorded a decline by 0.9 pp from 2019[123]. Ten countries reported results below the EU average (while for additional six data were not available[124]). As in 2019, Sweden, Finland and Denmark recorded the highest share of low qualified adults participating in learning (14% and higher). The gender difference was minimal, though national figures vary significantly. The biggest difference in favour of men was recorded in Luxembourg (6.3% versus 5.1%), Malta (4.0% versus 2.9%) and Austria (4.4% versus 3.5%), and in favour of women in Sweden (27.7% of women and 17.2% of men), Finland (20.8% compared to 11.3%) and Denmark (16.2% compared to 12.6%)[125]. In the EU in 2020, non-EU born persons aged 25-64 (of which 38% are low qualified compared to 18.8% of native-born[126]), were slightly more likely to participate in adult learning than the native-born (9.9% versus 9.1% respectively). The non-EU born participate in learning less often, however, in Slovenia (gap of 4.6 pps), Italy (4.3 pps), Estonia (4 pps), France (3.8 pps) and Latvia (3.8 pps)[127].

[123] Eurostat, Labour Force Survey, [trng_lfse_03]. Data are not available for Bulgaria, Croatia, Cyprus, Latvia, Romania, Slovakia. Breakdown by gender is not available for Lithuania and Poland.

[124] Eurostat does not publish participation rates for a specific group if there are too few ‘learners’ in the sample.

[125] Estonia also recorded a significant gap, but the data are unreliable for men.

[126] All the figures refer to Eurostat, [edat_lfs_9912]

[127] Eurostat, [trng_lfs_13]

The pandemic has significantly increased the online share of adult learning, which jumped from 8% in 2019 to 13% in 2020, after having increased by just 1 pp from 2017[128]. The data point to large cross-country differences in online shares of adult learning, with large gaps between women and men particularly in Cyprus and Estonia (where the increase of the participation rate of women was four times that of men), Austria, Lithuania and Malta (three times), Luxembourg and Greece (more than twice). These developments further underline the importance of ensuring access to digital skills for all.

EU Member States have recorded limited progress in providing basic digital skills for adults, and significant further efforts are needed on advanced digital skills. The pandemic has substantially increased the demand for digital skills at all levels as a transversal requirement across many occupations and sectors[129]. Yet, the Social Scoreboard headline indicator shows that only 56% of adults (aged 16-74) had at least basic digital skills in the EU in 2019 (latest available data). The indicator also suggests a lack of convergence across Member States (Figure 2.2.8) and very slow progress since 2014. In order to accelerate progress, the Commission's proposal for the 2030 Policy Programme 'Path to the Digital Decade' includes a target of at least 80% of people aged 16-74 with basic digital skills by 2030[130]. A more encouraging increase in the percentage of individuals with above basic digital skills was recorded in the EU, from 29% in 2017 to 31% in 2019, but with significant gaps in many countries. Digital skills are required (at the appropriate level) in over 90% of jobs by now and in nearly all sectors of the economy. Progress in this area is, for instance, essential if the EU is to meet the strong need for ICT specialists[131]. To ensure a successful EU digital transition, the 'Path to the Digital Decade' also proposed the objective of 20 million employed ICT specialists by 2030 (with a focus on increasing the number of women ICT specialists, who currently represent only 18% of the total in Europe).

[128] All data on adult participation in online learning come from Commission (JRC) calculations based on Eurostat, Survey on ICT usage in households and by individuals [TIN00103], 2017, 2019, 2020. Since the Eurostat table TIN00103 does not break down participation per age, the data presents JRC estimates for the adult component. 2020 data is missing for France. For additional information about changes in participation in online adult learning in 2020, please see: forthcoming: Di Pietro, G and Karpiński, Z. (2021), Covid-19 and online adult learning, European Commission, JRC.

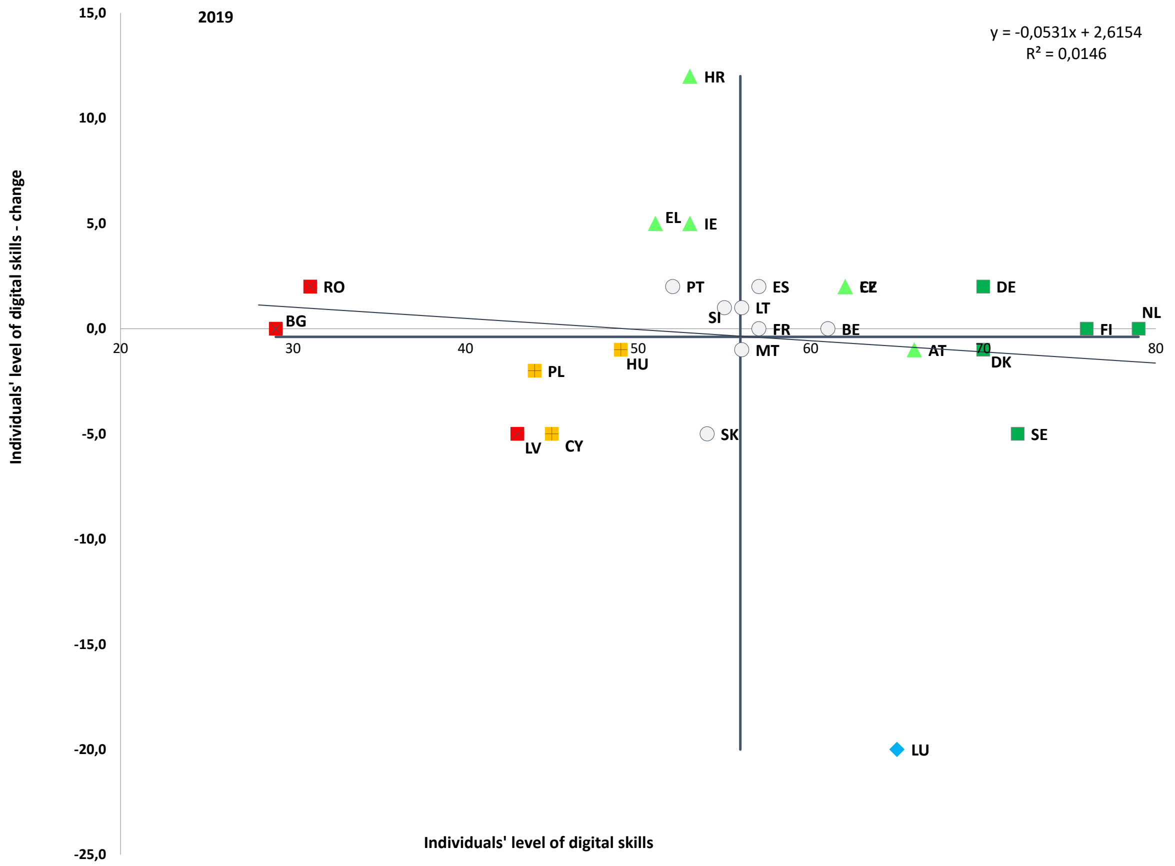
[129] Morandini, M. C., Thum-Thysen, A., & Vandeplas A. (2020). Facing the digital transformation: Are digital skills enough? European Economy. Economic Briefs, 054

[130] The target was put forward in the Action Plan on the European Pillar of Social Rights, in the Commission Communication of 9. 3. 2021. on 2030 Digital Compass: the European way for the Digital Decade COM(2021) 118 final, and in the Proposal for a Decision of the European Parliament and of the Council of 15. 9. 2021 on establishing the 2030 Policy Programme "Path to the Digital Decade", COM/2021/574 final.

[131] Discussed in the JER 2021 and in more detail in Cedefop's report [Digital skills: challenges and opportunities during the pandemic | Cedefop (europa.eu).]

Figure 2.2.8: There are high cross-country differences and slow progress in digital skills of adults

Share of population with basic overall digital skills or above and yearly change (in %, 2019 and changes in respect to 2017, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for CZ, IT, LV and LU in 2019. 2017 data not available for Italy (2019: 42%).
Source: Eurostat, online data code [tepsr_sp410].

The green transition is expected to create new jobs and change tasks in many occupations, strengthening even further the need for upskilling and reskilling of the workforce. If accompanied by adequate and timely support for re-skilling and up-skilling, job creation resulting from climate change policies can add middle-skilled jobs and help mitigate job polarisation trends. The 2021 Cedefop skills forecast[132] shows that the expected impact of the European Green Deal policies differs largely between sectors. Nonetheless, most sectors are expected to experience a shift in tasks within the sector rather than an overall increase or decrease in employment (e.g. motor vehicles). While there is no commonly agreed definition of the required skills for the green transition, broadly three categories of relevant skills can be identified as relevant for the future: occupation-specific technical skills, transversal professional skills (such as digital skills), and competences for all citizens (e.g. environmental awareness)[133]. As part of the European Skills Agenda and the Digital Education Action Plan,

[132] Cedefop (2021). Digital, greener and more resilient. Insights from Cedefop's European skills forecast.
[133] For a discussion of the need for a broad skills base, see Morandini, M. C., Thum-Thysen, A., & Vandeplas A. (2020). Facing the digital transformation: Are digital skills enough? European Economy. Economic Briefs, 054.

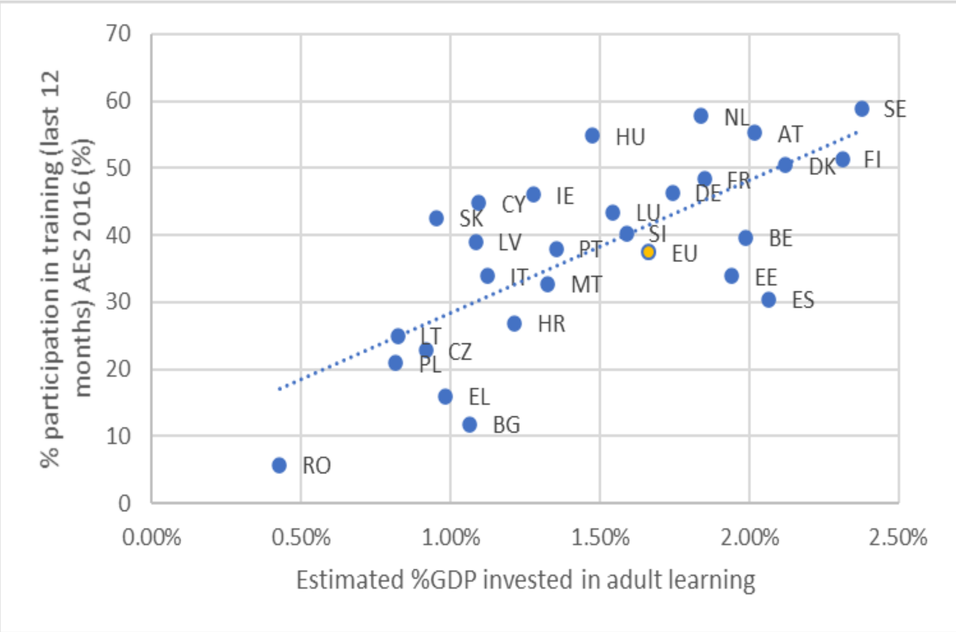
work is ongoing, at the EU and Member State level, on education and skills for the green transition (as well as on digital skills).

Pillar Box 2: **Strengthening adult learning for inclusive and sustainable growth**

Lifelong skills acquisition is integral to the competitive sustainability of the EU economy, in line with principles 1 and 4 of the European Pillar of Social Rights (on education, training and life-long learning, and on active support to employment, respectively). This requires a high level of skills of the workforce and the general population, enabling the economy to innovate and remain highly competitive, while allowing everyone to grasp the opportunities of the green and digital transitions so that they are also fair. In view of the rapid transformations, a high level of skills increasingly relies on continuing learning after initial education. This is also recognised by the new EU headline target of at least 60% adults participating in learning (over the previous 12 months) by 2030. To support this ambition, in the Action Plan on the European Pillar of Social Rights the Commission committed to put forward proposals on individual learning accounts and on a European approach to micro-credentials.

Participation in adult learning in the EU remains low (see section 2.2.1). In a recent Cedefop survey, 84% of respondents agreed that adult learning is beneficial for career progression and 96% thought that learning throughout life is important for personal development[134]. Nevertheless, in 2020 only 9.2% of adults participated in learning in the EU, with wide variation across countries.

Correlation of participation in adult learning and share of GDP



Source: Adult Education Survey 2016 for participation figures, financial estimates based on European Commission (2020), who estimate for individuals' and household expenditures on formal and non-formal learning (Adult Education Survey 2016), expenditure on employee training by public and private employers

[134] Cedefop (2020). *Perceptions on adult learning and continuing vocational education and training in Europe. Second Opinion survey –Volume 1.*

(Continuing Vocational Training Survey 2016), public investments based on expenditures in training as part of active labour market policies (Labour Market Policies database).[135]

Integrated financial and non-financial support is needed to incentivise more adults to participate in learning. There is a strong correlation between the share of GDP invested in adult learning and the adult learning participation rate (see chart). A 2020 Cedefop representative survey found that 89% of EU adults agreed that better financial incentives or support would encourage participation in training[136], and a similar finding emerged from the 2021 consultation on the Individual Learning Accounts initiative[137]. However, a further 41% mentioned scheduling conflicts, such as difficulties in receiving time off work. In addition to cost and time barriers, other constraints include a limited awareness of own skills needs and training offers, uncertainties about quality and recognition of a training programme, as well as insufficient tailoring of training offers to individual needs.[138] Increasing adult learning participation would therefore require an integrated approach that tackles the various barriers in a coherent manner. This implies combining financial support for direct costs and paid training leave with career guidance services, an overview of quality assured training opportunities and information on the validation and certification of skills.

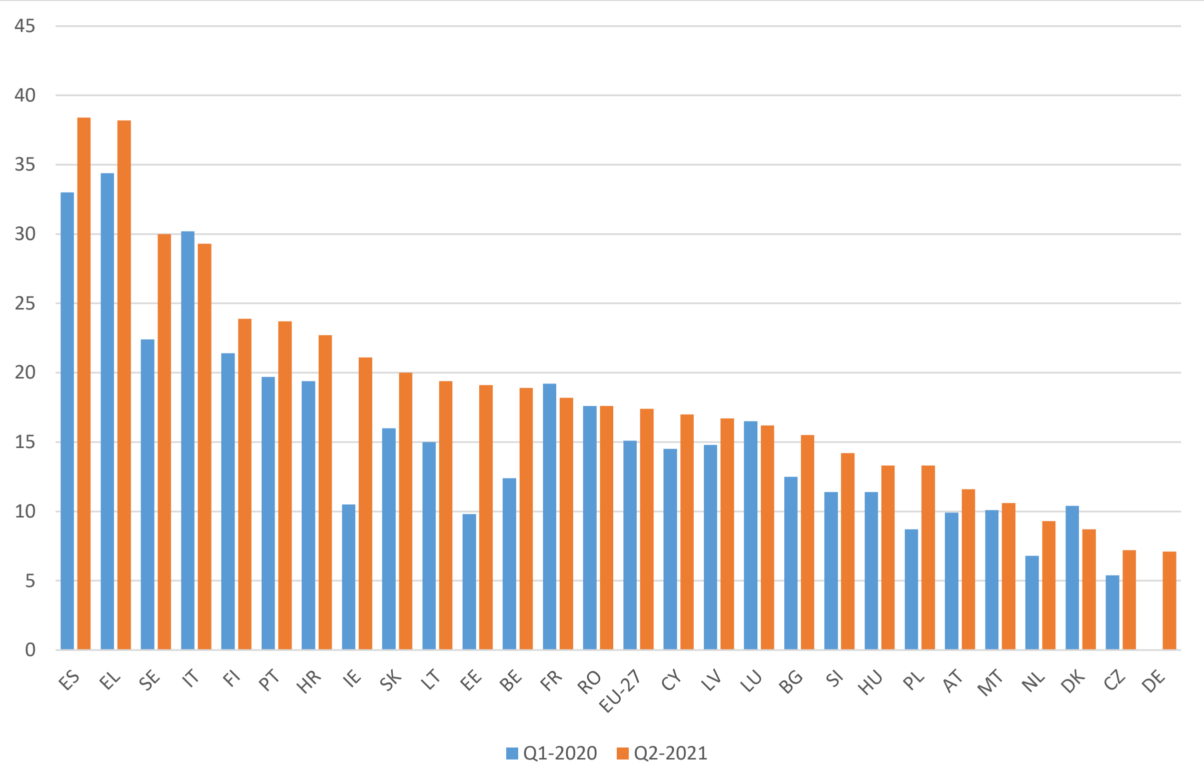
Member States have put in place schemes aiming to address the different obstacles. In **Finland**, the recently reformed adult education allowance provides income replacement during periods of training and is open to the self-employed. In **Ireland**, small credentials certifying further learning are well accepted on the labour market. In **France**, individual training accounts ('compte personnel de formation') are available for all working adults aged 16 and above. Individuals can spend their accumulated training entitlements on training or skills assessment from a list of certified opportunities. Training accounts are linked to career guidance and paid educational leave offers. **The Netherlands** are in the process of replacing their income tax deduction for training expenditures with an individual learning budget of up to EUR 1,000 ('*Stimulans ArbeidsmarktPositie*' or STAP budget) which will be applicable as of 2022. The reform aims to broaden the access to financial support and increase its visibility, while at the same time increasing the transparency about training offers through a list of certified training opportunities that are eligible for funding from STAP.

The COVID-19 crisis impacted more strongly on young people, in particular those that needed to enter the labour market for the first time. The youth unemployment rate (age bracket 15-24) increased to 17.4% in Q2-2021 in the EU, 0.6 pps higher than in Q2-2020, and 2.5 pps higher compared to the pre-pandemic (Q2-2019). This is nearly triple the unemployment rate of the population aged 25-74, which stood at 6.2% in Q2-2021. Many Member States experienced sharp increases in youth unemployment between Q2-2019 and Q2-2021 (by 13 pps in Croatia, 9.2 pps in Lithuania, 7.7 pps in Slovenia and 6.5 pps in Sweden, Figure 2.2.9). Youth unemployment was at 30% or higher in some Member States (38.4% in Spain, 38.2% in Greece, 30% in Sweden). The situation was particularly difficult for young people in transition from the education system to the labour market. The total number of recent job starters aged 20-64 declined in 2020 to 6.5 million on average per quarter, compared to an average of about 7.5 million people in previous years. Rates of

[135] European Commission (2020), Workforce skills and innovation diffusion: trends and policy implications. Annex 8. See also European Commission (2020), Adult Learning Statistical Synthesis Report:, pp. 22-34.
[136] Cedefop (2020) Perceptions on adult learning and continuing vocational education and training in Europe. Second opinion survey – Volume 1 (europa.eu), Figure 30.
[137] See the inception report of the Individual Learning Accounts impact assessment.
[138] See the Cedefop (2020) survey, and OECD (2021), Skills Outlook- Learning for Life. Chapter 4: Promoting interest and participation in adult learning for a further discussion.

involuntary temporary employment of young people aged 15 to 24 in 2020 were also high, with 13.2% of them on temporary employment because they could not find a permanent job (against 6.3% of workers aged 25-64). The proportion was more than one out of four in Spain, Portugal, Italy and Croatia[139]. The data on youth unemployment and employment point to a structural challenge, which calls for decisive policy action to prevent risks of longer-term scarring effects on young people's skills and labour market prospects.

Figure 2.2.9: Youth unemployment rates rose during the COVID-19 crisis
Youth unemployment rate (age 15-24), comparison Q1-2020 and Q2-2021



Note: Low reliability for BG, EE, HR, LU, MT, SI in Q1-2020. No data for DE in Q1-2020. Break in time series for all Member States in Q1-2021. Low reliability for HR, MT, SI in Q2-2021. Definition differs for ES, FR for Q2-2021.
Source: Eurostat, LFS [LFSQ_URGAED]

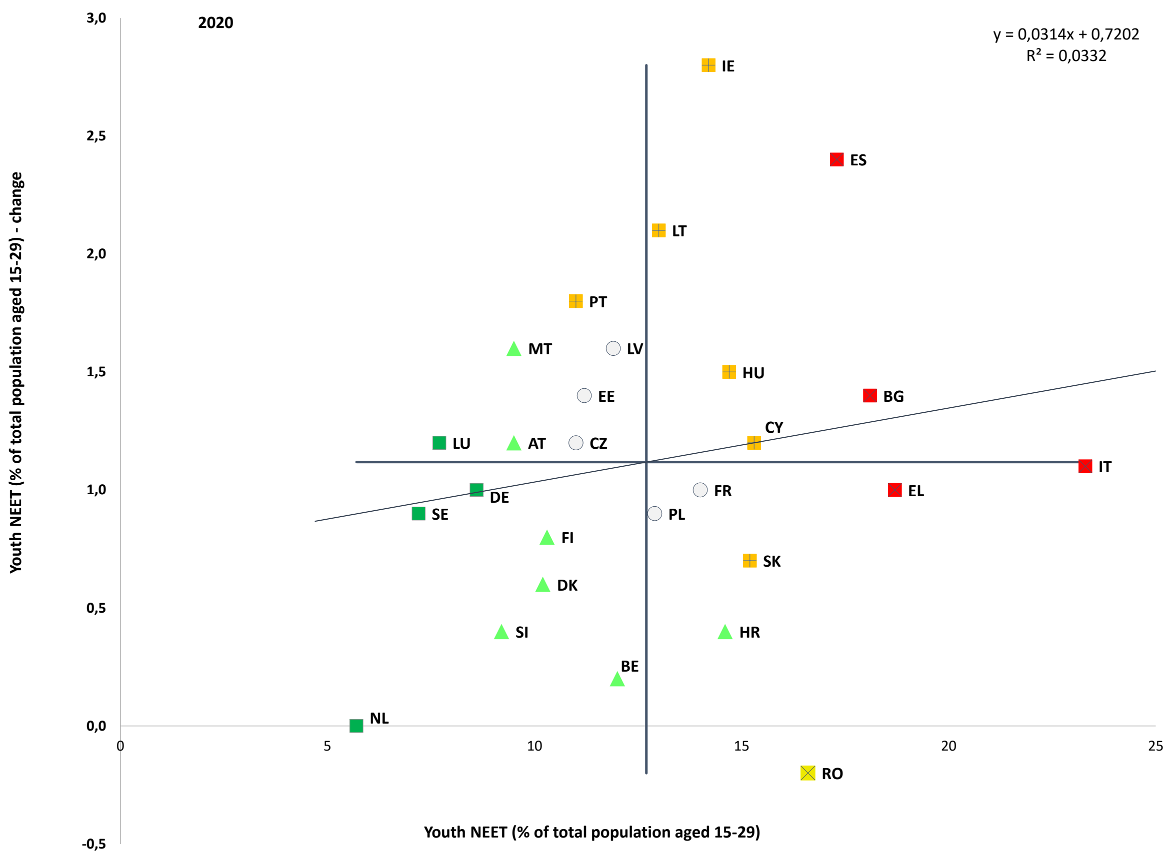
The COVID-19 shock reversed the six-year trend of declining numbers of young people not in employment, education or training (NEET). Reducing the share of NEETs aged 15-29 from 12.6% in 2019 to 9% 2030 is one of the complementary EU targets put forward by the European Commission in its Action Plan for the European Pillar of Social Rights. Due to the crisis, the share of NEETs in this age group jumped by 1.1 pp, to 13.7%, between 2019 and 2020. Before the crisis, Member States had been making steady progress in reducing NEET rates (from the record high of 16.1% to a record low of 12.6% in the EU between 2013 and 2019)[140]. The Social Scoreboard headline indicator (Figure) shows that NEET rates increased between 2019 and 2020 in all but two Member States (Romania with a decrease by

[139] Source: Eurostat (online data code: lfsa_etgar])
[140] After the revision of the Social Scoreboard, the NEET headline indicator now measures the population of 15-29, instead of 15-24. The broader age group records higher NEET rates, but the trends remain broadly comparable.

0.2 pps; the Netherlands with no change). Four countries are in ‘critical’ Social Scoreboard situations, with already high NEET rates and a 1 pp or even larger increase since 2019 (Spain, Bulgaria, Italy, Greece). Four Member States recorded a much higher than average increase, by 1.8 pps or more (Ireland, Spain, Lithuania and Portugal), although for Portugal (11%) and Lithuania (13%) the NEET rate remained below the weighted EU average[141]. The majority of Member States record regional differences in the NEET rates, in some cases significant (see Annex 3). The reinforced Youth Guarantee strengthens actions for tackling early school leaving, providing apprenticeships and traineeships opportunities, and ensuring support from employment services, particularly in terms of counselling, guidance and mentoring[142].

Figure 2.2.10: NEET rates have increased in all but two Member States and create concerns in several countries

NEET rate (age 15-29) (in % and change between 2019 and 2020, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.
Source: Eurostat [edat_lfse_35].

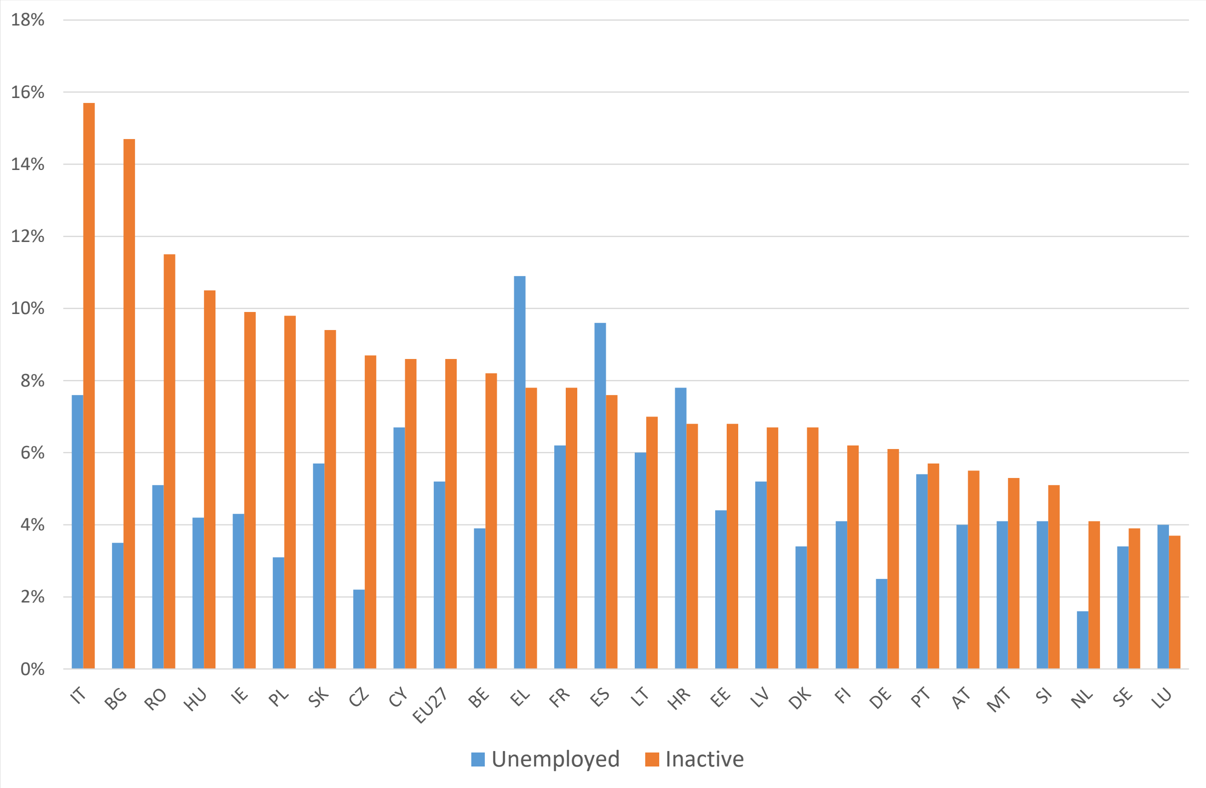
Changes in the NEET rate during the economic downturn were due to increases in both unemployment and inactivity. Between 2019 and 2020 the EU inactive NEET rate grew by 0.8 pps (from 7.8% to 8.6%) and the unemployed NEET rate by 0.4 pps (from 4.8% to 5.2%).

[141] Lithuania’s NEET rate was above the EU unweighted average, which is measured for the Social Scoreboard.
[142] Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee 2020/C 372/01

In 2020, the inactive NEET rate was particularly high in Italy (15.7%), Bulgaria (14.7%), Romania (11.5%) and Hungary (10.5%) (Figure 2.2.11). The inactive NEET rate was relatively low in Luxembourg (3.7%), Sweden (3.9%) and the Netherlands (4.1%). Among women, NEETs inactivity is much more frequent than unemployment (10.8% versus 4.6%), while the two rates are almost on par for men. For women NEETs caring responsibilities are five times more often a reason for inactivity than for men[143]. The challenge of supporting inactive NEETs is compounded by their diverse personal situations[144]. They might, for instance, be temporarily laid off, awaiting a recall to work, discouraged from looking for jobs, caring for a family member, suffering from ill health, or having disabilities. These are all situations that call for different individualised policy interventions.

Figure 2.2.11: The majority of NEETs in EU countries are inactive, but the proportion varies significantly across Member States

Inactive and unemployed NEET rate (age 15-29) in EU Member States (in %, 2020)



Note: Countries are ranked by the descending share of inactive NEETs. DE: Break in time series, provisional.
Source: Eurostat, LFS [edat_lfse_20].

Overall, in 2020 the NEET rate was higher among young people born outside the EU, with women in a particular critical situation. On average in the EU, the NEET rate of non-EU born young people aged 15-29 was 24.6% in 2020, compared to 12.7% among the native-born[145]. Six countries saw a year-on-year jump in the non-EU born NEET rates of more than 3 pps (Spain, Italy, Austria, Luxembourg, Ireland and Finland), while Slovenia and Malta

[143] Staff Working Document accompanying the Communication on the Youth Guarantee (COM SWD(2020) 124 final).
[144] A selection of analyses is available on https://www.eurofound.europa.eu/topic/neets.
[145] All the data in this paragraph are from Eurostat [edat_lfse_28] .

recorded sizeable improvements (-6.6 pps and -3.9 pps respectively). At the EU level in 2020, the NEET rate was higher among women than among men (by 2.9 pps). In comparison to their native-born female peers, women born outside the EU recorded an average EU NEET rate of 31.3%, corresponding to a 17.5 pps gap. At the country level, women born outside the EU recorded a large NEET gap of more than 20 pps in comparison to their native-born peers in Greece, Italy, Belgium, Austria, Germany and France. In Belgium, Germany, Luxembourg, Slovenia and Austria, the NEET rate for female non-EU born was at least three times higher.

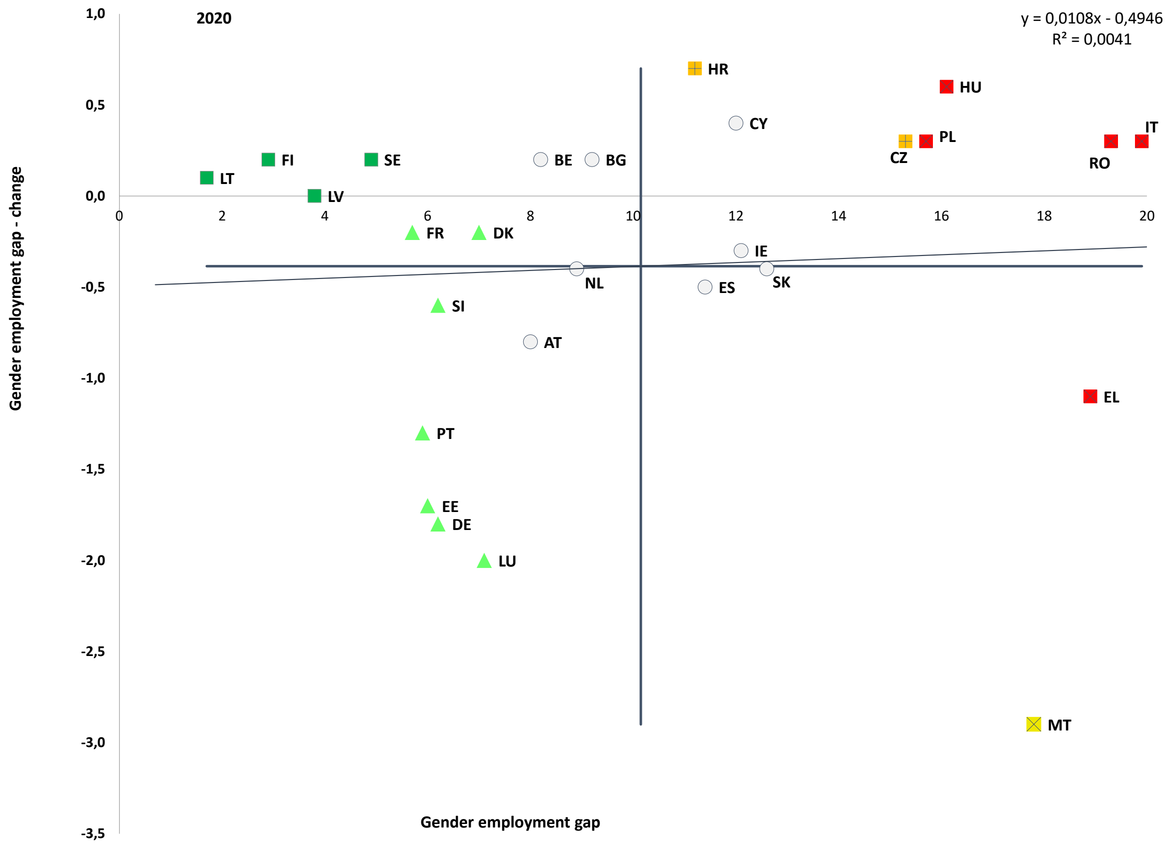
Demographic change is leading to adjustments in the composition of the labour force, with rising employment rates of older workers. In 2010, 24.3 million workers in the EU were aged 55-64 versus 143.4 million aged 25-54. A decade later, in 2020, the number of workers aged 25-54 had decreased by 1.7 million, while the number of older workers had increased by 11.5 million. The employment rate of older workers rose during the pandemic, from 59.1% in 2019 to 59.6% in 2020. This increase comes at the end of a decade of improvements (from 44.7% in 2010). This increase has been steeper among women, from 37% in 2010 to 53.4% in 2020, reducing the gender employment gap for this age group by about 3 pps. Differences among Member States persisted, although some countries with low employment rates in 2010, such as Malta, Italy, Poland and especially Hungary, have seen substantial improvements. At the same time, working hours of older workers' decreased more during the pandemic[146].

The decline in employment rates was more pronounced for men than for women, which explains the slight decrease in the nonetheless still wide gender employment gap. Between 2019 and 2020 the employment rate of women (aged 20-64) shrunk by 0.5 pps on average in the EU[147] and reached 66.7% in 2020. Due to a slightly larger decline in the employment rates of men (0.9 pps), the Social Scoreboard headline indicator of gender employment gap recorded a slight reduction (from 11.5% to 11.1%). The gap nonetheless remains large with wide cross-country variation. The lowest gender employment gaps in 2020 were recorded in Lithuania (1.7 pps), Finland (2.9 pps), Latvia (3.8 pps) and Sweden (4.9 pps), which all rank as 'best performers' (Figure 2.2.12). At the other side of the spectrum, assessed as 'critical situations' in the Social Scoreboard, stand Italy (19.9 pps), Romania (19.3 pps), Greece (18.9 pps), Hungary (16.1 pps) and Poland (15.7 pps). Several countries record wide regional variations in the gender employment gap (see Annex 3). Despite a slight improvement in the gender employment gap, the EU-27 has not seen convergence for a second year in a row, since many Member States with high gender employment gaps recorded a deterioration in 2020.

[146] Pooled data of the first two LWC rounds when the question was asked: spring and summer 2020.

[147] Malta, Greece, Poland, Luxembourg, and Germany registered an increase, and in the Netherlands employment remained stable.

Figure 2.2.12: The gender employment gap remains large, with significant differences among Member States
Gender employment gap (age 20-64) (in % and yearly change 2019-2020, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.
Source: Eurostat, [tesem060].

The gender employment gap is wider when considering full-time equivalent (FTE) employment. In 2020 the FTE gender employment gap for people aged 20-64[148] declined slightly compared to 2019 (by 0.3 pps) and stood at 17.1%. This largely reflects the fact that women more often worked part-time (29.1% of employed women compared to 7.8% of men in 2020). This reduction in the FTE employment gap was somewhat smaller than for employment in general, partially also as a result of the sharper decline in hours worked among employed women during the crisis. In 2020, the FTE gender gaps were lowest in Lithuania, Finland and Latvia, and highest in Malta (21.8 pps), the Netherlands (23 pps) and Italy (24.5 pps). Behind these developments are differences in representation of women and men in sectors and occupations affected by the crisis[149], gender differences in the use of telework,

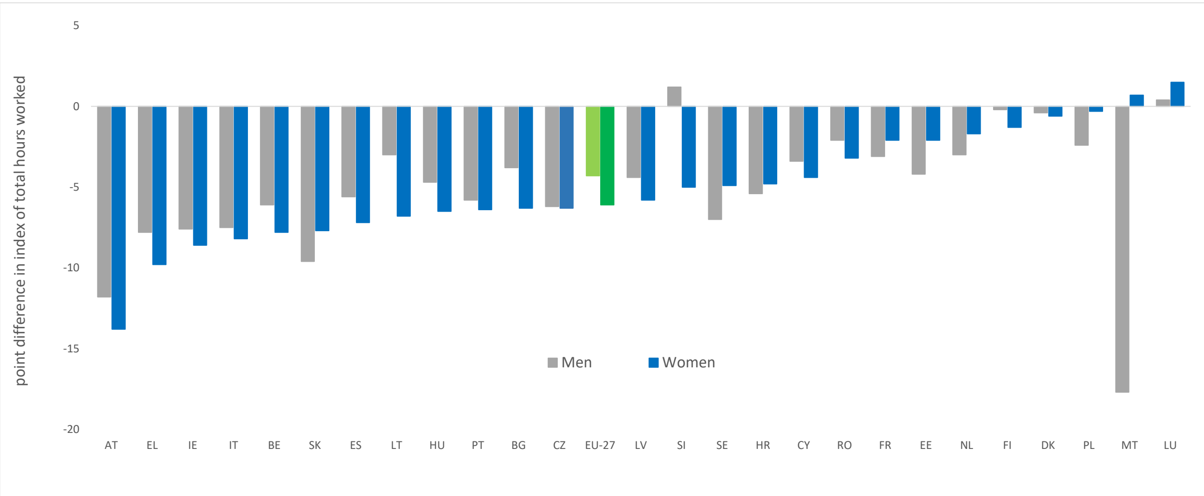
[148] The FTE employment rate compares differences between groups in average hours worked. The FTE employment rate is calculated by dividing total hours worked in the economy (first job, second job, etc.) by the average number of hours in a full-time schedule (around 40) and by the number of people age 20-64. Source: Joint Assessment Framework (JAF), computation on Eurostat data.
[149] A study by the European Institute on Gender Equality (EIGE) explores all this ("Gender equality and the socio-economic impact of the COVID-19 pandemic"). The study was conducted at the request of the Portuguese Presidency and focuses on socio economic impacts of the pandemic from a gender perspective.

and the implications of sudden increases in unpaid care work (which often made it particularly difficult for women to balance work with care responsibilities).

While the decline in employment during the crisis was slightly more prominent for men, the decline in total hours worked[150] was more pronounced for women. The proportion of women and men working in occupations where it was possible to avoid employment loss often varied, which helps explain the gender differences observed in employment losses and reductions of working hours[151]. Between Q4-2019 and Q4-2020, total hours worked in the main job declined on average by 6.1 points for women in the EU, compared to a decline by 4.3 points for men. Women experienced declines in hours worked in all but two Member States (Malta and Luxembourg), though the magnitude varied considerably by country (Figure 2.2.13). In Austria, Greece, Ireland and Italy, women saw a drop of more than 8 points in the index of total hours worked. Since the end of 2020, total hours worked have seen a slight recovery for both women and men in the EU, though pre-crisis levels have not yet been reached in Q2-2021.

Figure 2.2.13: There is wide cross-country variation in the decline in hours worked by gender

Change in the index of total actual hours worked by gender (in %, change between Q4-2019 and 2020).



Note: Index of total actual hours worked in the main job where the reference (100) is the year 2006 (yearly average). The index indicates the change in the total actual hours of work in the considered quarter of a year compared to the actual working hours in 2006. The value of the index is influenced by the number of employed persons in the considered quarter of a year, as well as by the number of hours worked by each of these employed persons; it relies on seasonally adjusted data. Data for DE are not available.

Source: Eurostat (lfsi_ahw_q).

The impact of parenthood on employment is larger for women than for men. In all Member States in 2020, the employment rate for men aged 25-49 with at least one child less than six years old was higher than for their peers without small children (by 10.4 pps). The same effect was negative for women (by 11.8 pps at EU level) in all but two Member States (Portugal and Croatia), so that the EU average gender employment gap for people with at

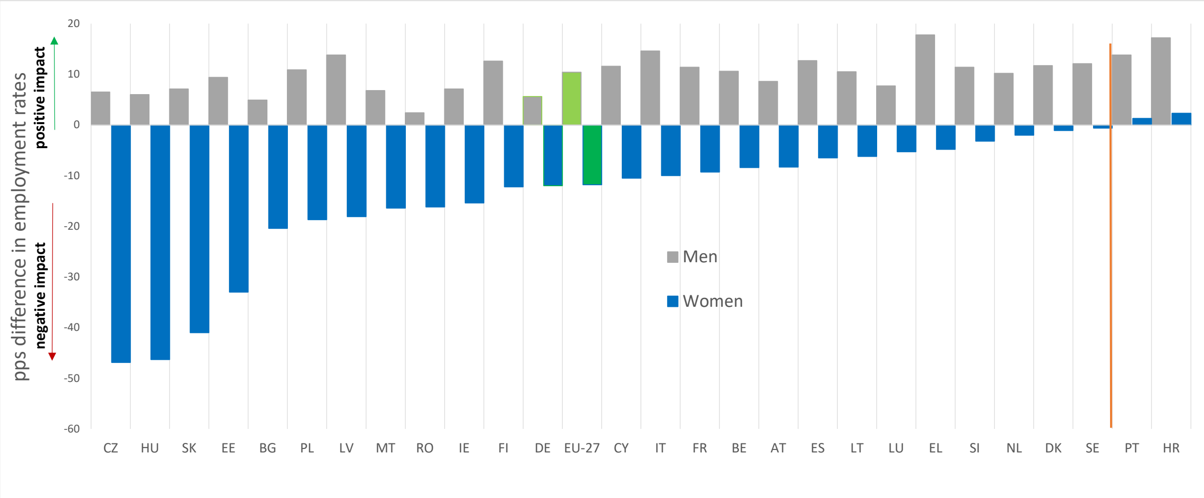
[150] This refers to the total actual hours worked by all employees and self-employed people in their main occupation during the relevant quarters.

[151] European Commission (2021) Employment and social developments in Europe 2021.

least one small child amounts to 32.2 pps (Figure 2.2.14). In Czechia, Hungary and Slovakia, the negative impact of parenthood for women in this group is particularly high (over 40 pps)[152]. This outcome can be partially linked to the distribution of child care responsibilities: more than 85% of mothers cared for children on a daily basis compared to less than 65% of men in 2016 (latest available data)[153]. Education levels are closely linked with the impact of motherhood on work: in 2020, the employment rate of low-skilled women with at least one child below six years stood at 35.3%, in contrast to 61.9% for women with an upper secondary qualification, and 79.5% for women with a tertiary qualification.

Figure 2.2.14: Only in two EU countries women with small children have higher employment rates than women without children

Employment impact of parenthood for men and women (age 25-49) in 2020



Note: the employment impact of parenthood is the pps difference in the employment rate of mothers (fathers) with at least one child under the age of six and women (men) without children.
Source: Eurostat [lfst_hheredch].

Balancing work and parenting obligations became relatively more difficult for women during the COVID-19 pandemic. Early data collected on work-life balance of fathers and mothers during the pandemic indicates that women likely faced more difficulties in combining work with private life. For example, in spring 2020, 20% of working mothers, against 13% of working fathers, reported finding it difficult to concentrate on their work due to family responsibilities always or most of the time. By contrast, this figure was only 4% of working mothers, and 3% of working fathers, in 2015[154]. In some Member States (Belgium, Germany, Netherlands, Luxembourg, France, Estonia), more than one-fifth of working parents reported issues with this. The situation improved over the course of the pandemic, but women still face greater difficulties.

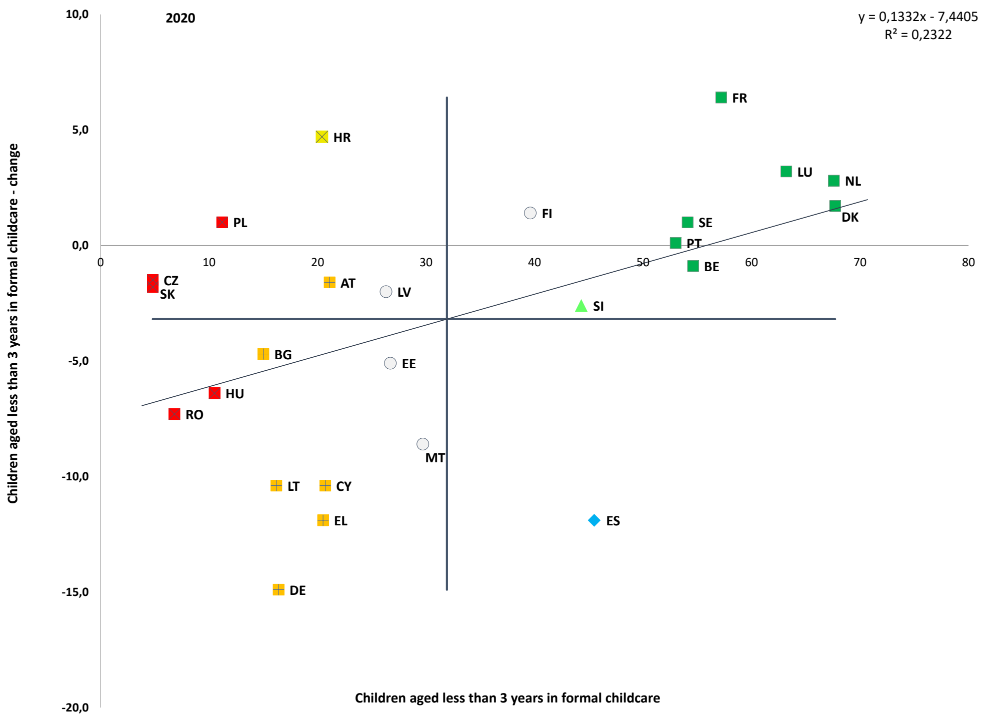
Women's employment is strongly affected by access to quality and affordable early childhood education and care. The Social Scoreboard headline indicator on childcare

[152] The issue was discussed in detail in the European Commission, Employment and Social Developments in Europe, Annual Review 2019, p. 130.
[153] Based on data from EIGE's Gender Statistics Database.
[154] The 2020 data are from the Eurofound Living, working and COVID-19 e-survey (EU-27) rounds 1, 2 and 3, and the 2015 data from the Eurofound European Working Conditions Survey (EU-27).

estimates the participation of children below the age of 3 in formal ECEC at 35.3% at EU-27 level in 2019[155], thereby exceeding the 33% Barcelona target. However, differences persist among Member States with 16 of them still having not attained the target. For five Member States – Czechia, Hungary, Slovakia, Poland and Romania – the Social Scoreboard analysis records a ‘critical’ situation[156] (Figure 2.2.15). On the other end of the spectrum, in Denmark, the Netherlands and Luxembourg more than 60% of children under the age of 3 are enrolled in ECEC. However, in the Netherlands a majority of them attend for less than 30 hours per week. To narrow the gender employment gap, it is crucial that the provision of formal childcare is compatible with full-time work. This prevents that one parent, usually the mother, is compelled to work part-time, with negative consequences on labour market outcomes, and adequacy of earnings and pensions. Adequate work-life balance policies, such as flexible working arrangements and family-related leaves, also play an important role in reducing obstacles to the labour market participation of people with caring responsibilities. If used in a balanced way by women and men, they can also contribute to reducing gender gaps in employment.

Figure 2.2.15: Large differences in terms of participation in childcare services persist among Member States

Children less than 3 years in formal childcare and yearly change (in %, 2020 and yearly changes with respect to 2019, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.
Source: Eurostat [tepsr_sp210].

[155] This is the latest available data for the EU-27 average.

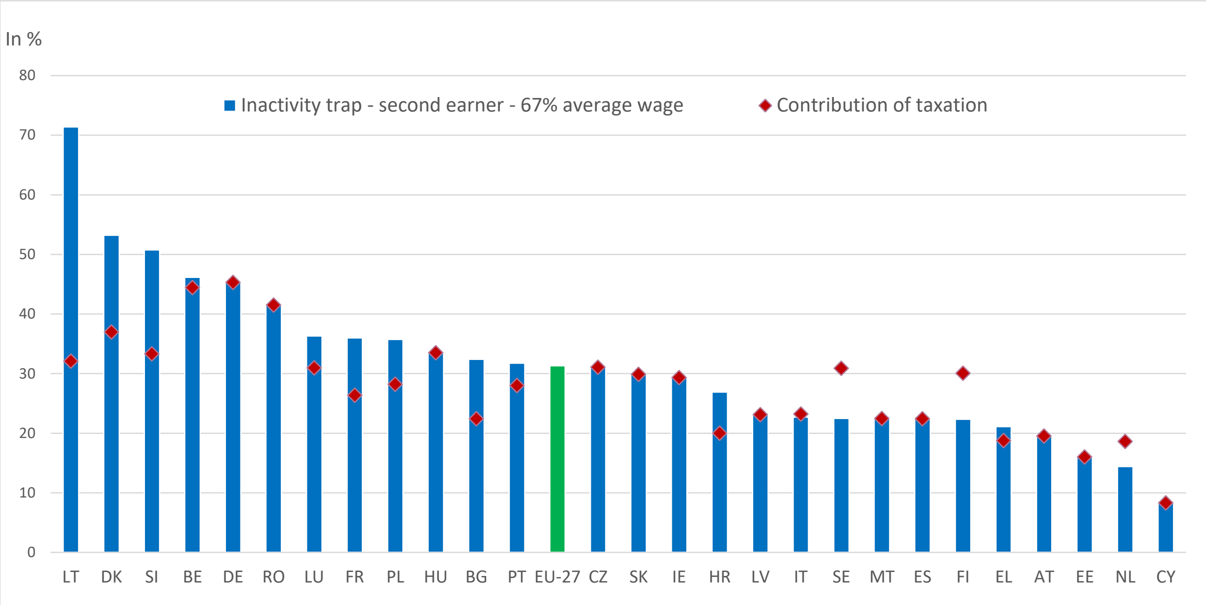
[156] Slovakia also presents a very low participation rate (1.4%) based on 2018 data (data for 2019 not available at the moment of drafting).

As the EU population ages, strong gender inequalities in care responsibilities are likely to carry stronger employment and social implications. In 2020 there were around 5.7 million women in the EU, aged 15-64, who were inactive due to care responsibilities (around 16% of all inactive women), compared to only 0.3 million men (or around 1% of inactive men). The share of women is also high, at 59%, among informal carers aged 18 or over, who provide care to adults in the family or social environment (such as adults with disability or ill-health)[157]. The difference between men and women is greatest in the 45-64 age group, on average 8 pps. In addition, women spend more time providing informal care (17 hours per week compared to 14 hours for men)[158]. In light of this, the provision of adequate and affordable care services, both ECEC and long-term care (LTC), plays an important role in strengthening women's labour market participation (see box 6 on LTC).

Taxation contributes significantly to second earners' inactivity traps in most Member States, with important gender equality implications. The inactivity trap[159] for second earners[160] (in a family with two children) is highest in Lithuania, Denmark, Slovenia, Belgium, Germany and Romania (see Figure 2.2.16). For instance, if an inactive spouse with two children takes up a job at 67% of the average wage in Lithuania, more than 70% of her (or his) earnings are taken by additional taxes and withdrawn benefits. In contrast, this trap is less than 20% in Estonia and the Netherlands, and less than 10% in Cyprus. The contribution of taxation is most pronounced in Belgium, Germany and Romania, with over 40% in potential loss of revenue for a second earner at 67% of the average wage when entering paid employment. More than three-quarters of second earners (78%) in the EU are women. Their participation in the labour market is therefore affected by the degree of the joint taxation of the combined income of a couple (including transferable tax credits) and the benefit system design (e.g. the withdrawal of means-tested benefits). Joint progressive taxation systems can inflate the marginal tax rates for non- or lower earners, as their income is effectively taxed at a higher marginal rate in line with their higher-earning partner. Such systems can therefore contribute to gender employment gaps and unadjusted gender pay gaps.

[157] Van der Ende, M., van Seben, R., van Exel, J., Bom, J. and Geijsen T., Prevalence and Cost of Informal Care, ECORYS and University of Rotterdam, 2021 (forthcoming).
[158] Based on EHIS wave 7 (2013-2015) and EQLS (2016).
[159] Inactivity traps denote the effects of taxation of every additional euro of gross income.
[160] Second earner is a person who is not (or would not be if they are thinking of entering work) the highest earner in their household. In most, but not all, cases the second earner is a woman.

Figure 2.2.16. The effective tax rate when taking up employment for second earners amounts to over 30% of earnings in the EU
Inactivity trap for second earners (in %, 2020)

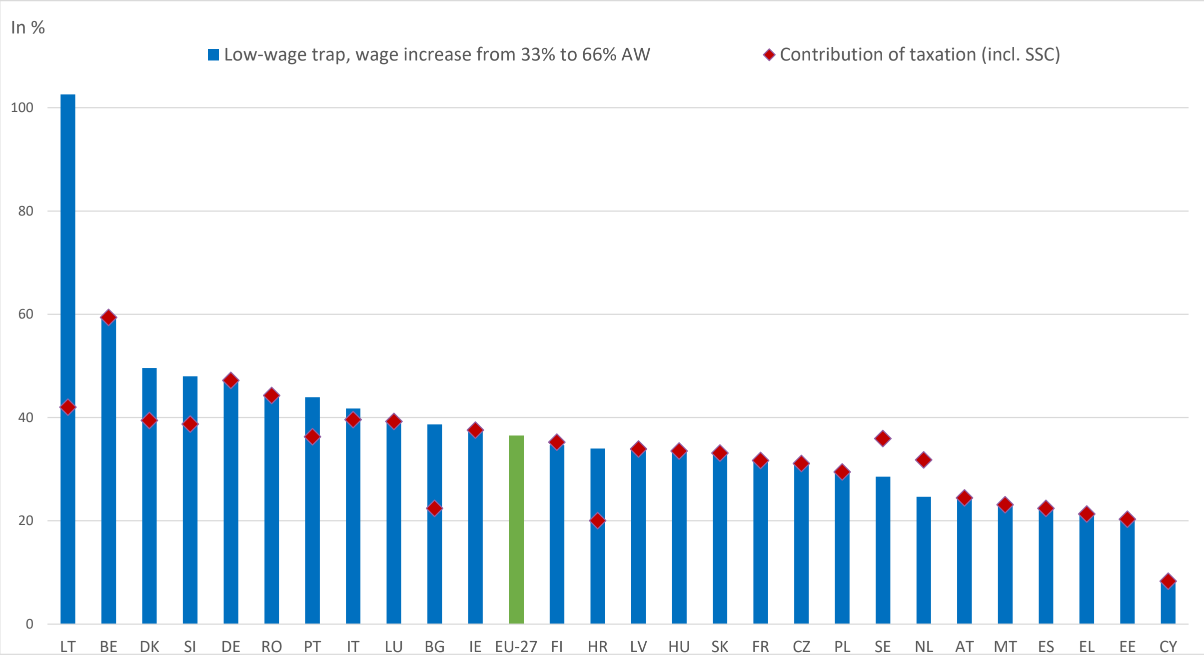


Note: (1) The data are for a second earner on 67% of the average wage in a two-earner family with two children; the principal earner is on the average wage. (2) 'Contribution of taxation (including SSCs)' refers to the percentage of additional gross income that is taxed away due to taxation and SSCs (other elements contributing to the low wage trap are withdrawn unemployment benefits, social assistance and housing benefits).
Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax/benefit model (updated March 2021).

Women's full-time participation in the labour market can also be negatively impacted when taxes are increased and benefits withdrawn too quickly with increasing working hours. This (known as the 'low-wage trap') may affect people who are active and work part-time. For second earners, taxation plays a key role in determining the severity of this low-wage trap in most Member States. Figure 2.2.17 shows the percentage of additional earnings 'taxed away' when second earners increase their hours of work and thereby their earnings from one-third to two-thirds of the average wage. Second earners can lose on average around a third of their incremental earnings, rising above 100% in Lithuania (due to the high value of the housing benefits lost) and up to 60% in Belgium. The contribution of taxation to this is the highest in Belgium, followed by Germany.

Figure 2.2.17. In many Member States a sizeable portion of earnings of second earners are taxed away when their wage increases

Percentage of additional earnings 'taxed away' when the second earner wage increases from 33% to 66% and the principal earner is on 100% of average wage, with two children (in %, 2020)



Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax-benefit model (updated Mar 2021).

The gender pay gap remains high despite slight improvements. Even though more women hold tertiary degrees than men[161], the EU-wide unadjusted pay gap[162] changed only slightly year-on-year (14.1% in 2019 with a 0.3 pps decline since 2018). This continues a trend of slight improvements that saw a 1.9 pps reduction between 2013 and 2019. The unadjusted gender pay gap remains above 20% in Estonia and Latvia, with the smallest values (between 1% and 5%) registered in Italy, Luxembourg and Romania[163]. Since 2013, the situation has considerably improved in Estonia, Spain, Luxembourg and Cyprus (respectively by 8.1 pps, 5.9 pps, 4.9 pps and 4.8 pps), while the gender pay gap has increased by more than 2 pps in Croatia and Latvia (Figure 2.2.18). Pay gaps are significantly influenced by sectoral and occupational gender segregation, and differences in educational attainment[164]. A number of other factors are also likely to play a role, including gender stereotypes, difficulties in reconciling work with care responsibilities (also resulting in career breaks), discrimination and non-transparent wage structures[165]. Pay gaps accumulate over lifetime and often lead to

[161] 46.1% of women aged 30-34 years held tertiary education in the EU-27 in 2020, compared to 36% of men.

[162] The unadjusted Gender Pay Gap (GPG) is measured as the difference between average gross hourly earnings of male and female paid employees as a percentage of average gross hourly earnings of male paid employees. Eurostat code [TESEM180].

[163] Low gender pay gaps are sometimes associated with high gender employment gaps (e.g. for Italy and Romania) – in such cases, low pay gaps may to a large extent result from selection effects, where mostly women with the highest earning potential participate in the labour market.

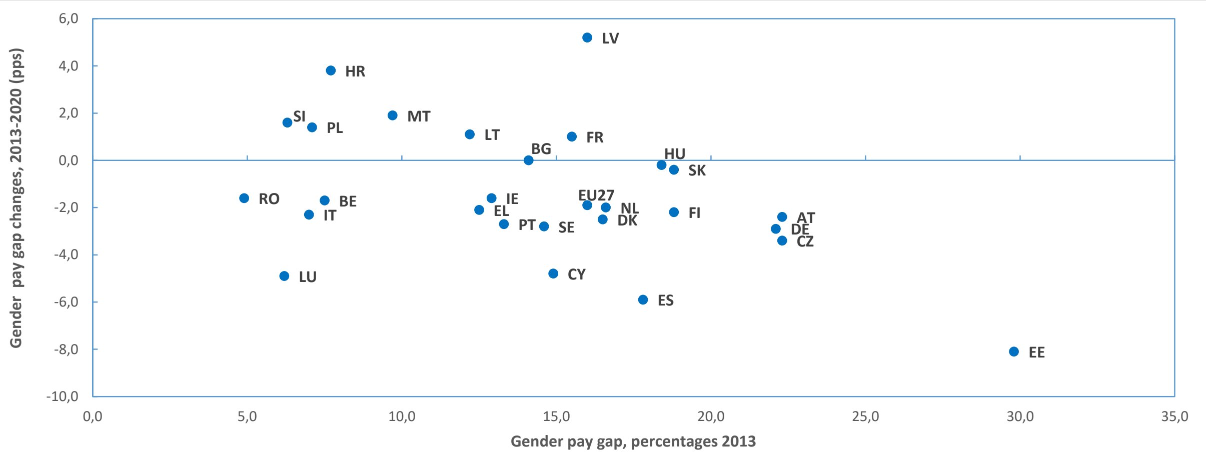
[164] Leythienne, D., Ronkowski, P., (2018) A decomposition of the unadjusted gender pay gap using Structure of Earnings Survey data, Statistical Working Papers, Eurostat.

[165] There is limited EU-27 data, but the topic was analysed in EIGE (2020) Beijing + 25: the fifth review of the implementation of the Beijing Platform for Action in the EU Member States.

gender pension gaps, which stood at 29.5% for people aged 65-74 in the EU-27 in 2019, with high diversity among Member States (Estonia at less than 1% in 2019, compared to Luxembourg at 46%). As part of efforts to address the challenge, the Commission presented in March 2021 a proposal for a Directive to strengthen the application of the principle of equal pay for equal work through pay transparency and enforcement mechanisms[166].

Figure 2.2.18: Despite modest improvements since 2013, in several Member States the gender pay gap remains high

Change in gender pay gap in unadjusted form; industry, construction and services (2013-2019).



Note: Values for IE refer to 2018; for EL refer to 2014 and 2018.
Source: Eurostat [tesem180].

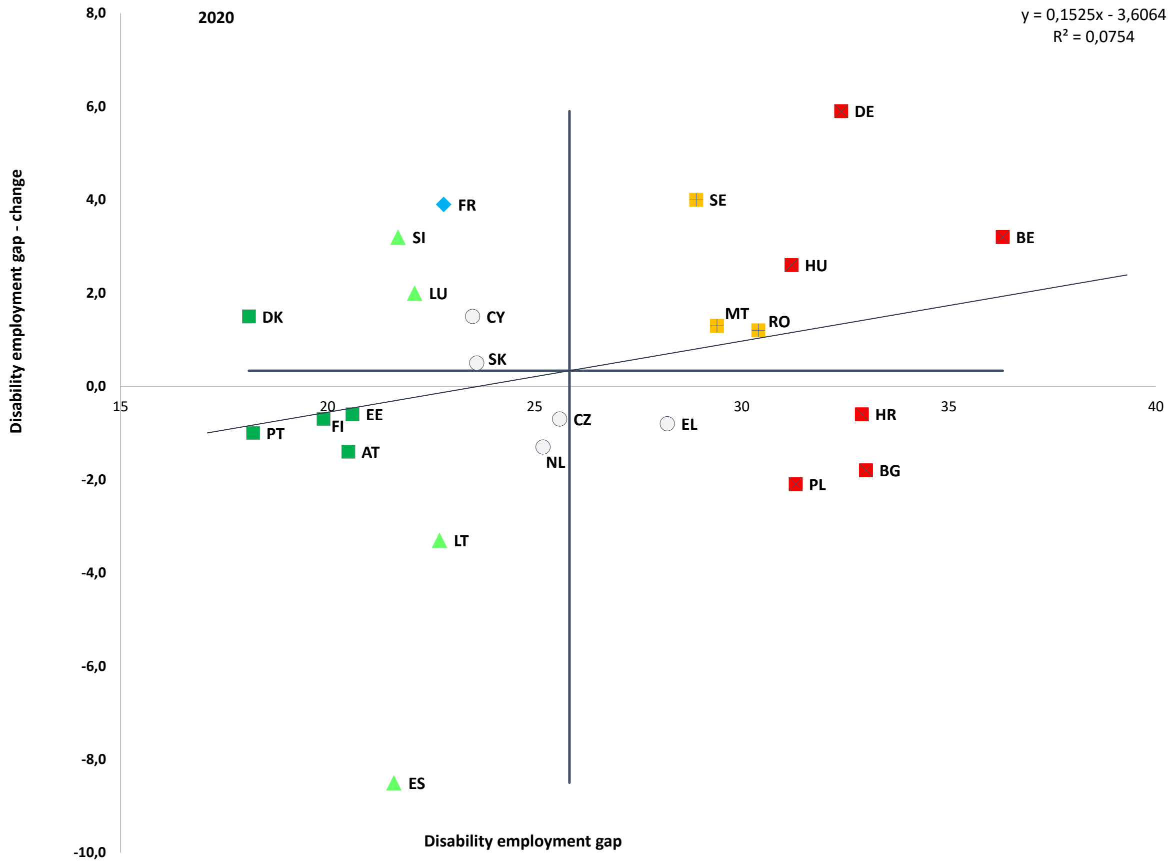
There is considerable potential for stronger labour market participation among persons with disabilities. Principle 17 of the European Pillar of Social Rights calls for inclusion of persons with disabilities, in particular through stronger labour market participation. The revised Social Scoreboard includes a headline indicator to monitor their labour market integration as a means to reduce inequalities and contribute to achieving the employment ambitions laid out in the Strategy for the Rights of Persons with Disabilities[167]. The disability employment gap[168] between persons with disabilities and others stood at 24.5 pps in 2020 in the EU. The Social Scoreboard indicator shows a wide variety in Member States' performance (see Figure 2.2.19). The gap was the highest in Belgium (above 35 pps), Bulgaria, Croatia, Germany, Poland, Hungary, and Romania (above 30 pps) and the lowest in Denmark, Portugal and Finland (below 20 pps). The COVID-19 pandemic aggravated pre-existing limitations in access to employment[169]. Differences appeared between countries in terms of evolution of the disability employment gap between 2019 and 2020. Germany recorded a 'critical' situation with an increase of 5.9 pps, while three countries are in the 'to

[166] Proposal for a Directive of the European Parliament and of the Council to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms.
[167] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 3.3.2021 on 'Union of Equality: Strategy for the Rights of Persons with Disabilities 2021-2030', COM/2021/101 final.
[168] See Chapter 1.3 for the definition of the indicator.
[169] European Commission (2021), *Employment and social developments in Europe 2021*, Publications Office of the European Union, Luxembourg.

watch' category (Sweden, Malta and Romania). The EU disability employment gap has even widened (by 1.8 pps) since the measurements first started in 2014. In 2019, the unemployment rate in the EU-27 was also considerably higher for persons with disabilities (17.3% compared to 8.3%)[170], all this pointing to an urgent need for policy action in this area.

Figure 2.2.19: The disability employment gap remains high, and there is a wide divergence among Member States

Employment gap between the persons with disabilities and those without in 2020, compared to 2019 (age 20-64) (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in data series for BE, DE, LU in 2020. Provisional data for FR, NL, PL, SK in 2020. EU-27 value is estimated.
Source: EU-SILC 2020, Eurostat, [htlh_dlm200]

The labour market outcomes of non-EU born people are less satisfactory compared to native and mobile EU citizens. Employment rates for the non-EU born aged 20-64 in 2020 lagged behind those of natives (62% versus 73.5%), and worsened relative to pre-crisis. From 2019 to 2020, the unemployment rate for the non-EU born (age group 15-74) jumped by 2.1 pps to 16.9%, against an unemployment rate increase by 0.3 pps to 6.5% for the native-born, pointing to the disproportionate impact of COVID-19[171] on the former group. Non-EU migrants tend to be over-represented in low-skilled jobs (they hold over one in four low-skilled jobs in the EU) while at the same time they are more likely to be overqualified than

[170] Source: Eurostat, EU-SILC 2020, update of 21 October 2021; data for Ireland was not available.
[171] EU nationals who work in another Member State also recorded an employment rate drop larger than the host country nationals, but their 2020 rates are broadly comparable to native-born (73.4% vs 73.5% respectively).

natives[172]. This figure is higher than 40% in Austria, Germany and Sweden and over 60% in Luxembourg. The situation of women with a migrant background is particularly critical, as their activity gap increased to 10.8 pps in 2020, with particularly low activity rates (below 60%) in France, Belgium and Italy. Forming a significant proportion of the so-called 'essential workers', non-EU migrants together with EU mobile workers have contributed to the functioning of the economy since the start of the pandemic[173]. However, even within the 'essential worker' category, migrants faced higher risks of losing their jobs than the native-born[174].

2.2.2 Policy response

Member States are taking measures to improve participation and quality of early childhood education and care (ECEC). In **Lithuania**, as of September 2021, families at risk of poverty are guaranteed access to pre-school education for children below 6 years. The legal entitlement to pre-school education will be gradually extended: municipalities should provide ECEC to all 4-year-old children whose parents require a place in 2023, for all 3-year-olds in 2024, and for all 2-year-olds in 2025. The possibility to enter pre-primary education will be lowered from 6 to 5 years in September 2023. In **Estonia**, amendments to the Pre-Primary Education Act are planned to define structured learning outcomes focussing on assessing children's development rather than their attendance. This should help raise the quality of early childhood education and care. As part of its recovery and resilience plan (RRP), **Cyprus** is planning to provide free compulsory pre-primary education from the age of 4 from Q4-2022, including the construction and renovation of child centres in municipalities, as well as grant support for free ECEC in community and private kindergartens, complemented by actions to be supported by the ESF+. In 2020, **Bulgaria** launched a three-year programme, supported by the national budget, to construct 67 new kindergartens. In **Spain**, 60,000 new places for early childhood education and care will be funded by the RRP.

Comprehensive strategies that focus on the root causes of early school leaving are required to reduce the rates and help the transition to the labour market. Reducing the proportion of young people who leave education and training before they have completed upper secondary attainment remains an EU priority, in line with Pillar principle 1 on education, training and lifelong learning. Successful policy approaches combine actions on prevention, intervention and compensation at all levels. In **Bulgaria**, REACT-EU supports a project to prevent the interruption of the educational process and to support inclusion by mitigating the risk of dropout associated with remote learning. Addressing early school leaving is supported in **Romania** by a dedicated reform and investments in the national RRP, aiming to better identify the children at risk of school dropout and to put in place targeted measures, including grants for schools. A recent reform of the education system in **Finland** extends the compulsory education age from 16 to 18, in order for young people to complete either the secondary school syllabus and matriculation examination, or vocational upper

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[172] Eurostat, Ad Hoc Extraction by LFS, Migrants more likely over-qualified than nationals - Products Eurostat News - Eurostat (europa.eu) 2020

[173] Reid A. et al (2021), 'Migrant Workers, Essential Work, and COVID-19, American Journal of Industrial Medicine, vol. 64, n. 2, pp. 73-77

[174] Fasani and Mazza (2020), A Vulnerable Workforce: Migrant Workers in the COVID-19 Pandemic

secondary qualification. In **Cyprus,** an Action Plan is being prepared with support from the Technical Support Instrument to identify solutions for retaining and engaging students at risk of school dropout. The **Belgian** RRP aims to reduce early school leaving in the French-speaking community of Belgium, including by strengthening personalised guidance for vulnerable young people, tackling the negative effects of the COVID-19 crisis, and reforming organisational structures. **Malta**'s RRP aims to tackle early school leaving and deliver timely and effective intervention by tracking data of each student in public schools from childcare to the last stage of the educational trajectory.

After the COVID-19 crisis, ambitious and effective remedial policies to compensate for learning losses, promote digital education and boost inclusiveness and equity in education and training are a priority. Romania will support remedial education measures to compensate for learning losses caused by school closures, under REACT-EU. EUR 30 million will be allocated to fund after-school activities and remedial lessons for 168,000 disadvantaged students, including Roma and pupils living in rural areas. In **Bulgaria**, BGN 109.5 million (EUR 57 million) were earmarked from REACT-EU to support school education after the pandemic by providing the technical means and specialised trainings for distance learning in an electronic environment. The measures target students, teachers, school mediators as well as parents. In February 2021, **the Netherlands** announced an extraordinary investment in education to compensate for the learning losses linked to the pandemic. The National Education Programme encompasses all levels of education and has a budget of EUR 8.5 billion. Schools with a higher share of disadvantaged pupils will receive proportionally more funding. With the School Digitalisation Programme, **Portugal** promotes the digital transition in education and training. Supported by the Coronavirus Response Investment Initiatives (CRII and CRII+), **Portugal** has provided IT equipment to disadvantaged students and training in digital competences for teachers. **Czechia, Greece, Ireland and Slovakia** intend to use RRF funding to provide school pupils and students from low-income families with ICT equipment and digital tools, while the **Belgian and Slovenian** RRPs include significant investments in digital infrastructure in schools. **Malta**'s RRP includes investments in autism units and multisensory rooms in schools. **Slovakia** aims to use the RRF to support the inclusion in education of children with special educational needs and children from disadvantaged socioeconomic backgrounds, including Roma.

The acceleration of the digital transformation driven by the pandemic led to strengthened Member States' efforts on digital skills for the labour market, in line with Pillar principle 1 (education, training and life-long learning). The EU is coordinating and supporting the digital skills efforts through the Digital Skills and Jobs Coalition, the Digital Skills and Jobs Platform[175] and the Digital Education Action Plan. As part of the Recovery and Resilience Facility (RRF), many Member States planned measures related to digital skills. In **Ireland**, a 'Technology Skills 2022: Ireland's Third ICT Skills Action Plan' defines priorities for digital skills in education and for ICT specialists. The upcoming **Cypriot** 'e-skills Action Plan' as part of the RRP includes actions for the integration of digital skills in the education system and the alignment of educational curricula with labour market needs. **Romania** plans RRF investments in digital skills for students in pre-university education,

[175] The platform brings together public and private stakeholders to tackle the lack of digital skills and improve employability in Europe.

higher education, for adults, and in the public administration. **Italy** defined in July 2020 the National Strategy for Digital Skills, with four lines of intervention for students, active workforce, ICT specialists and citizens. In many Member States the digital skills development targets are integrated in general national education strategies, industry digitalization or employment strategies and policies, such as the Digital Workforce programme for **Hungary**, the **Lithuania** Digitisation Roadmap 2019-2030, and the National Digitalisation Strategy for the school system in **Sweden**. In **Finland**, strategies and projects for AI are implemented at national level and in **Latvia** the Cybersecurity Strategy 2019-2022 has specific goals to educate public and local administration staff on ICT safety, as well as provide cybersecurity skills for SME's and citizens. **Spain** has presented the National Digital Competences Plan, envisaging digital skills training for the general population and for workers, to be supported through the RRF. Over a third of the Member States have also approved a general country digitalization strategy. In addition to those already in implementation, **Latvia** and **Spain** adopted a new Digital strategy in 2021.

Member States reacted quickly to alleviate the negative impact of COVID-19 on vocational education and training (VET). Some countries, such as **Germany, Austria, Denmark, Luxembourg and France,** provided financial incentives for companies to hire apprentices. In **Austria**, for instance, companies received an apprenticeship bonus of EUR 2,000 for each concluded training contract between March 2020 and March 2021 (SMEs receive additionally EUR 1,000). Additional support is provided if a company takes over apprentices from a company becoming insolvent. **France** strengthened the public support for hiring apprentices under 18 years old (which was raised to from EUR 4,125 to EUR 5,000), and for apprentices 18 years or over (from EUR 5,125 to EUR 8,000), for apprenticeship contracts concluded between 1 July 2020 and 31 December 2021. In **Finland**, the VET law was temporarily amended concerning the assessment of learner skills and competences in authentic work situations for the period 1 July 2020 to 31 July 2021. If learners could not demonstrate their skills in authentic work situations, arrangements were made for them to perform other practical tasks that were similar to authentic work situations and processes. In **Romania**, the National Centre for Technical VET Development published methodological benchmarks for strengthening teaching and learning in initial VET as a support guide for VET teachers[176].

Some Member States continued implementing structural reforms of the VET system. In September 2020, ministers in charge of vocational education and training of Member States, the EU Candidate Countries and the EEA countries, the European social partners and the European Commission jointly adopted the 'Osnabrück Declaration on vocational education and training as an enabler of recovery and just transitions to digital and green economies'[177]. With the law of December 2020, **Greece** introduced a new legal framework for VET and lifelong learning. The new law also included a substantial reform of VET governance by setting up a national advisory body (Central Council of VET), including representatives from the education and other relevant ministries, employers' and employees' associations and chambers. Significant steps have been taken to avoid overlaps, better address labour market needs and support autonomy at VET provider level. In 2020, **Lithuania** approved a new

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176 Repere metodologice pentru consolidarea achizitiilor din anul scolar 2019-2020-EDP (edu.ro).

177 Osnabrück Declaration

procedure for the assessment of competences acquired through apprenticeships, work experience, self-study or other types of learning. The new assessment procedure is effective as of September 2021 and it covers practical skills as well as a standardised test assessing basic (theoretical) knowledge. It is supervised by competence assessment commissions including professional practitioners delegated from companies. In **Spain**, the Plan for the Modernisation of VET was adopted in July 2020. In addition, a law to create a dual integrated vocational training system, for both initial and continuing VET qualifications and professional certificates, is currently undergoing the legislative process in Parliament. The proposal covers 11 strategic areas with a view to modernise the VET offer, support apprenticeships and SMEs. In 2021, **Poland** adopted the legislative act on a VET graduate tracking system. It sets out new ministerial responsibilities to monitor the career development of secondary school graduates. The monitoring aims to provide feedback on the career paths of graduates of a range of industry, technical and general secondary schools, as well as post-secondary schools. **Romania's** RRP includes a reform of the dual education system to meet students' and labour market needs, notably through increasing the number of qualifications and graduates, and ensuring access to higher technical education for dual education students.

Member States give more prominence to the skills needed to support the green transition. Some Member States adopted and implemented national measures to support the acquisition of skills for the green transition. For instance, in 2020, **German** authorities, together with researchers and social partners, updated the 'standard job position' on environmental protection and sustainability in VET, to be applied in all new apprenticeship curricula and recommended for all existing curricula. The new position encompasses a set of six core skills and competences for the green transition, which all apprentices across all sectors should acquire during their apprenticeship. In 2020, the **Maltese** National Statistics Office conducted a second Green Jobs Survey. Its main goal was to update data gathered in the first Green Jobs Survey 2016 and feed into a more thorough analysis of the skills needs for the green transition by the National Skills Council. **Malta** also published in October 2021 its National Employement Policy 2021-2030 that aims to equip workers with in-demand skills (including green ones), support business growth and job creation, and strengthen its labour market institutions. In **Sweden**, the 2020 Green jobs initiative targeted unemployed people for training in shortage occupations in the green sector. Under the Recovery and Resilience Facility (RRF), some EU Member States planned measures related to skills for the green transition. For example, **Croatia**'s RRP supports the funding of vouchers for accredited adult education, of which 70% is expected to be linked to skills needed in the green transition. **Romania** plans RRF investments in strengthening the professional capacity of professionals and workers in the renovation sector by developing trainings on energy efficiency construction. In **Estonia**, the RRF supports the green transition of enterprises, for example by investing in the development of upskilling and reskilling modules, including detailed training content, structure and training materials, to provide training related to skills for the green transition.

In 2020 Member States took measures to respond to the impact of the COVID-19 pandemic on adult learning. Besides the accelerated development of online adult learning provision, several countries have taken specific measures to respond to the effects of the pandemic. In **Slovenia** support to adult learning providers was part of a law (the '5th coronavirus package') to respond to the pandemic. In 2020 the **Swedish** state funded all adult education (a municipal responsibility), widening eligibility and increasing funding to host more than 25,000 additional learners. In **Denmark,** access of unemployed to the existing adult apprenticeship scheme was made easier and higher benefits were granted to unemployed in vocational training, with a focus on skills for green jobs and the care sector. The Federal authorities in **Germany** increased the support to adult learning centres, with a focus on digital skills also by using RRF funding. As part of its RRP, **Luxembourg** offered vouchers for digital skills development to all workers who benefited from the short-time work scheme. As part of the wider EUR 1.4bn social package, **the Netherlands** supports the up- and reskilling of those hit hardest by the pandemic (such as the young, lower skilled, people with a migrant background and/or disabilities, as well the self-employed without employees).

A significant number of Member States launched legislative initiatives and strategic plans to support adult participation in learning, often with RRF support, in line with Pillar principles 1 and 4 (education, training and lifelong learning and active support to employment, respectively). A recent **Finnish** law established the Service Centre for Continuous Learning, which will coordinate and develop training services for working-age people, analyse skill development needs, support regional networks, and finance training activities. In **Greece** the upgrading of the lifelong learning centres was included in a new law on the national system of vocational education, training and lifelong learning. **Italy** has established a 'New Skills Fund', announcing a National Strategic Plan for adult skills to tackle the country's high rate of low-skilled people. **Ireland** launched a strategy on new Pathways to Work for the next five years. Several countries envisaged financial support to individual learners within their RRPs. **Croatia** planned a voucher scheme for adults participating in quality-assured adult learning programmes, aligned with the Croatian Qualifications Framework. **Greece** envisaged Lifelong Skilling Accounts to support adult participation in learning. **Lithuania** announced, in its RRP, the creation of a one-stop-shop lifelong learning platform based on the principle of individual learning accounts, which were also part of the **Latvian** RRP, along with strengthened work-based learning and skills validation. **Malta** announced, in its RRP, the implementation of key measures of the updated Basic Skills Strategy, and will also support the launch of a digital learning platform for adult learners. Malta also adopted its Skills Development Scheme, which supports SMEs providing training to their workforce. **France** will top up its existing scheme of individual learning accounts to promote digital skills development. As part of **Czechia's** plan to revise the training and requalification system, particular focus will be placed on digital skills. The plan, which is supported by the RRF and ESF+, aims to establish 14 regional training centres operated by the public employment services. **Sweden** is planning to introduce, in December 2021, vocational courses for adult students with an intellectual disability. In **Belgium**, several measures have been adopted – of which some in the context of the RRP – to support the skills of adults: an increased time credit for workers in learning and the set-up of an individual learning accounts scheme in Flanders, and in Wallonia the projects 'Start digital' and 'Upskills Wallonia'. The **Netherlands** have established a public individual learning and development fund[178]. **Luxembourg** included in the RRP a new skills strategy to analyse the current skills needs and design and implement an action plan for future trainings.

Boosting the quality of higher education is key, especially in the context of rising tertiary educational attainment rates. Several Member States have announced or introduced reforms

[178] At the time of drafting, this measure was not linked with the country's RRP.

in line with this. **Latvia** is implementing a comprehensive higher education reform that envisages structural changes across three pillars: governance, funding and human resources. The new law divides higher education institutions in science, arts and cultural universities, applied sciences universities, and applied sciences university colleges, with specific quality criteria for each type. In October 2020, **Luxembourg** launched a new short-cycle programme to protect young people from unemployment. The new post-secondary training 'Diplom+' is a flexible two-semester programme, targeting young people who, having completed secondary education, are neither enrolled in higher education nor in a job yet. The programme can be interrupted at any time whereas completed modules are certified, and it entitles participants to benefit from study allowances. Finally, the Advancement Fund for Higher Education recently approved by **Belgium** (Flanders) consists of a reform and investment package with three main objectives: rationalising the training offer in higher education, including by making it more labour market relevant and flexible; supporting lifelong learning in higher education; and making optimal use of digital learning pathways.

The economic recession triggered by the pandemic hit young people hard and made them a priority group for support, notably via reinforced apprenticeships. For example, in **Belgium** (Flanders) the government increased the premium offered to apprenticeships providers by EUR 1,000 with funds available under REACT-EU. In **Belgium** (Wallonia)**,** the premium for employers that offer apprenticeship places in specific sectors amounts to EUR 390 per month during the first 4 months of the apprenticeship. **Ireland** adopted an apprenticeship incentivisation scheme providing a EUR 2,000 payment to employers offering new apprenticeships. **Austria** offered an apprentice bonus for companies (*Lehrlingsbonus*), and funding will be provided for taking over apprentices in the first year of training from an inter-company apprenticeship scheme until 31 March 2021.

Member States reinforced hiring subsidies targeted to young people, in line with Pillar principles 1 and 3 (on education, training and lifelong learning, and equal opportunities, respectively). **Ireland** offered additional recruitment subsidies under the JobsPlus scheme, providing up to EUR 7,500 over two years to hire someone under the age of 30 and unemployed. **Cyprus** offered hiring incentives for the recruitment of young people aged 15-29. The scheme consists of wage subsidies of up to EUR 8,600 for each new recruitment for a period of 10 months. With the help of ESF funding, it aims to recruit 1,200 unemployed young people over one year. Between end-2020 and September 2021, **Romania** ran a hiring subsidy for people aged 16-29, registered with the public employment services. In **Belgium**, the Brussels government introduced a job-hiring subsidy for unemployed young people under 30, amounting to EUR 500 per month during 6 months. **Greece** announced a new programme for young people aged 18-29 without previous work experience, to start in January 2022. The subsidy will be provided for 6 months and consist of EUR 600 for the young person and EUR 600 for the recruiting company. As outlined in the EASE Recommendation (see box 1) combining hiring incentives with up- and reskilling measures and enhanced support from employment services can play an important role in supporting job creation and easing job-to-job transitions.

Member States adopted new job and training support measures for young people with enhanced Public Employment Services (PES), in line with the reinforced Youth Guarantee and Pillar principle 4 (active support to employment). PES continue to be a central player in the implementation of the Youth Guarantee, and many are in the process of developing new or improved youth-oriented services. Some Member States introduced new training measures for young people. **Portugal** established a traineeship programme in the public administration (*EstágiAP XXI*) for young people with higher education. Member States also enacted or plan to enact a number of structural reforms in their PES and education and training systems that will support youth employability. For example, **Cyprus'** RRP includes plans to reinforce the support offered to young people with a package of measures to increase outreach to NEETs and modernise the PES. In **Czechia**, young people will be among the main beneficiaries of a medium-term (until 2025) ambition, supported by RRF and ESF+, to reform the training and requalification system. The reform will involve the setting up of a tripartite committee to coordinate the development of lifelong learning, and the creation of 14 regional training centres under the responsibility of the PES. **Estonia** included in its RRP the adoption of a reinforced Youth Guarantee scheme that includes an improved 'My First Job' scheme, encouraging the recruitment of young people with little work experience by combining training and a wage subsidy. **Spain** adopted a 2021-2027 Youth Guarantee Plus plan to deepen inter-institutional coordination, strengthen cooperation with the private sector and local authorities, and improve the education, training and labour market services. The country plans further investments, with support from the RRF, to encourage youth employment. To help youth migrants, **Germany** introduced more than 470 'youth migration services' (*Jugendmigrationsdienste*) that focus on integration into training and the labour market. They support youth with migrant parents, including refugees, with a range of services, including job application training, training in the use of new media and an online advisory service (*jmd4you*), free of charge and available in different languages.

Member States have also launched initiatives supporting the labour market situation of older workers. Italy's programme *Garanzia Occupabilità Lavoratori* implements active policies based on specific needs to encourage the work inclusion of beneficiaries of citizenship income, as well as the integration of workers in short-time working scheme and older people. **Slovakia** plans to use RRF support to provide digital skills training and basic equipment for 172,800 elderly and disadvantaged people. Older workers are also one of several target groups in the **Slovenian** RRP measure on up- and reskilling in digital skills for the employed and the self-employed. Digital skills trainings for persons over 55 years of age have also been included in the **Cypriot** RRP. Older persons are also one of the target groups in the **Malta** updated Employment Strategy, supported by the RRF.

Member States introduced temporary measures to support parents with children in the COVID-19 pandemic, in line with Pillar principles 9 (on work-life balance) and 11 (on childcare and support to children)**.** In **Italy** a bonus of EUR 1,000 is given from October 2020 until the end of 2021 for the purchase of babysitting services or, alternatively, enrolment to summer camps to be used during the period of suspension of teaching activities at school. **Luxembourg** extended until 17 July 2021 the right to a leave for family reasons on the grounds of a total or partial closure of schools or childcare facilities. It also extended until November 2021 the family support leave for people forced to stop working to care for an adult with a disability or an older person with a serious loss of autonomy. In **Romania**, employees who are parents are granted paid days off for supervision of their children, in case they can no longer attend classes, following the results of a COVID-19 epidemiological investigation resulting in a limitation/suspension of educational activity. In **Spain**, the 'Takes Care of Me Plan' (*Plan Mecuida*) reinforced the employees' flexibility to take over family responsibilities with minors or older persons as a result of the pandemic. The employer and the worker had to agree on specific measures including, if needed, a reduction of employee's working hours up to 100% (against 50% before), with a proportional reduction in wage. In **Denmark**, parents of children who are either sent home from school due to COVID-19 or infected with COVID-19 can stay at home with the children and receive parental leave benefits. The initiative ran from 1 October 2020 to 30 June 2021. In **Belgium**, the government introduced the COVID-19 parental leave, which is additional to the existing parental leave entitlement with higher benefits than for the existing scheme.

Permanent family-related leave measures are increasingly adopted or strengthened in the Member States. In June 2021, **Greece** adopted a law that incorporates the provisions of the Work-life balance directive 2019/1158[179] by providing parental leave, extending paternity and maternity leaves and introducing flexible working arrangements. Beyond the minimum requirements of the Directive, the law provides for leaves agreed with social partners in prior National General Labour Collective Agreements (e.g. childcare leave, leave to follow-up on school performance, leave for parents of sick children or children with a disability, or single-parent families). In **Italy**, the number of days of compulsory paternity leave has been extended from seven to ten days. As of January 2021, **Spain** replaced paternity and maternity leaves with a non-transferable birth leave of 16 weeks, paid at full wage. As of May 2021, **France** increased the length of the paternity leave from 11 to 25 days. Four out of 25 days of leave are mandatory and in addition to the three days of leave at the birth of the child. In the **Netherlands**, partners of women who have given birth receive additional five weeks of leave as of 1 July 2020. This additional birth leave can be taken in the first six months of the child's life at 70% of the wage, paid by the PES. The Flanders region in **Belgium** has introduced an additional income support ('encouragement premium') for workers who take time credit to care for a relative. The premium is additional to the federal allocation and the amount depends on the sector. As of 1 October 2021, **Bulgaria** substantially increased the compensation for the second year of maternity from BGN 380 to BGN 650 (from EUR 195 to EUR 330).

Targeted measures are put in place to promote activation, strengthen skills and support employment of women, in line with Pillar principles 2 (on gender equality) and 4 (Active support to employment). To support the return to work of working mothers and to favour the reconciliation of working time and family care time, **Italy** increased the Fund for Family policies by EUR 50 million (to EUR 732 million), to be allocated to support and enhance the organisational measures adopted by businesses to favour return to work of working mothers after childbirth. The Italian RRP also targets women for ALMP and entrepreneurship support measures. As of October 2020, a programme in **Hungary** supports the upskilling and reskilling of young parents, especially women, in order to facilitate their entry/return to the labour market. A scholarship of EUR 110-550 (depending on the intensity of the training) is available to low-skilled parents aged 18 or over who are receiving family support benefit and wish to take part in training aimed at completing classes 5 to 8 of primary school, secondary education, or adult training. The budget of HUF 3 billion (approximately EUR 8.3 million) can support the training of 2,500 people. **Spain's** RRP includes a measure to support female employment in three main areas: a) training on digital, green, long-term care, entrepreneurship and social economy; b) integration pathways for women victims of violence

[179] Directive (EU) 2019/1158 of the European Parliament and of the Council of 20 June 2019 on work-life balance for parents and carers and repealing Council Directive 2010/18/EU.

or trafficking; c) gender mainstreaming in all elements of PES annual employment plans. In **Finland**, the amendment of the Law on Early Childhood Education and Care Fees increases incentives to take up work, especially for stay-at-home parents (which are mostly women) in low- and medium-income families. The legislative amendment (into force as of 1 August 2021) reduces the early childhood education and care fees in all income brackets by increasing the income threshold by 31%. This will provide free ECEC to around 20,000 families. Families with several children will benefit from the sibling fee reduction, as the fee for the second child will be 40% (compared to current 50%). **Slovenia**'s RRP supports an online platform with tools for employers and workers to promote flexible ways of work, and 135 projects to establish or upgrade home working conditions, including expert assistance in assessing and identifying the specific needs of a company.

Member States launched several measures to promote the employment of persons with disabilities, including temporary measures to mitigate the impact of the COVID-19 crisis. In 2020, **Romania** changed the legal framework on the rights of persons with disabilities, and also on protection from discrimination, to guarantee equality of chances, accessibility of the workplace and the adaptation of duties in accordance with the functional potential. The **Latvian** Plan for Persons with Disabilities for 2021-2023 includes a measure to adjust rules for obtaining disability status, to introduce measures for the inclusion of persons with disabilities in the labour market, and to improve infrastructure accessibility. In **Belgium** (Wallonia) the most vulnerable jobseekers will receive personalised and more comprehensive guidance. Knowledge centres will also be developed to provide support on specific topics (e.g. mental health, persons with disabilities). **France** plans measures to reinforce access to training and employment guidance for public agents with disabilities and less qualified public agents, including with payments and special days off. This measure will allow for access to training and possibilities for career transitions for more vulnerable public servants.

Several Member States have adopted measures to promote job creation among persons with disabilities through targeted hiring incentives, in line with Pillar principles 3 and 17 (on equal opportunities and inclusion of persons with disabilities)**.** In the face of the COVID-19 pandemic, **Austria** increased the pre-existing wage subsidies for persons with disabilities by 50% for a period of 3 months. It also temporarily (until September 2021) increased by 50% their job security allowance. Companies are obliged to employ one registered person with disability for every 25 employees hired; failing this, they incur in an obligation to pay a monthly compensatory tax per employee not hired. The compensation tax is earmarked to support the labour market integration of persons with disabilities. **Belgium** (Bruxelles Region) uses the RRP to provide a bonus system to support employers in the integration of persons with disabilities. In **Czechia**, the maximum amount of contribution to support the employment of persons with disabilities has been increased by CZK 800 (approximately EUR 30), up to CZK 13,600 (approximately EUR 525). **The Netherlands** increased the maximum level of benefit for young people with a disability from 25% to 70% and 75% of the minimum wage for those with labour capacity and those without respectively. Young people who are entitled to disability benefits who start working will receive a higher income. They can keep their benefits if they enrol in education, and can fall back on social benefits if their job stops.

Some Member State introduced measures to support the carers of persons with disabilities. Persons with disabilities have an equal right to live independently and be included in the community, which requires a differentiated landscape of community- and family-based services[180]. In light of varying quality of services, workforce shortages and challenging working conditions, some Member States reinforced efforts in this domain. In the context of deinstitutionalisation, **Latvia** is implementing several projects by developing community-based services and infrastructure for the provision of services, by improving the qualifications and skills of social workers, as well as by financing community-based services. **Malta** has adopted a 2021-2030 National Strategy on the Rights of Disabled Persons with commitments to strengthen personal assistance schemes which will enable persons with disability to continue living in their own homes and communities. In the context of the RRP, **Belgium** (Wallonia) will develop a de-institutionalisation strategy and invest in adjusted housing for older people and persons with disabilities. **Slovakia** increased the allowance for caring for a person with disability to reach the net minimum wage (by EUR 31.70, reaching EUR 508.44). Around 40,890 working-age carers and about 23,700 pensioners will benefit this year by the increase in the care allowance. 11,820 beneficiaries will benefit from a higher personal assistance allowance (from EUR 4.18 to EUR 4.82). In **Bulgaria**, home care will be provided for 53,000 older people and persons with disability, and concern 16,000 carers, through an investment of EUR 43.5 million (with REACT-EU support). A training programme was also developed for medical specialists and specialists in the field of social services providing patronage care. **Estonia** expanded the eligibility for the allowance for parents of children with disabilities so that they cover a foster parent or guardian who is raising a child alone.

A number of Member States launched actions to support the labour market integration of third-country nationals. In **Finland**, the Aliens Act was amended, as of 1 October 2021, to prevent the exploitation of foreign labour, improve the legal status of victims of labour exploitation and promote its denunciation. **Sweden** adopted an Intensive Year initiative, targeted to newcomers taking part in the Establishment Programme. For a period of one year, starting in 2021, participants can choose between studying Swedish at an intensive pace or through a full-time internship in the workplace, in combination with additional activities, to facilitate their integration in the local labour market. The country also reinforced lifelong learning programmes at the municipal level and within educational establishments for adults who need to improve their situation in the labour market. Strengthened support is provided in guidance, skills validation, VET, and the Swedish language. Dedicated trainings will be provided to newcomers and asylum seekers with previous professional experience in health care or health care education, as well as for staff in older persons' care, such as care assistants and assistant nurses, for professional purposes.

A number of Member States have taken measures to facilitate the admission of migrant workers from third countries, in particular the high-skilled and those filling shortage occupations. In 2021, **Croatia** adopted a new Aliens Act, which abolished annual quotas of work permits for third-country nationals and stipulated that applications for residence and work permits need to be accompanied by a positive opinion of the Croatian Employment Service (with some exceptions, notably for EU Blue Card holders). The changes envisage

[180] The Strategy for the Rights of Persons with Disabilities emphasises the importance of quality, accessible, person-centred and affordable assistance, which comprises personal assistance, medical care and interventions by social workers to help both persons with disabilities and their families.

closer cooperation between administrative bodies and labour inspection to strengthen the protection of employees' rights.

In 2020, Member States introduced or continued various measures to improve Roma children's participation and access to education. Bulgaria introduced compulsory education at the age of four for all children, to improve pre-school attendance among vulnerable children. In **Hungary,** obligatory kindergarten is from 3 years of age, but a number of factors de facto limit the potential positive impact of this measure and hinder effective desegregation (like differential rules, autonomy, size of school districts, the discrimination sanctions model). In **Italy**, a ministerial decree introduced new targeted measures fostering the inclusive education of Roma children. The **Netherlands** continued its support scheme programme for schools educating pupils from vulnerable groups, such as Roma and Sinti. **Portugal** introduced scholarship programmes for Roma students attending secondary and higher education. In 2020, **Greece** started to implement the '*Inclusive schools for Roma*' project and introduced a scholarship programme for higher education students. In **France**, a new ministerial decree specifies the list of supporting documents for school enrolment, so that municipalities do not impose unreasonable requirements (e.g. electricity bills), which those living in informal settlements cannot meet. Lastly, several Member States, including **Croatia**, **Ireland** and **Spain,** introduced measures to incorporate Roma and Traveller history, culture or language in their education systems[181]. As reported in JER 2021, national Roma strategies for equality, inclusion and participation have been adopted by most Member States. More recently, **Czechia** adopted the new Roma Inclusion Strategy 2021-2030 which aims at improving the educational attainment of Roma by training teachers on how to work with diverse classrooms, providing support for pre-school education and setting up school counselling services. **Slovakia's** education ministry set up an Inclusive Education Department, and appointed a state secretary responsible for inclusive education, in part to address the persistent overrepresentation of Roma children in special education.

[181] FRA, Fundamental rights report (2021). https://fra.europa.eu/sites/default/files/fra_uploads/fra-2021-fundamental-rights-report-2021_en.pdf.

2.3 Guideline 7: Enhancing the functioning of labour markets and the effectiveness of social dialogue

This section looks at the implementation of the employment guideline no. 7, which recommends that Member States enhance the functioning of the labour market and the effectiveness of social dialogue. It covers, among others, balancing flexibility and security in labour market policies, preventing labour market segmentation and fostering the transition towards open-ended contracts, and ensuring the effectiveness of active labour market policies. These goals are in line with the European Pillar of Social Rights principles 4 (active support to employment), 5 (secure and adaptable employment), 7 (information about employment conditions and protection in case of dismissals), 8 (social dialogue and involvement of workers), 10 (healthy, safe and well-adapted work environment) and 13 (unemployment benefits). Building on existing national practices, the promotion of social dialogue and the engagement with civil society organisations are also discussed. Section 2.3.2 reports on policy measures of Member States in these areas.

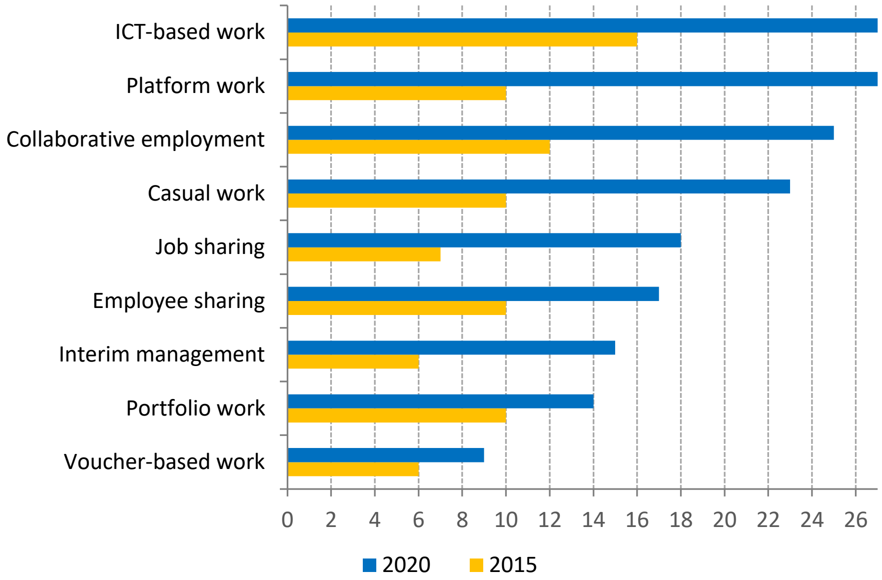
2.3.1 Key indicators

In recent years, labour markets in the EU have experienced a rapid expansion in the variety of forms of employment. While standard employment remains dominant, the 'menu' of available forms of employment has expanded in EU Member States in past years and this trend is likely to continue. Drawing on the analysis of emerging employment relationships across Member States, Eurofound has clustered the new forms of employment into nine categories and outlined their main characteristics.[182] Figure 2.3.1 shows how such new forms of employment have developed across Member States since 2014, which may have implications for the quality of jobs and working conditions in these countries (see box 3). While in 2015 information and communication technologies (ICT)-based mobile work, for instance, was present in 16 Member States, it is now reported in all of them. In 2015, casual work was new in ten Member States, and by 2021 it is prevalent in 23 EU countries. The largest expansion was registered by platform work, which was reported in about ten Member States in 2013-14 and is present nowadays in all Member States (further details on platform work below).[183]

[182] For more details see Eurofound (2020), *New forms of employment: 2020 update*, Publications Office of the European Union, Luxembourg.

[183] Note: ICT-based mobile work refers to work arrangements carried out at least partly outside a person's 'main office', using information and communication technologies. Casual work can be understood as 'irregular or intermittent work, with no expectation of continuous employment', with the potential for irregular and unpredictable working hours or schedules. For more details on the remaining forms of employment, please see Eurofound (2015), *New forms of employment*, Publications Office of the European Union, Luxembourg.

Figure 2.3.1: New forms of employment are becoming more prevalent in the EU
Forms of employment identified as new in 2013/2014 compared to 2020 (no. of Member States)



Note: EE and MT not included in the 2015 data. Data for LU was updated in 2021.

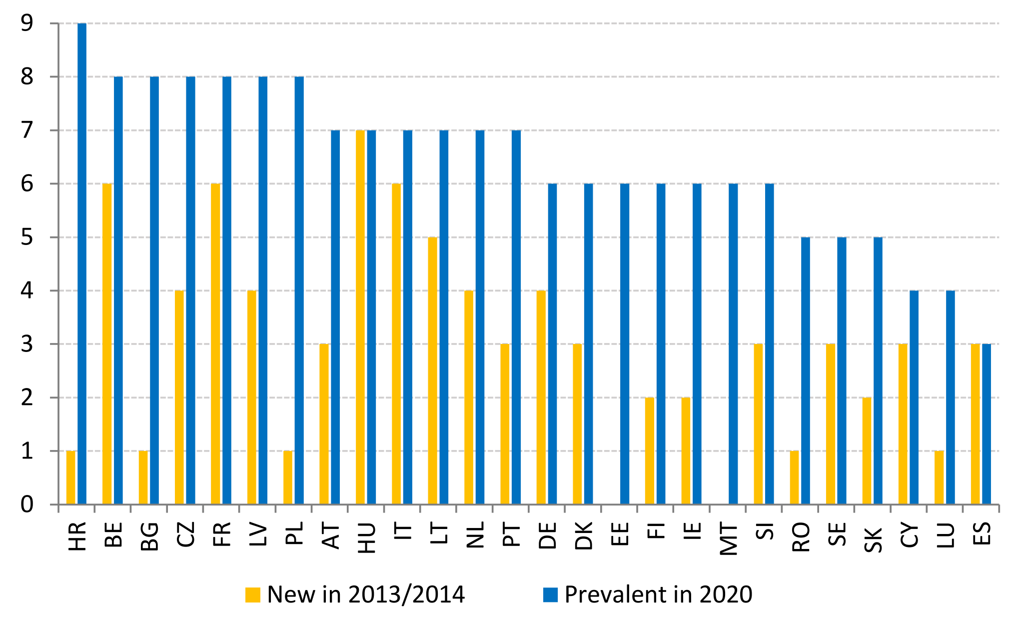
Source: Eurofound (2020), New forms of employment: 2020 update, Publications Office of the European Union, Luxembourg.

The forms of employment vary across Member States, including both regulated and unregulated work. The Eurofound mapping exercise includes all employment forms based on all types of contracts, regardless of whether they fall into the general labour law or specific regulations, including on the basis of collective agreements. The new forms of employment may apply to both employees and the self-employed, or to one of these two groups exclusively. As Figure 2.3.2 shows, Croatia has gone from only one of the nine new forms of employment analysed above being identified as 'existing' in the year 2013-14 to having all of them in 2020. Thirteen Member States have seven or more forms of employment identified. On the contrary, in Cyprus, Luxembourg and Spain four or less of these new forms of employment are reported as of 2020. The increased number of forms of work affects the degree of labour market flexibility as well as employment conditions in the countries concerned.[184, 185] Governments and social partners, through collective agreements, have various instruments at their disposal to ensure sound working conditions and social protection to people involved in these new forms of employment (see section 2.3.2). The wide variety of new forms of employment as well as their diverse effects on employment and social conditions call for continued monitoring.

[184] Eurofound (2021), *Policy brief: First initiatives to improve the employment and working conditions of platform workers: What works*, Publications Office of the European Union, Luxembourg (forthcoming).
[185] United Nations (2021), *Digitally enabled new forms of work and policy implications for labour regulation frameworks and social protection systems*, Department of economic and Social Affairs, Policy brief no. 113.

Figure 2.3.2: Mapping the scale and scope of the incidence of new forms of employment across Member States

Number of new forms of employment in the EU-27. Comparison between the number of those identified as new in the year 2013/2014 and those prevalent in 2020.



Note: EE and MT not included in the 2015 data. Data for LU updated in 2021.
Source: Eurofound (2015; 2020) *for more details on the nature of the different new forms of employment and their implications*.

Platform work is growing strongly, with revenues increasing fivefold in the last five years, bringing issues related to legal status, working conditions and access to social protection to the fore. Using evidence from the second COLLEEM survey, the JER 2021 already provided an overview on the incidence of platform work in the Member States. While still relatively contained in size,[186] the use of platform work has been increasing rapidly, with the revenues of involved parties increasing from an estimated EUR 3 billion in 2016 to about EUR 14 billion in 2020. In the same period, the aggregate earnings of people working through platforms active in the EU have grown two and a half times from an estimated EUR 2.6 billion in 2016 to EUR 6.3 billion in 2020. People working through platforms are found to be most often young, male and with higher qualifications, although their profile is strongly influenced by the type of platform work considered.[187] Women, for example, are more widely represented in personal and household services, as well as in the care sector. Another important finding comes from the analysis of platform work by occupation, and in particular for employees working in frontline occupations during the health emergency.[188] While some

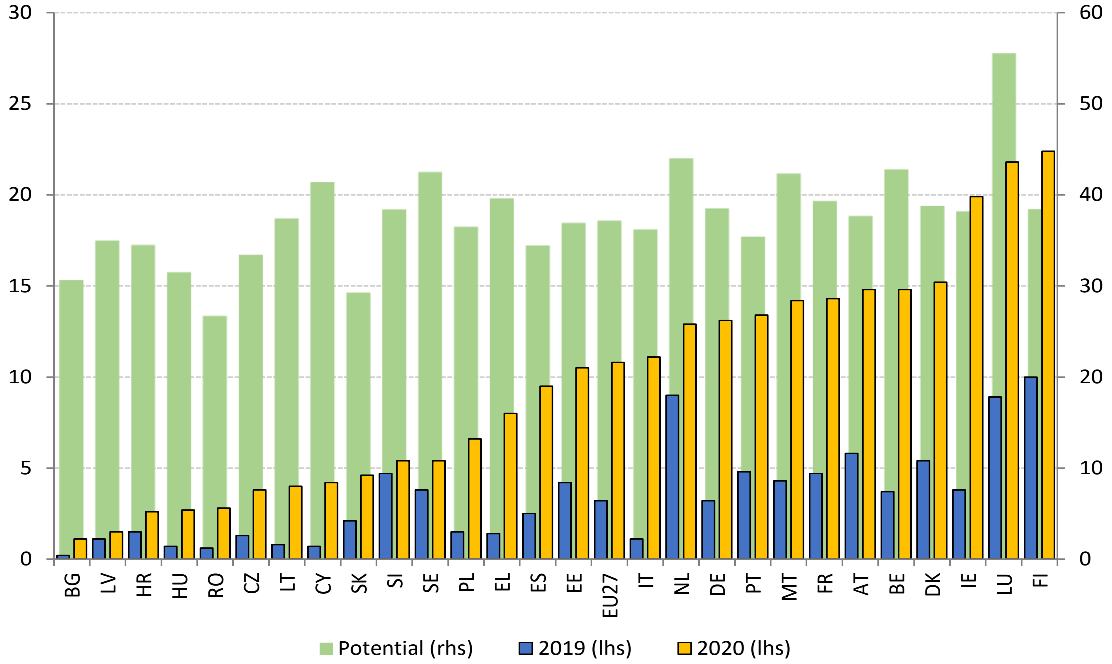
[186] 1.4% of working-age people in the 16 countries surveyed claim to work more than 20 hours a week providing services via digital labour platforms or to earn at least 50% of their income doing so (a drop of 0.9 pps compared to 2017). 4.1% of workers are considered secondary platform workers (i.e. work more than ten hours a week and earn between 25% and 50% of their income from platform work), an increase of 0.5 pps compared to 2017. Source: Urzì Brancati, C., *et al*. (2020), *New evidence on platform workers in Europe. Results from the second COLLEEM survey*, Publications Office of the European Union.
[187] European Centre of Expertise (2021), *Thematic Review 2021 on Platform work,* Synthesis Report commissioned by the Directorate-General for Employment, Social Affairs and Inclusion (KE-02-21-914-EN-N).
[188] Term used according to the list of 'critical occupations' presented in the European Commission guidelines concerning the exercise of the free movement of workers during the COVID-19 outbreak (2020).

were recognised as essential workers in certain Member States, and thus gained access to social protection, others saw their employment and income opportunities to worsen. A central issue was the eligibility for support, which was often conditional on the employment status of people working through platforms, the type of tasks performed and the governance mechanisms applied by the platform. Self-employment was the predominant employment status classification in platform work in 2021. Nine out of ten platforms active in the EU classify people working through them as self-employed.[189]

The spread of teleworking in the context of the COVID-19 crisis has brought a significant change in working arrangements for some workers, although with differences by age and gender. The percentage of employees (aged 15-64) that reported working from home on a regular basis in the EU increased from 3.2% in 2019 to 10.8% in 2020 (Figure 2.3.3). The share of employees who reported working from home less regularly (i.e. only 'sometimes') remained the same year-on-year (7.9%). While the incidence of working from home increased for all age groups in 2020, it was the highest among prime working-age population (25-49; 11.6%), followed by older workers (50-64; 10.4%) and then younger workers (15-24; 5.8%). It was also higher among female employees (11.7%) compared to male (9.9%).

Figure 2.3.3: The pandemic has pushed forward telework in all Member States

Employees usually working from home before and during the pandemic (in %, 2019 and 2020, left hand axis), compared to the potential share of remote working (based on an occupational task analysis, right hand axis).



Note: Percentage of employees by Member State usually working from home in 2019 and in 2020; as well as the teleworkable share of employment based on an occupational task analysis.
Source: Eurostat, Labour Force Survey [lfsa_ehomp] and Eurofound and European Commission Joint Research Centre (2021), *What just happened? COVID-19 lockdowns and change in the labour market*, Publications Office of the European Union, Luxembourg.

[189] W. de Groen, Z. Kilhoffer, L. Westhoff, D. Postica and F. Shamsfakhr (2021). *Digital Labour Platforms in the EU: Mapping and Business Models*. Centre for European Policy Studies (CEPS).

Pillar Box 3: **Job quality and 'quality of life at work'**

Making progress on the multiple dimensions of job quality is key to the implementation of the European Pillar of Social Rights. Six broad dimensions, i.e. working environment, earnings, work intensity and working-time quality, gender, skills and career prospects, are considered and assessed in this box. The Pillar dedicates 6 of its 20 principles to the achievement of fair working conditions, with other principles also indirectly contributing to quality of work factors (see Figure 2.3.4). Concrete initiatives were proposed by the Commission in the European Pillar of Social Rights Action Plan to further progress in this regard.

Figure 2.3.4: Link between the 20 Pillar principles and job quality

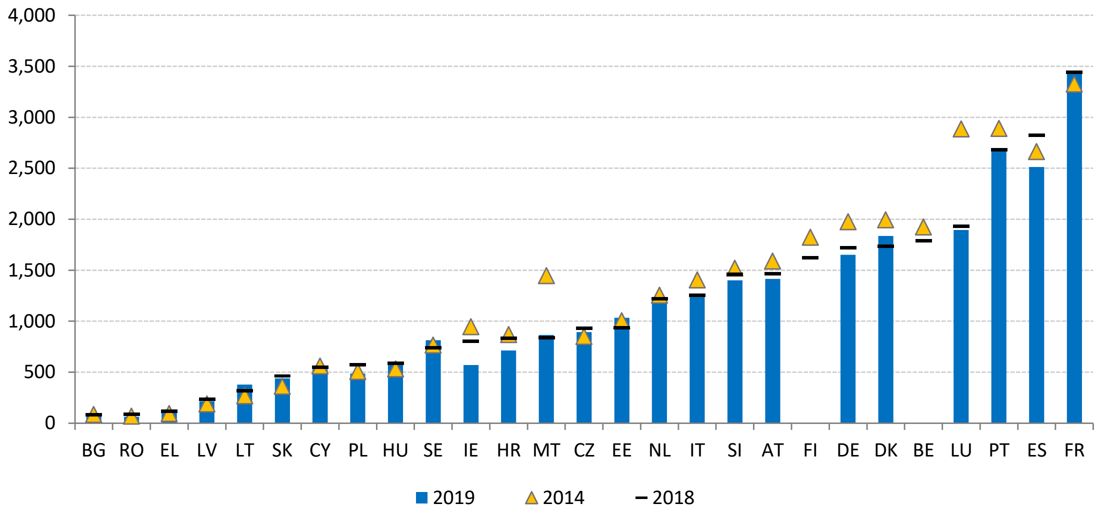
The European Pillar of Social Rights				
Principle 1: Education, training and life-long learning	Principle 2: Gender equality	Principle 3: Equal opportunities	Principle 4: Active support to employment	Principle 5: Secure and adaptable employment
Principle 6: Wages	Principle 7: Information about employment conditions and protection in case of dismissals	Principle 8: Social dialogue and involvement of workers	Principle 9: Work-life balance	Principle 10: Healthy, safe and well-adapted work environment and data protection
Principle 11: Childcare and support to children	Principle 12: Social protection	Principle 13: Unemployment benefits	Principle 14: Minimum income	Principle 15: Old age income and pensions
Principle 16: Health care	Principle 17: Inclusion of people with disabilities	Principle 18: Long-term care	Principle 19: Housing and assistance for the homeless	Principle 20: Access to essential services

Note: A darker blue shading indicates a stronger link with job quality aspects.
Source: Commission elaboration based on the Laeken indicators of 2001[190] and other sources.

The COVID-19 crisis has impacted multiple dimensions of job quality, and notably working conditions, health and safety at work as well as job security.[191] Workers providing in-person services, working in contact-intensive occupations or in the so-called 'front-line' jobs[192] have often seen an increase in health and safety risks at work and a rise in their overall working hours. Young people, low-skilled workers or those employed under fixed-term contracts or in lower-income occupations have been hit hardest by layoffs or non-renewal of labour contracts and lower predictability of their working conditions. Likewise, the pandemic has also impacted the work-life balance of women more than men (see sections 2.2.1 and 2.3.1). It has also highlighted the importance of aspects related to safe and secure working practices and places. 17 Member States recorded a decrease in accidents at work since 2014, but the rate of improvement has been slow and rates remain high (Figure 2.3.5). Accidents at work have strong implications for workers' well-being and their families, as they often involve considerable physical or mental harm (see Figure X).

[190] Job quality became a relevant dimension since the Laeken European Council in 2001. COM (2001) 313.
[191] European Commission (2020), *Labour Market and Wage Developments in Europe*; and Eurofound (2021), *Living, working and COVID-19*, e-survey.
[192] The European Centre for Disease Control and Prevention defines a front-line worker as someone who has a job that puts them at higher risk of COVID-19 infection due to their inability to work from home or practice social distancing. This often includes workers in the healthcare, long-term care, retail trade and social sector.

Figure 2.3.5: Accidents at work - incidence rate (severity of 4 days or over)



Note: The incidence rate is the number of accidents occurred during the year per 100,000 persons in employment. For any given country, this statistic indicates the relative importance of accidents at work in the working population. 2019 values not available for BE and FI.
Source: Accidents at work by severity [hsw_mi08].

The pandemic has amplified the effects of megatrends, in particular digitalisation, which may produce significant changes in working organisation and conditions. Digitalisation, globalisation and demographic change have been among the main drivers of change in EU labour markets, affecting both the quantity and quality of jobs available, as well as how and by whom they are carried out. While the growing opportunities for teleworking and flexible working arrangements may facilitate labour market participation,[193] existing challenges remain in terms of gender equality, and new ones have emerged in regard to imbalanced care and family responsibilities. While digital platforms open up new employment opportunities, it may also lead to precarious working conditions. Finally, digital automation can bring efficiency gains for firms and flexibility for workers, but it also leads to changes in the tasks and skills set required, which creates greater job and income insecurity for workers in certain occupations.[194]

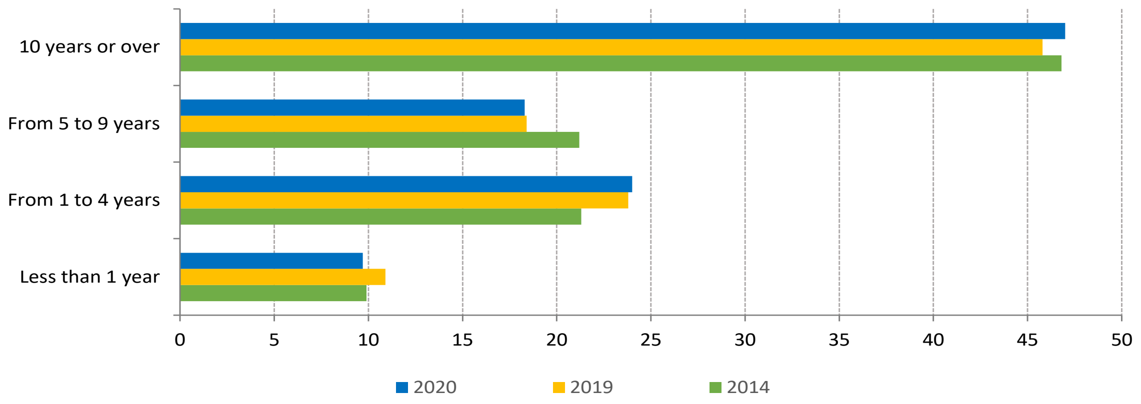
The transition to a green economy may require to further develop several key dimensions of job quality. The transition to a low-carbon economy is expected to create new job opportunities in different sectors (such as clean industry, organic agriculture, sustainable construction, forestry and transport, recycling and renewable energy, among others). However, it may also have an impact on many jobs in the EU, in particular in carbon-intensive activities. Measures to improve job retention and career development are key drivers for an effective support to the necessary job-to-job transitions and to limit labour or skills shortages. At the same time, an effective management of the distributional impact of the shift to a green economy is key to ensure labour and social adaptation. The 'Fit for *55'* proposals[195] offer major opportunities to develop and deploy low-carbon technologies and green jobs.

[193] See Eurofound (2020), *Telework and ICT-based mobile work: Flexible working in the digital age*, Publications Office of the European Union, Luxembourg.
[194] OECD (2020), *What happened to jobs at high risk of automation?* Policy brief on the future of work.
[195] See in particular, the Commission communication 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality [COM/2021/550 final] and the Commission proposal for a Social Climate Fund [COM/2021/568 final].

As part of the package, the Commission aims to put forward guidance to Member States on how to best address the social and labour aspects of the climate transition.

Adequate pay is a key motivation factor for workers and as such plays a crucial role in work attachment, productivity and social cohesion. Earnings play a significant role in supporting labour force participation, productivity and economic performance (see section 2.1.1.) and is a key element of job quality. A recent Eurofound survey[196] shows that the proportion of workers in the EU who considered their pay appropriate increased from 43% to 51% between 2005 and 2015; while the share of those who disagreed with this claim remained stable (at around 30%). There are however important differences across Member States. In several Eastern European countries, workers' satisfaction with their pay increased between 2005 and 2015 (as could have been expected with catching up economies), while the reverse trend (i.e. more dissatisfaction) was observed in Spain (+14 pps), Ireland (+7 pps) and France and Luxembourg (both +6 pps). Finland had the highest level of satisfaction (62%) and the steepest improvement (by 26 pps) between 2005 and 2015.

Figure 2.3.6: Job tenure in the EU, employed persons, 25 years old or over (percentage)



Source: Eurostat, Labour Force Survey [lfsa_qoe_4a2].

Job stability is a key aspect of job quality, while (high) job instability is usually associated with more limited opportunities for human capital development and reduced access to social protection. The average job tenure (i.e. the amount of time spent in one's current job) has been on a decreasing trend in the EU between 2014 and 2019, with job duration 'lower than one year' increasing by 1 pp, and duration 'from 5 to 9 years' and 'from 10 years or over' decreasing by 2.8 pps and by 1 pp, respectively.[197] This may be due, among others, to changes in the distribution of the workforce across economic sectors (see section 1) and increasing new forms of employment (see section 2.3.1). There are nevertheless significant differences across Member States and workers' professional status.

The quality of the working environment and conditions is linked to the work performed, working-time arrangements and workplace relationships. In several traditional manufacturing professions (such as, for instance, operators in the car assembly and chemical products industries) the number of physical tasks has been significantly reduced due to automation; while at the same time more intellectual tasks (e.g. quality assurance and control) are becoming increasingly relevant. This may suggest an improvement in job quality over time, as long as the workforce is endowed with the

[196] Eurofound (2021), *Working conditions and sustainable work: An analysis using the job quality framework*, Publications Office of the European Union, Luxembourg. Note: Pay understood as worker earnings – that is, the wages of dependent employees and the revenues of self-employed workers.
[197] Source: Eurostat, Labour Force Survey [lfsa_qoe_4a2]

right skills to undergo the shift. Conversely, jobs that are characterized by a high level of job demands, such as time pressure or physical health risk factors (i.e. certain types of on-call or platform work), combined with limited social support at work to accomplish the required duties, may negatively impact workers' well-being in the longer term (see section 2.3).[198]

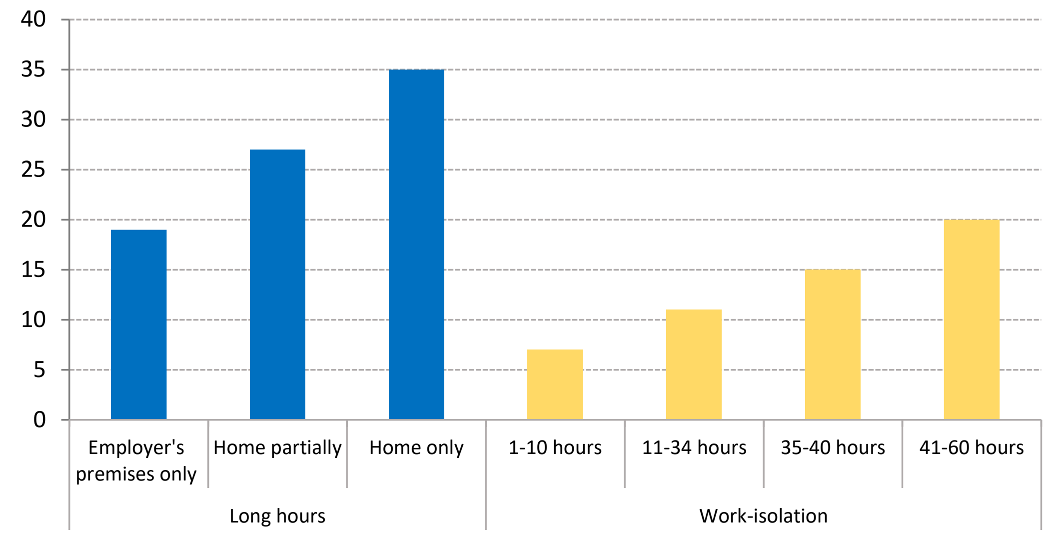
A number of Member States have recently taken actions in some of the aforementioned areas. For example, in **Spain**, a law was enacted to introduce the legal presumption that delivery platform riders and drivers in the food and parcel delivery sector provide services under an ordinary employment relationship. It also extended existing information rights for workers' representatives to the use of algorithms in the work setting. These actions can be a good basis for reducing uncertainty around job and earnings prospects which are considered as important dimensions for job quality. In **France**, legislation was adopted with the aim of promoting social dialogue in the platform economy (for more details see Section 2.3.2.). **Belgium** introduced an individual right to training through collective agreements and plans for the setting-up of an individual learning account. At the same time, the country has also eased the requirements for a special time credit scheme allowing older employees with long careers, working in difficult professions or in companies with financial difficulties or in restructuring to work up to half time, aiming to ensure a working environment fit for their needs.

The significant shift to telework has shown both its potential and pitfalls, posing new challenges in working time and conditions. During the health emergency, teleworking has proven important for many firms to ensure business continuity and safeguard the health of their employees. In normal circumstances, it also allows to reduce commuting time, presents greater flexibility and work-life balance opportunities for employees, and greater productivity and efficiency for firms. Telework has nonetheless also blurred existing lines between work and private life, highlighting important challenges for employees teleworking during the pandemic in terms of working hours or work-isolation.[199] Compared to those working partially from home or only from the employers' premises, a higher percentage of employees working only from home reported between 41 and 60 hours of work per week (see Figure 2.3.7, left chart). Gender differences have also been apparent as more women found themselves relatively more often compelled to reorganise their work schedule (including working during leisure time) to reconcile it with family responsibilities. Among those working only from home, either with a part-time or full-time job, a higher proportion of women (25%) compared to men (19%) were working more than regular working hours. The gender difference is larger when looking at employees with children (aged 0-11) working only from home (35% of women compared to 23% of men). Evidence also shows that the frequency of experiencing work-isolation increased with the number of hours worked from home (see Figure 2.3.7, right chart). Some 20% of employees who worked 41–60 hours from home felt isolated, compared to 14% of those who worked the same number of hours at employers' premises. Yet there are substantial differences across sectors and professions. The Commission's efforts to complement and support Member States' policies in the area of mental health can help to alleviate some of the challenges brought about by the pandemic.

[198] Eurofound (2018*), New tasks in old jobs: Drivers of change and implications for job quality,* Publications Office of the European Union, Luxembourg.

[199] Source: Eurofound (2021), *Living, working and COVID-19 e-survey*, round 2. Note: The e-survey was conducted in three rounds, in April 2020, in July 2020 and in March 2021. The concept of 'potential share of teleworkable employment' by country is based on recent research from Sostero M., *et al.*, (2020), *Teleworkability and the COVID-19 crisis: a new digital divide?,* European Commission, JRC121193.

Figure 2.3.7: The move to telework has created challenges for some employees
Percentage of employees working between 41 and 60 hours a week, by place of work (left chart). Percentage of full-time employees feeling isolated at work, by hours worked from home (EU-27, in %, right chart)



Source: Eurofound (2021) *'Living, working and COVID-19'* e-survey, round II.

Addressing the causes of labour market segmentation[200] **contributes to improving job quality.** The JER 2021 presented an extensive analysis on labour market segmentation, including contractual arrangements (i.e. open-ended versus fixed-term contracts), the nature and variety of employment protection legislation in Member States (i.e. rules governing individual and collective hiring and dismissals of employees on fixed-term contracts), as well as types of workers concerned (e.g. involuntary temporary and part-time workers, among others). Improving labour market segmentation contributes to implementing the European Pillar of Social Rights principles 5 (on Secure and adaptable employment) and 7 (on Information about employment conditions and protection in case of dismissals). The analysis presented here updates and complements the previous one.

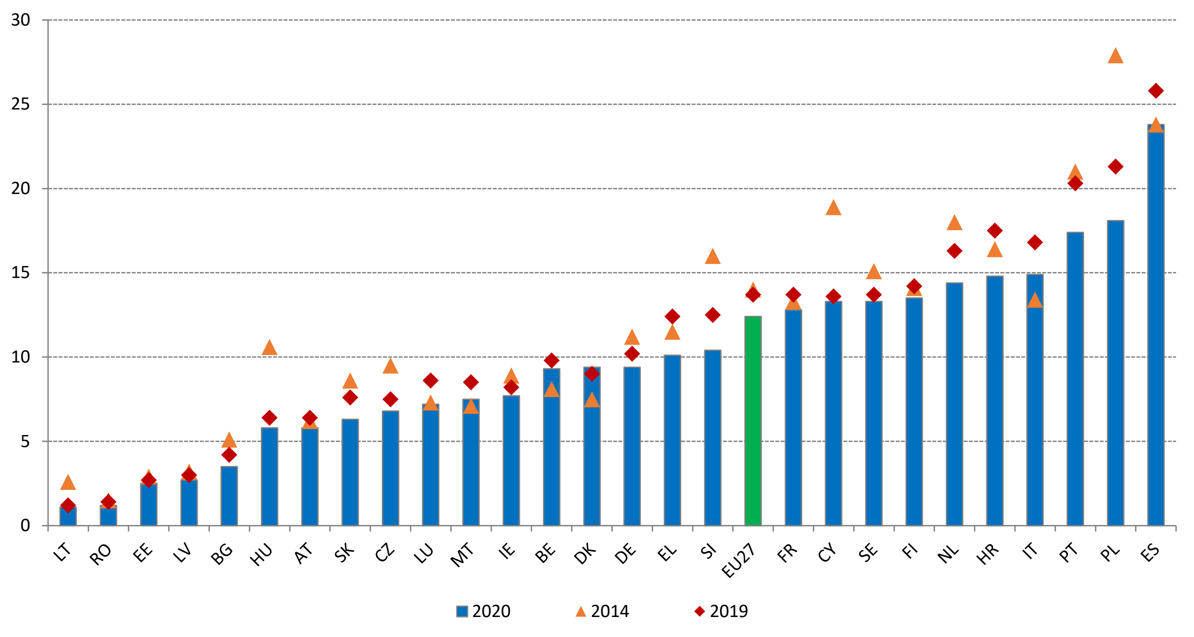
Fixed-term employment[201] **has decreased since the start of the pandemic, but remains significant in several Member States.** The share of temporary contracts over the total in the 20-64 age cohort has decreased in the EU from 13.7% on average in 2019 to 12.4% in 2020, reflecting higher job destruction than among permanent employees (who were comparatively more protected by the legal provisions on hiring and firing as well as by short-time work schemes and other job retention measures). The gap between the highest and lowest shares of temporary employment across Member States remains substantial, at 22.7 pps, though smaller than in 2019 (24.6 pps). Looking at quarterly data, the share of temporary employees (20-64; seasonally adjusted) stood at 13.2% in Q2-2021, increasing by 1.1 pps from the Q2-2020 low. This may indicate that an important part of the temporary employment that was lost during

[200] According to the International Labour Organisation (ILO), this is defined as the division of the labour market into separate submarkets or segments, distinguished by different characteristics and behavioural rules such as contractual arrangements, level of enforcement or types of workers concerned.
[201] This term refers to both non-standard working arrangements (such as flexible, fixed-term, on call and zero hours contracts) and temporary agency work contracts, while excluding part-time work and self-employed without employees.

the pandemic has been recovered already. However, figures differ significantly across countries. [202] Member States such as Spain, Poland, Portugal, Italy, Croatia and the Netherlands recorded reductions in the share of temporary employees close to or above 2 pps between 2019 and 2020. Yet, the overall share remains for most of them well above the EU average, and notably over 15% for Spain, Poland and Portugal. Conversely, the lowest shares, below 3%, were recorded in Lithuania, Romania, Estonia and Latvia (see Figure 2.3.8).

Figure 2.3.8: Temporary employment has decreased in 2020, but remains sizeable in several Member States

Share of temporary employees among all employees (20-64), annual data

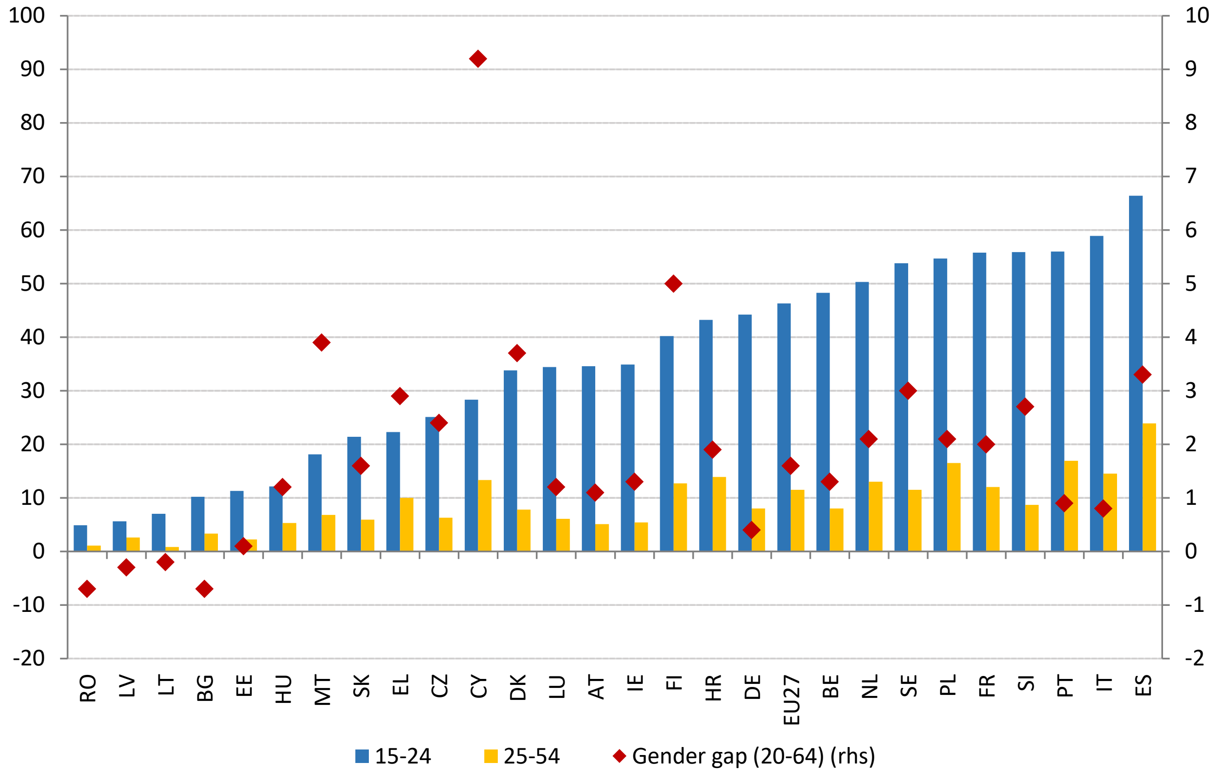


Source: Eurostat, labour force survey [lfsi_pt_a].

While the average share of temporary contracts has decreased in 2020, they continue to be particularly widespread among women, the young and non-EU born employees. In 2020, the share of female employees (aged 20-64) in temporary contracts in the EU was 13.4%, compared to 11.8% for men, with a drop by 1.3 pps (versus 1.5 pps for men) between 2019 and 2020. The gender employment gap in temporary employment increased slightly, from 1.3 pps on average in 2019 to 1.6 pps in 2020, though it currently shows significant differences across countries (see Figure 2.3.9). In 2020 the largest shares of female temporary employment over the total were observed in Spain (25.5%), Poland (19.2%), Cyprus (18%) and Portugal (17.8%). In the same year, the share of temporary employment among young employed people aged 15-24 was much higher, at 46.3%, than for those aged 25-54 (11.5%), and those aged 55-64 (6.1%). Also non-EU born employees recorded a much larger share of temporary employment in 2020 (20.9%) compared to natives (15.5%), with the gap being particularly pronounced (more than 10 pps) in Cyprus, Sweden and Portugal, followed by France and Spain with figures between 7 pps and 10 pps.

[202] European Commission (2021), *Labour Market and Wage Developments in Europe*, Annual review 2021. Luxembourg: Publications Office of the European Union (forthcoming).

Figure 2.3.9: The incidence of temporary contracts is much larger for young people (age group 15-24) in all Member States, and gender differences tend to be significant
Temporary employees as a share of the total number of employees by age (in %, left axis) and gender gap (in %, right axis) in temporary employment (2020).



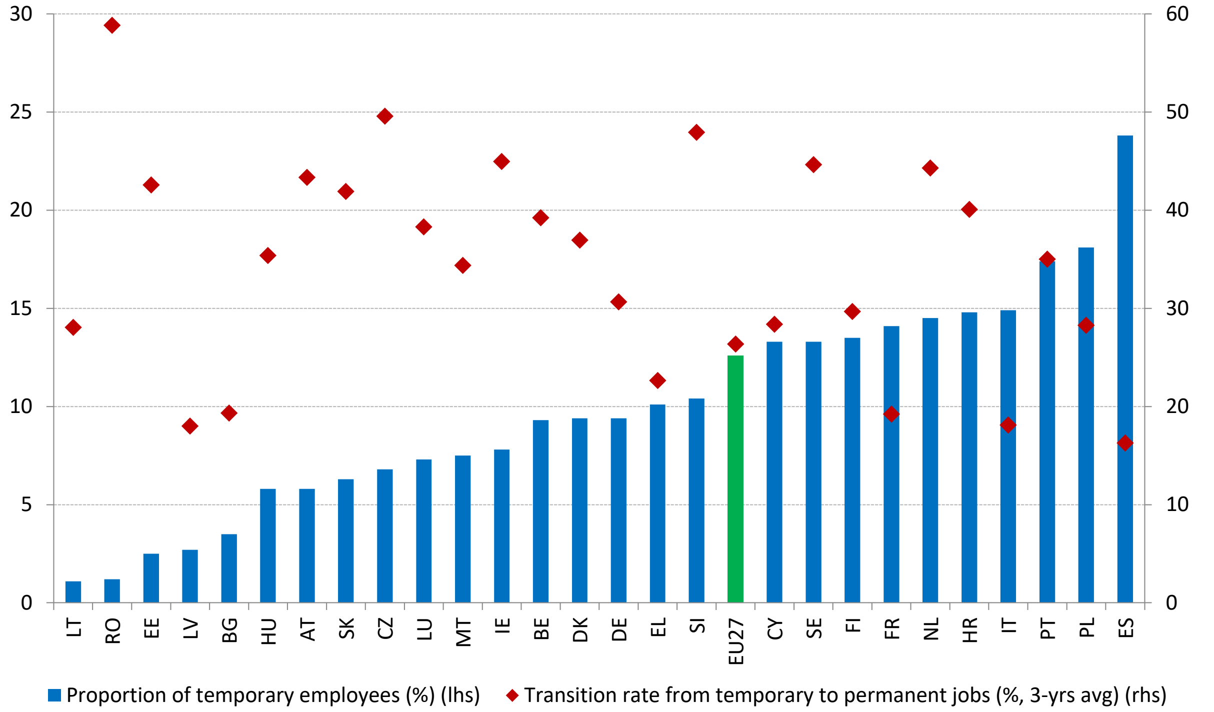
Source: Eurostat, Labour Force Survey [lfsa_etpgan]

Temporary contracts that serve as 'stepping stones' towards more permanent jobs are key to improve overall job quality. Labour market duality is often caracterised by the existence of high shares of fixed-term contracts and low transition rates between these contracts and open-ended employment relationships.[203] Some Member States face significant challenges in this regard. Figure 2.3.10 shows the transition rates from temporary to open-ended contracts (averaged for a three-year period between 2018 and 2020, to control for possible biases associated with the economic cycle), plotted against the number of temporary employees as a percentage of the total (20-64 age bracket). The three Member States (Spain, Italy and France) with high rates of temporary employment also have low transition rates from fixed-term to open-ended contracts (below 20%). Other countries such as Croatia, the Netherlands and Portugal still show sizeable rates of temporary employment (around or above 15%), but with higher transition rates (above 35% for Portugal and above 40% for the Netherlands and Croatia). Conversely, Czechia, Estonia, Austria and Romania display low rates of temporary contracts (below 7%) and relatively high transition rates to permanent contracts (above 40%).

[203] Eurofound (2019), *Labour market segmentation: Piloting new empirical and policy analyses*, Publications Office of the European Union, Luxembourg.

Figure 2.3.10: The share of temporary contracts and their conversion into permanent jobs differ widely across Member States

Temporary employees as a percentage of the total number of employees (20-64) in 2020 and transition rate to permanent jobs (average value for 2018, 2019 and 2020).



Note: Labour transition rates in 2020 not yet available for DE, IE, IT, LV and SK. Value for LV refers to 2017; value for SK refers to 2016.
Source: Eurostat, Labour Force Survey [lfsq_etpga] and EU-SILC [ilc_lvhl32].

Some Member States still record significant shares of involuntary temporary employment. The percentage of involuntary temporary employment (15-64 years old) has decreased slowly but steadily in the EU-27 in recent years, from 8.8% in 2016 to 7.9% in 2019 and 6.8% in 2020. In some Member States, the main reason for workers to have a fixed-term contract remains the difficulty to find a permanent job. Workers in involuntary temporary contracts often report lower levels of job satisfaction, which can affect their performance, skills acquisition and career advancement. Significant differences (up to 19 pps) remain across countries. In Member States like Spain, Portugal, Cyprus, Croatia and Italy, more than 12% of employees in temporary contracts report being in such situation as they could not find a permanent job. In Italy and Spain, this figure also coincides with low rates of transition from temporary to permanent employment (see Figure 2.3.10). On the contrary, the lowest rates of involuntary temporary employment are recorded in Estonia, Austria, Lithuania and Germany, with figures below 1%.[204]

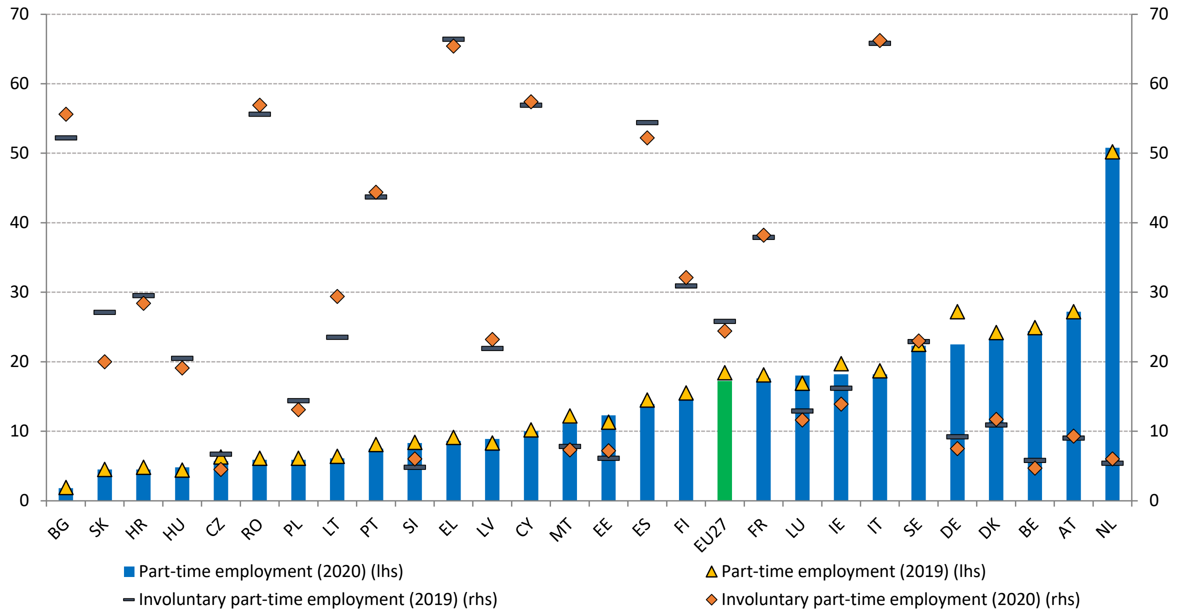
Although the share of part-time employment in the EU decreased in 2020 compared to the previous year, involuntary part-time work still affects a sizeable percentage of employees. The percentage of part-time workers (aged 15-64) stood at 17.2% in the EU in 2020, 1.2 pps lower than in 2019. While six countries (namely the Netherlands, Austria,

[204] Source: Eurostat database [tesem190].

Belgium, Denmark, Germany and Sweden) record figures above 20% in 2020, four countries (Bulgaria, Slovakia, Croatia, Hungary) are below 5% (see Figure 2.3.11). Germany has recorded the greatest reduction in the percentage of part-time work between 2019 and 2020 (4.7 pps), while the percentage has increased in Estonia and Luxembourg (around 1 pps) over the same period. The share of involuntary part-time work in total part-time employment (age bracket 15-64) in the EU has been on a decreasing trend over the past years and down to 24.4% in 2020 (1.4 pps lower than in 2019 and around 8 pps less than in 2014). While six Member States (namely, Italy, Greece, Cyprus, Romania, Bulgaria and Spain) report figures above 50%, other countries (i.e. Czechia, Belgium, Slovenia and the Netherlands) report figures at or below 6%. The share of involuntary part-time workers has decreased significantly (by 7.1 pps) in Slovakia between 2019 and 2020. Conversely, it has increased in Lithuania (by 5.9 pps) and Bulgaria (by 3.4 pps) over the same period. Variations have been less marked (i.e. below 2.5 pps) in the other Member States.

Figure 2.3.11: There are significant differences in the share of part-time work and in its involuntary component across Member States

Share of part-time employment in total employment (15-64) and involuntary part-time employment as percentage of the total part-time employment (15-64), annual data, percentages.



Note: Break in series for DE.
Source: Eurostat, labour force survey [lfsi_pt_a] and [lfsa_eppgai].

The share of self-employed workers without employees (so-called 'own-account workers') remains high. Own-account workers may in some contexts hide a dependent employment relationship or 'bogus' self-employment. In 2020, there were some 15.8 million self-employed people (aged 15-64) without employees. While this figure represents an increase by 0.8 million compared to 2019, it is around 1.2 million lower than the peak in 2014. In relative terms, the share of self-employed people (aged 15-64) without employees has slightly increased (by 0.5 pps) compared to the previous year, reaching 8.2% of total employment. However, there are significant differences across Member States and sectors. Four Member States (Malta, the Netherlands, Belgium and Spain) record the highest rates of own-account workers (above 13%), while in Austria, Sweden, Germany and Denmark the rates stood below or close to 5%.[205] Ensuring access to social protection for all, including to the self-employed, remains essential, also to reduce uncertainty in a context marked by the pandemic and its socio-economic consequences.

The COVID-19 crisis has impacted a number of activities typically more exposed to undeclared work, with some sectors and categories of workers requiring close monitoring. Many activities where undeclared work plays a major role involve direct and intensive social contact (i.e. accommodation and food service; arts, entertainment and recreation; and household services). At the same time, the extensive use of information and communication technologies (ICT) and the increased role of the platform economy have supported matching of labour supply and demand in these sectors. Preliminary figures on labour inspections in 2020 show substantial reductions in many Member States compared to 2019. In 19 countries less than 10% of the employers are inspected throughout a year.[206] Reinforcing the capacity of labour inspectorates and providing incentives to promote the transformation of undeclared work into formal work are seen as key factors to address this phenomenon and ensure adequate health and safety at work and social protection for all. Since May 2021, the European platform tackling undeclared work has become part of the European Labour Authority (ELA), which will allow to address aspects related to inspection and enforcement in a more integrated way.[207]

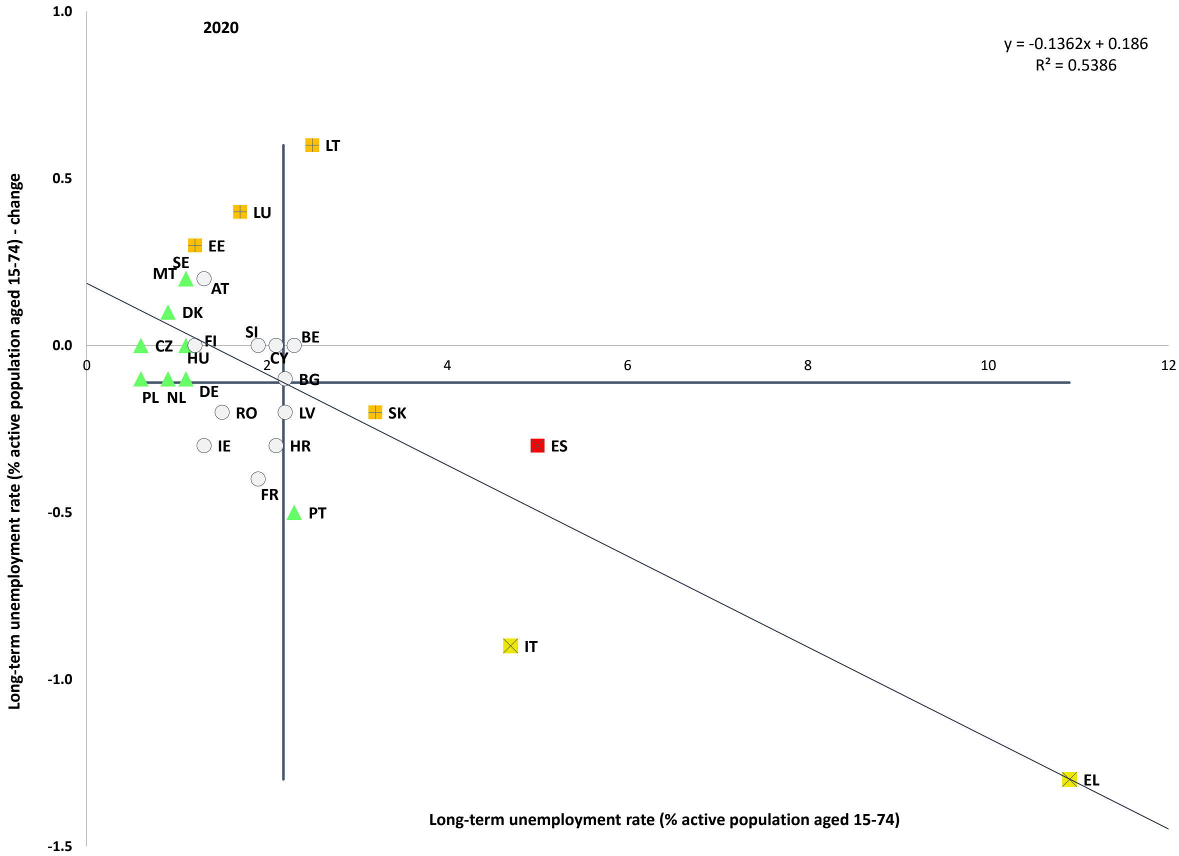
A slight increase in long-term unemployment has been reported in 2021, interrupting the progress achieved in previous years. The level and evolution of the long-term unemployment rate[208] tends to be a good proxy for the effectiveness of active labour market policies (ALMPs) in reaching the people in need and effectively matching them with jobs.[209] Prior to the pandemic, the average long-term unemployment rate in the EU had steadily decreased from 5.3% in 2014 to 2.4% in 2020 (0.2 pps below the 2019 figure). The rate has nonetheless increased in Q2-2021 compared to Q2-2020 for most Member States, with substantial deteriorations (by more than 1 pp) in Spain, Italy, Portugal, Croatia and Cyprus. Differences across Member States remain subtantial, with rates in 2020 ranging from 0.6% in Czechia and Poland, to around the EU average (of 2.4%) in Bulgaria, Portugal and Lithuania, and up to 4.7% in Italy, 5% in Spain and 10.9% in Greece. The Social Scoreboard headline indicator on the long-term unemployment rate flags a ‘critical situation’ for Spain, which combines a higher-than-average level (5% in 2020) with only a slight reduction (by 0.3 pps) over the last year (Figure 2.3.12). Estonia, Lithuania, Luxembourg and Slovakia flag as ‘to watch’, due to their deterioration or limited improvement over the previous year. Greece and Italy are marked as ‘weak but improving’ due to their positive performance (-1.3 pps and -0.9 pps, respectively, in 2020 compared to 2019). In Czechia, Germany, Denmark, Hungary, Malta, the Netherlands, Poland, Portugal and Sweden, the long-term unemployment rate remained low and broadly stable in 2020. The long-term unemployment rate also presents large regional disparities (Annex 3). High and persistent long-term unemployment has

[205] Source: Eurostat database [tqoe4a3] and labour force survey [lfsa_egaps].
[206] COM(2021) 592 final. Communication on the application of Directive 2009/52/EC of 18 June 2009 providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals.
[207] For details, see the European Labour Authority website.
[208] Defined as the number of people unemployed for more than one year as a share of the active population.
[209] The long-term unemployment rate has been agreed by the Employment Committee as a headline social scoreboard indicator to monitor active support to employment.

negative consequences on human capital and potential growth and calls for actions to improve the effectiveness of active labour market policies and public employment services (including via more targeted outreach, individualized support and close cooperation with employers and social services).[210]

Figure 2.3.12: In 2020 the long-term unemployment rate has dropped in several Member States, though the full impact of the COVID-19 crisis may yet to be observed

Long-term unemployment rate, 2020 levels and yearly changes with respect to 2019 (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.
Source: Eurostat, labour force survey [tesem130].

Participation in active labour market policy measures varies significantly across Member States with differences not always reflecting the extent of the challenges faced. The level of participation in regular labour market policy measures[211] per 100 unemployed persons wanting to work provides relevant information on Member States' efforts to re-integrate inactive people in the labour market (see Figure 2.3.13).[212] These figures increased

[210] The assessment of the 2016 Council recommendation on the integration of the long-term unemployed published in 2019 provides important and still relevant findings in this respect. See COM(2019) 169 final and SWD(2019) 154 final.

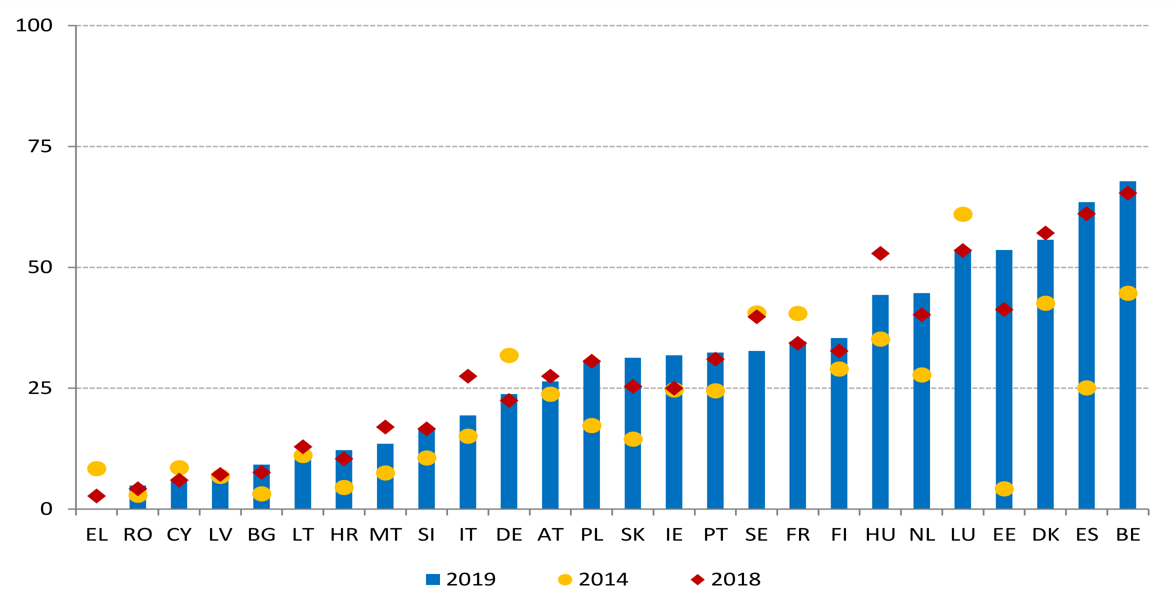
[211] According to the LMP classification, labour market policy measures include activation measures for the unemployed and other target groups including the categories of training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives.

[212] This indicator should nonetheless be interpreted with caution, as it only measures participation to (and not effectiveness of) labour market policies, and for a number of countries it presents statistical reliability issues related to the data collection process.

between 2014 and 2018, with different levels of intensity, in 17 Member States (Austria, Belgium, Bulgaria, Croatia, Denmark, Estonia, Hungary, Italy, Malta, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain and Finland). In particular, in Estonia, Spain and Belgium, and to a lesser extent Poland and Slovakia, significant increases in participation in activation measures have been observed between 2014 and 2019. In five other countries (namely, Greece, Germany, France and Luxembourg), the numbers decreased over the same period. Conversely, other Member States (namely, Bulgaria, Cyprus, Latvia, Lithuania, Croatia, Malta, Romania and Slovenia) have seen limited changes over time. While countries such as Spain and Belgium combine relatively high levels of spending in labour market support measures with important long-term unemployment challenges, in countries like Greece, Italy, Slovakia, Bulgaria and, to some extent, Slovenia, the support provided to job-seekers is relatively low (i.e. below 0.2% of the GDP) compared to the extent of the country-specific challenge (see Figure 2.3.14). In Member States with low participation rates in active labour market measures, strengthening their provision is essential to prevent possible longer-term 'scarring effects' and contribute to an inclusive recovery. On top of and in complementarity with the financing traditionally provided by the European Social Fund and other cohesion policy funding (including REACT-EU and CRII and CRII+), the Recovery and Resilience Facility[213] offers important EU funding to support this type of measures, along the lines of the Commission Recommendation on EASE.

Figure 2.3.13: There are differences across Member States in terms of participation in active labour market policy measures

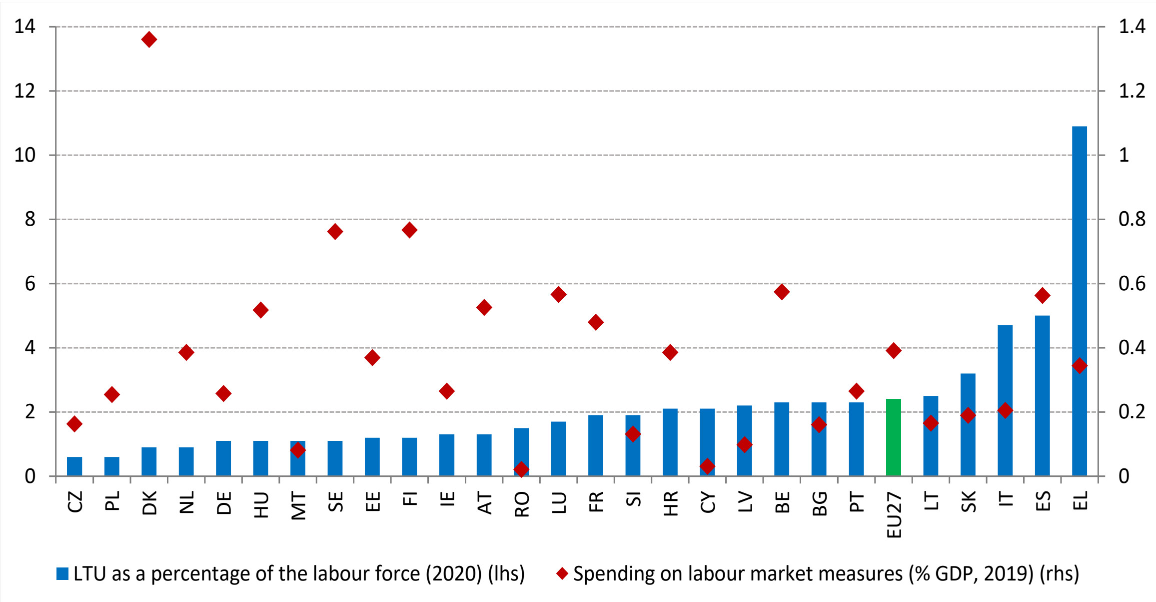
Participants in regular labour market policy (LMP) interventions (category 2-7) per 100 unemployed persons wanting to work



Note: Data not available for CZ and only until 2018 for EL. Low reliability data for LT in 2019.
Source: Eurostat, Labour market policy (LMP) database [lmp_ind_actsup].

[213] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing a Recovery and Resilience Facility.

Figure 2.3.14: Spending on active labour market measures differs significantly between Member States and and is not always linked to the challenges faced
Spending on active labour market measures (categories 2-7, in percentage of GDP, 2019) and long-term unemployment as a percentage of population in the labour force (2020)



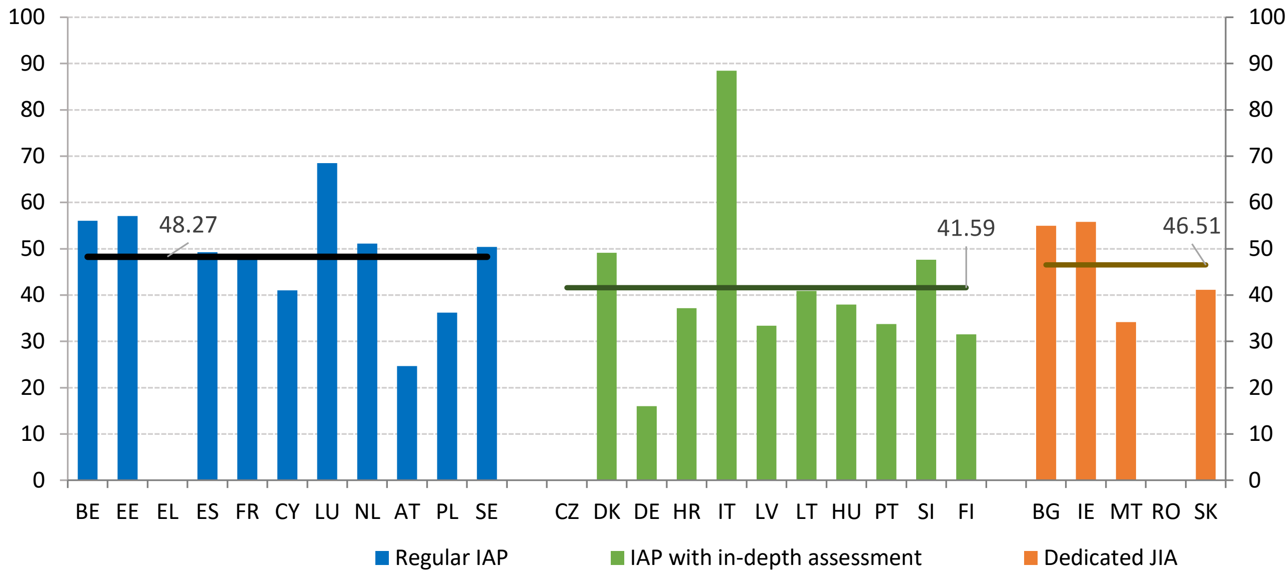
Source: Labour market policy (LMP) database [lmp_expsumm] and labour force survey [une_ltu_a].

The design and implementation of personalised job integration schemes is key to tackle important employability challenges for the long-term unemployed. Job integration agreements (JIA) provide tailor-made assistance to bring the long-term unemployed back in the labour market. While JIAs vary across Member States, they generally include mentoring, individualised support for job search, further education and training and other types of social support (e.g. housing, transport or child and care services) where needed for job-seekers facing additional difficulties. JIAs are drawn up by the job counsellor and the job-seeker and contain a plan of action and measures to help long-term unemployed persons find suitable jobs. They are often supported by individual in-depth assessments to identify specific and potential needs of each registered long-term unemployed at the very latest within 18 months of unemployment. The in-depth assessments serve to prepare individualised action plans (IAP) with a calendar and set of actions to achieve the proposed objectives. In 2019, 46.5% of all long-term unemployed in the EU who were offered a dedicated JIA regained the labour market. This figure increases to 48.3% for the long-term unemployed participating in IAPs (see Figure 2.3.15). A large part of the long-term unemployed that had both a dedicated JIA and a regular IAP took part in various forms of up-skilling measures.[214]

[214] European Commission (2019), *Data collection for monitoring of the LTU Recommendation: 2017*.

Figure 2.3.15: The provision of tailor-made activation plans helps to increase employability of the long-term unemployed

Proportion of long-term unemployment spells ending in employment for different job integration agreements (JIA) in percentage (25-64 age cohort; 2019)



Note: No data available for CZ, EL and RO.
Source: Labour market policy (LMP) database and labour force survey.

Public Employment Services play a key role in supporting job-seekers and guiding actions to ensure smooth job transitions, including towards a greener economy. The labour market situation and prospects of many individuals have changed significantly in a context marked by the COVID-19 crisis, with a stronger impact for those who were already in vulnerable situations before. Effective and efficient public employment services (PES) are key to offer all job-seekers a career perspective, and avoid negative ('scarring') effects of unemployment or prior inactivity. Beyond that, PES can have a critical role in identifying and supporting structural changes in the labour market through measures such as increased anticipation, expertise and partnerships.[215] The proven capacity of PES to effectively adapt their service delivery, and assume a key role in responding to the labour market situation, should be further supported via digitalisation, capacity building and modernisation efforts, as well as reinforced collaboration with relevant labour market stakeholders, including other providers of employment, the social services and the social partners.

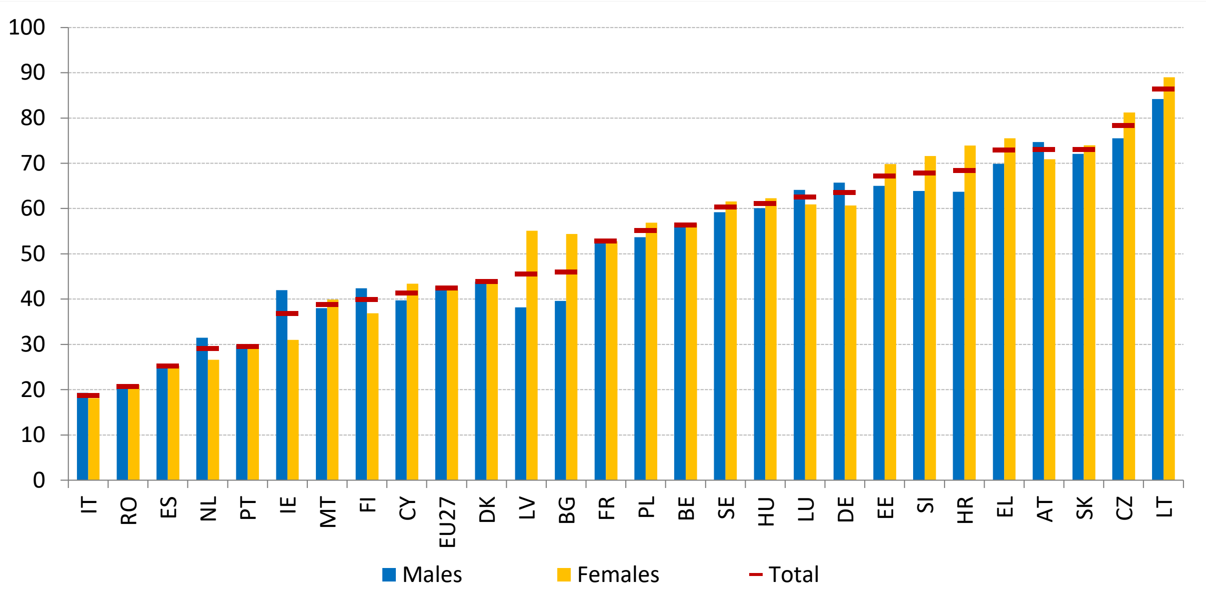
Significant differences exist in the use of public employment services, with job-search behaviour differing across Member States. The analysis for 2020 of the percentage of job-seekers reporting to have made use of public employment offices for job search shows figures ranging from 20% in Italy and Romania, to around 60% in Belgium, Sweden, Hungary, Luxembourg and Germany, to more than 75% in Czechia and Lithuania (see Figure 2.3.16). Slight differences by gender are also observed in a few Member States, the most pronounced being in Latvia, Bulgaria, Slovenia, Ireland and Croatia. Overall, the use of public employment services (PES) by job-seekers has been on a decreasing trend over the past years

[215] Sources: European Commission (2021). *European Network of Public Employment Services, Work programme 2021*. Published in June 2021. European Commission (2020). *Annual Report*, January-December 2020.

in the EU, dropping from 49.1% in 2014 to 46.1% in 2017 and 42.5% in 2020 (this may also reflect to some extent a comparatively higher use of other methods, notably digital, for job search). This figure is higher than the use of private employment services (21.3%) or the publication or answer to advertisements (40.6%), which have both remained broadly stable since 2017. While the use of different alternatives is not exclusive and a clear pattern of complementarity or substitution between job-search methods is not observed, in 12 Member States the percentage of those who claim to use PES is below 50%. Between 2017 and 2020, some Member States like Estonia, Lithuania and Bulgaria recorded significant increases (by more than 6 pps) in the use of PES. On the contrary, the use of PES by job-seekers has decreased substantially (by around 10 pps) in Germany, Cyprus and Romania over the same period. At the same time, the share of respondents who claim using social connections (e.g. friends, relatives and trade unions) in their job search has decreased significantly in the EU in recent years (from 71% in 2017 to 66% in 2020), and the same has happened with those who decide to apply directly to employers (from around 60% to 53% over the same period). The technical and human capacity of the PES, its digital integration and the degree of partnership developed with employers remain important factor to determine the quality and attractiveness of PES services.

Figure 2.3.16: There are significant differences in the use of public employment services by Member State, with some distinction by gender

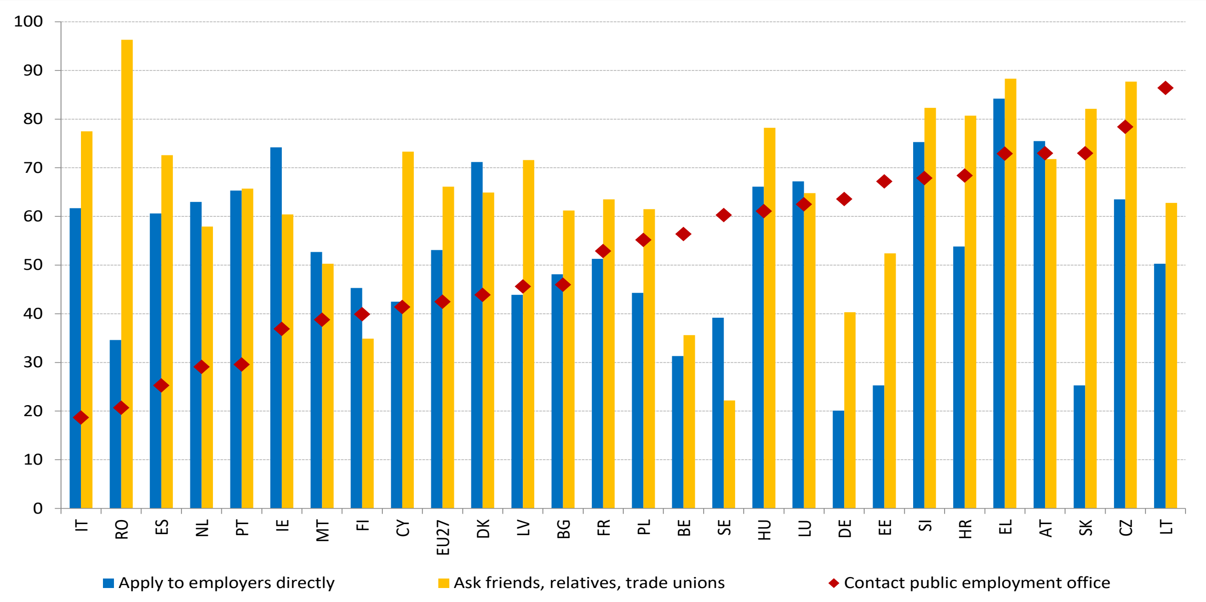
Percentage of unemployed people using the public employment office for job search in 2020, values by gender



Source: Eurostat, labour force survey [lfsa_ugmsw].

Figure 2.3.17: Job-seekers use a wide variety of search methods in different and often non-exclusive ways

Percentage of unemployed people who declare having used a given method for job search (2020)



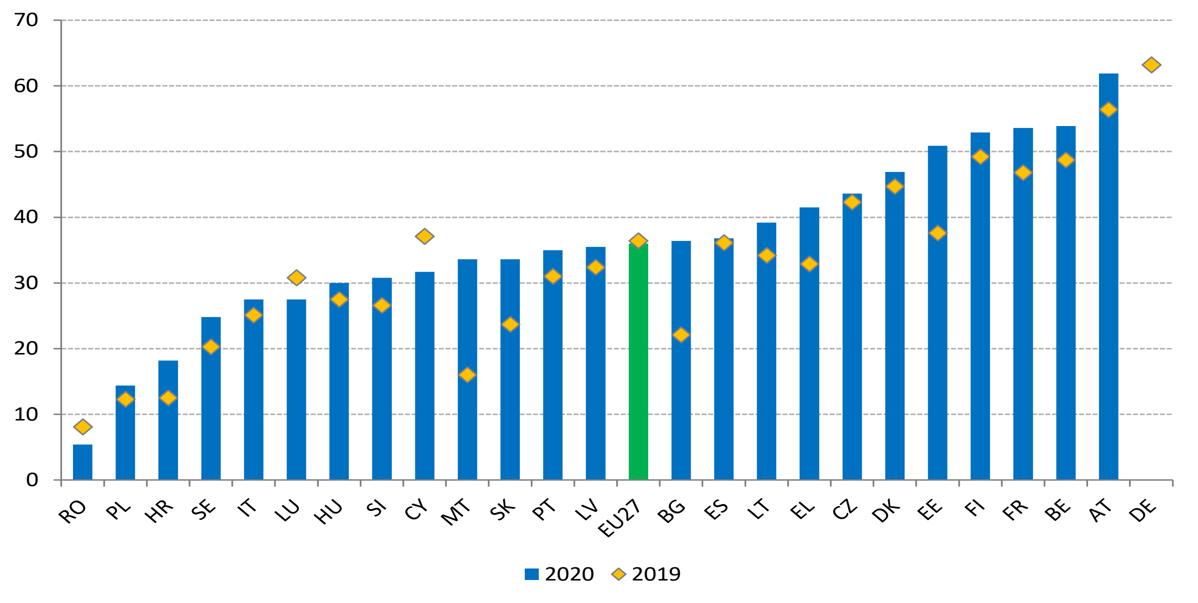
Note: countries are ordered by increasing rates of contact with the public employment office.
Source: Eurostat, labour force survey [lfsa_ugmsw].

In 2020, the share of short-term unemployed covered by benefits rose in most Member States. The overall employment impact of the COVID-19 crisis has been contained thanks to the extensive use of short-time work and similar job-retention measures (see section 2.1). Yet, individuals who did lose their job or who were already unemployed when the crisis erupted found themselves in a particularly difficult situation.[216] The JER 2021 presented a detailed analysis of the main features of unemployment benefit systems in the EU, based on the results of the benchmarking exercise of unemployment benefits and active labour market policies (ALMPs) agreed with the Employment Committee (EMCO). While the analysis remains overall valid, it is to be noted that the coverage of unemployment benefit schemes increased in most Member States, and more substantially in Bulgaria, Estonia, Greece, Spain, Malta, Romania and Slovakia between 2019 and 2020 (see Figure 2.3.18). For Member States with more updated data available,[217] the relative rise in the number of unemployment benefit recipients is particularly significant (40% or more since February 2020 to spring or early summer 2021) in Estonia, Portugal, Romania, Slovakia and Sweden. However, in most Member States, the number of unemployment benefit recipients declined in the latest months, in line with improving labour market conditions. In 2020, 32.8% of the unemployed registered for less than one year in the EU did not receive benefits and this percentage is higher than 50% in Croatia and Slovakia.[218]

[216] For more details, see European Commission (2020). Employment and Social developments in Europe. Quarterly review, June 2020. Luxembourg: Publications Office of the European Union.
[217] See the Social Protection Committee (SPC) Annual Report 2021.
[218] Source: Eurostat, Labour Force Survey [lfsa_ugadra].

Figure 2.3.18: The share of short-term unemployed covered by unemployment benefits has increased in most Member States

Coverage of unemployment benefits for the short-term unemployed (i.e. less than 12 months), 15-64 age cohort

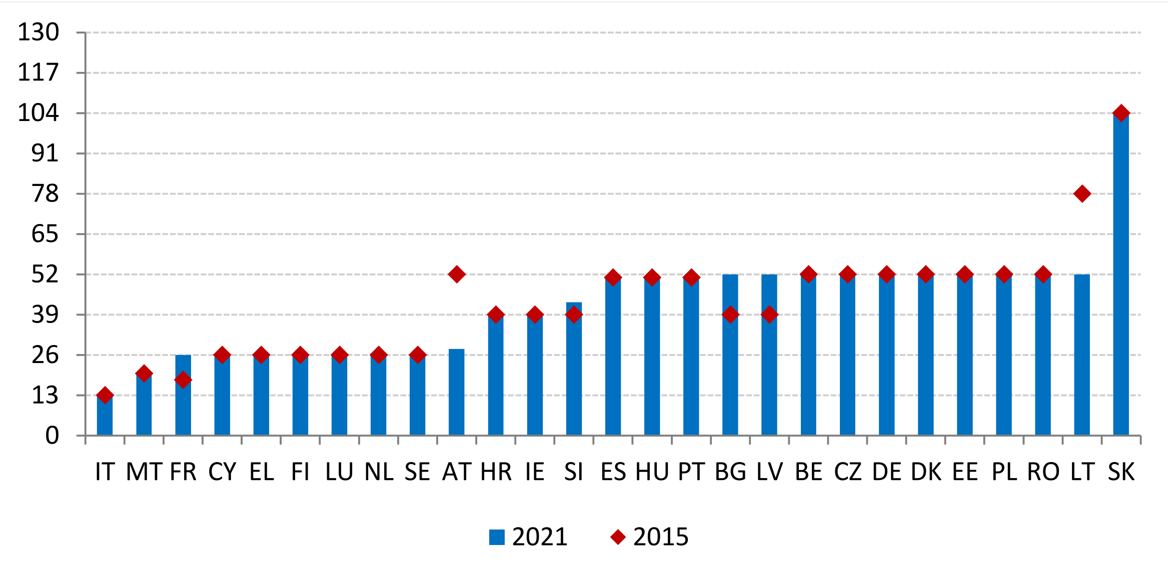


Note: data not available for IE and the NL. Data for DE refers to 2019 only.
Source: Eurostat, Labour force survey [lfsa_ugadra].

Over 2021, the length of the employment spell to qualify for unemployment benefits and the duration during which the benefits can be claimed remained broadly stable. The qualifying period only changed in Slovenia from 9 months in 2020 to 10 months in 2021 – see Figure 2.3.19. The period to qualify for unemployment is the shortest in Italy, with 13 weeks of insurance contributions. On the other end, the country with the longest qualification period is Slovakia, with 104 weeks. As shown in Figure 2.3.20, workers being dismissed after one year of work are entitled to benefits for very different durations depending on the Member State. In 16 Member States, benefits can be claimed for at most 6 months (24 weeks). However, in Denmark and Belgium, the duration of this entitlement reaches up to two years or more. In Luxemburg and Greece, the duration is exactly one year and in Lithuania, Latvia and Ireland the duration is about 8 months.

Figure 2.3.19: The contribution period to qualify for unemployment benefits varies significantly across Member States

Lengths of the required qualifying period, in weeks, data for 2015 and 2020

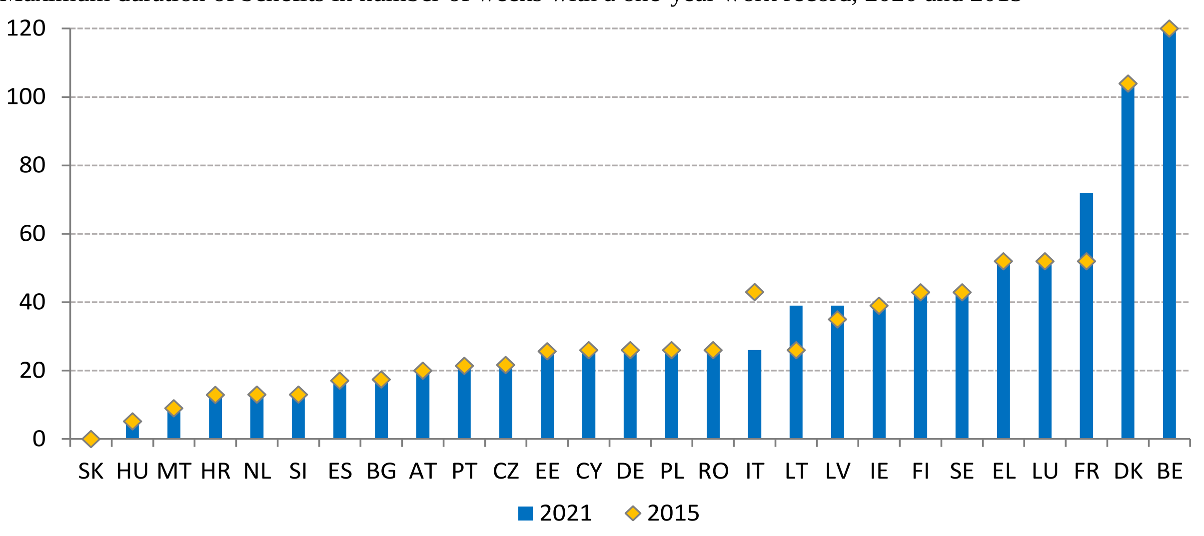


Note: In Malta (2016 and 2021), at least 50 weekly contributions must have been paid since the person first started work; in Ireland (2016 and 2021), at least 104 weekly contributions must have been paid since the person first started work; in Austria (2021), at least 52 weekly contributions must have been paid for first time applications, and at least 28 weekly contributions must have been paid for subsequent applications.

Source: MISSOC database (January 2015 and January 2021).

Figure 2.3.20: In most Member States, unemployment benefits can be claimed for a maximum of 6 months, given a 1-year work history

Maximum duration of benefits in number of weeks with a one-year work record, 2020 and 2015

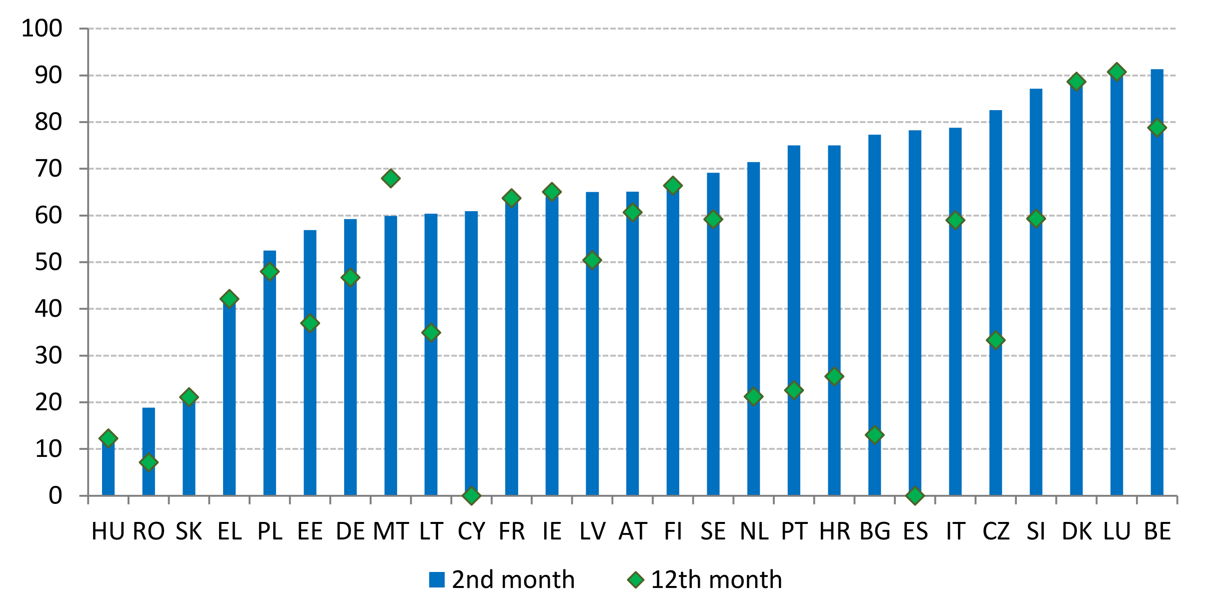


Note: In Belgium, there is no limit on the duration of benefits. In Cyprus, weeks are calculated on the basis of 6 working days per week. In Ireland, benefit is paid for 39 weeks (234 days) only for people with 260 or more weekly PRSI contributions paid. In Slovakia, a person with a one-year record cannot qualify for unemployment benefits (at least 2 years of unemployment insurance contributions during the last 4 years are required. In Poland, duration varies depending on the level of the unemployment rate of the region relative to the national average.

Source: MISSOC database (January 2015 and January 2021) and national legislation.

Income replacement for the unemployed varies across Member States and depends on the length of the unemployment spell. Figure 2.3.21 compares the replacement rates for low wage earners (67% of the national average income) with a short work history (up to 12 months of social security contributions) across the EU. The net replacement rates in the second month of unemployment range from 12.3% of previous (net) earnings in Hungary or 19% in Romania to more than 90% in Luxembourg or Belgium. In France and Ireland, there is no change in replacement rates along the unemployment spell. However, in a majority of Member States, the replacement rates decrease over time. Large differences between the second and the 12th month of unemployment are generally due to the transition of job-seekers from unemployment insurance into unemployment or social assistance, which generally provides lower levels of benefits.

Figure 2.3.21: Unemployment benefits vary to a large extent across the EU
Net replacement rate of unemployment benefits at 67% of the average wage, at the 2nd and 12th month of unemployment (2020)



Note: The indicator is calculated for the case of a single person without children with a short work history (1 year) and aged 20. Different income components, unemployment benefits and other benefits (e.g. social assistance and housing benefits) are included.
Source: European Commission based on OECD Tax-Benefit Model.

High-quality and effective social dialogue is a prerequisite for the good functioning of the European social market economy, ensuring more sustainable and inclusive policy outcomes. The Employment Guideline no. 7 and the European Pillar of Social Rights call upon Member States to ensure the timely and meaningful involvement of the social partners in the design and implementation of employment, social and, where relevant, economic reforms and policies, including by supporting their increased capacity. In line with national practices and institutional frameworks, the engagement with social partners at all levels aims to improve the design and ensure ownership of the reforms put forward. It also reduces conflicts and helps managing structural change and strengthening social cohesion. This is particularly important at a time when strong consensus is needed to ensure a robust recovery out of the crisis and support to the green and digital transitions. Social partners have already played a key role in the context of the COVID-19 crisis, with more than half of all measures in the domains of active labour market policies and income protection enacted since the pandemic outbreak either agreed by or negotiated with social partner organisations. Overall, the involvement of the social partners in the design and implementation of national employment and social policies has remained stable or slightly improved over the past few years. However, it still differs significantly across Member States.[219] Starting from 2016 and on an annual basis, the Employment Committee (EMCO) has undertaken multilateral surveillance reviews of the involvement of social partners in EU Member States to assess challenges and good practices in this respect.

Based on the Regulation establishing the Recovery and Resilience Facility[220], Member States have been asked to include in their recovery and resilience plans a summary of the consultation process of relevant stakeholders, including the social partners, and indicate how their inputs have been reflected. According to the Commission Guidance on the preparation of the RRPs[221], the summary should cover the scope, type, and timing of the consultations. The preliminary results of a study run by the Eurofound network of national correspondents[222] point to different levels of involvement across the Member States. In some cases, both employers' organisations and trade unions report that they had sufficient time to participate in the elaboration or the assessment of the RRP before their official submission in 2021. However, in other instances, social partners indicated that limited time was allotted for consultation. As regards the opportunity to contribute to the development of the RRP, most social partners reported low satisfaction with the feedback and responses received from the government representatives. They largely saw their involvement as informative and, to a lesser extent, as a consultation. Going forward, an adequate involvement of social partners in the RRP implementation will be important to ensure successful delivery of the measures planned.

The involvement of civil society organisations is also instrumental to build national ownership of reforms and investment and ensure their lasting impact. Building on existing national practices and in line with what indicated in the regulation establishing the Recovery and Resilience Facility, a large number of Member States consulted civil society organisations and other relevant stakeholders for the preparation of their RRPs. This is in line with the 2021 Employment Guidelines[223] and the European Commission Guidance to Member States issued in January 2021. According to a resolution by the European Economic and Social Committee (based on consultations run among its members and stakeholders' representatives in Member States) limited time available for consultations and exchanges acted as a barrier to the effective and meaningful involvement of civil society

[219] Eurofound (2021), *Involvement of social partners in policymaking during the COVID-19 outbreak*, Publications Office of the European Union, Luxembourg. For specific details on collective bargaining, see section 2.1 of the present report and Employment and Social Developments in Europe, Annual Review 2021.
[220] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.
[221] European Commission SWD(2021), 12 final. *Guidance to Member States, Recovery and Resilience Plans.*
[222] Source: Eurofound (2022), *Tripartite social dialogue and policy formation: Measures to promote recovery in the aftermath of the COVID-19 crisis* (forthcoming). Note: Preliminary results from the ongoing Eurofound study on the involvement of national social partners in the preparation of the RRPs submitted by the Members States in 2021. The Eurofound network of national correspondents has produced 24 reports based on the views of social partners and to some extent government representatives. The RRPs from DK and MT have not been included in this preliminary analysis. For BG, the feedback received refers only to the draft version made public ahead of the official submission.
[223] Council of the European Union, October 2021, OJ L 379, 26.10.2021, p. 1–5.

organisations.[224] Going forward, the experience of civil society organisation on employment and social policies, including in relation to projects on the ground, is an important asset to ensure an effective and smooth progress in the implementation of relevant reforms and investments.

2.3.2 Policy response

Recent developments prompted some Member States to amend national regulations of relevance for new forms of employment and for flexible working arrangements, including telework. In July 2020 **Portugal** launched a programme of incentives to encourage civil servants to remain in low density territories that includes teleworking and the sharing of working spaces. In the meantime a new broader regulation to promote telework is discussed in the parliament. In November 2020, **Romania** amended the existing legal framework to regulate teleworking, including the conditions for employers to establish remote work as the norm and the need for employees to receive all information and equipment necessary to carry out work remotely. **Slovakia** amended its labour code to regulate the establishment of a home office and the financial contribution to be provided by the employer, following a bilateral or collective agreement. The legal changes are effective as of March 2021. As part of a broader reform, **Spain** introduced a new regulatory framework for telework in private and public sectors. The new legal framework favours mixed forms of employment by ensuring the same working conditions to those working remotely and on-site, later amended, among others, to impose sanctions of labour inspections in the private sector in case of non-compliance. In October 2020, **Slovenia** amended the State Prosecution Service Act to clarify the working time arrangements under the 'stand-by' and 'on-call' duties of public employees in the state prosecutor's office. In its RRP, **Cyprus** plans to regulate flexible working arrangements and reform the social security system in order to integrate a new digital operations system, as well as revise current legislation to extend the social security coverage to all, including self-employed and workers in non-standard contracts (see section 2.1.2 for additional details). In June 2021, **Greece** introduced flexible time schedule and telework into its legal framework as part of a broader reform of the labour law.

Some Member States have taken measures to regulate the platform economy in light of its increasing importance. In addition to the measures presented in the box on Job Quality, as of 1 July 2020, **the Netherlands** updated the existing legal framework to limit food delivery activities on an independent and commercial basis to individuals above 16 years old. In October 2020, **France** adopted a targeted measure to regulate the activity of young people below the age of 16 in online platforms. In April 2021, it adopted a reform seeking to regulate the platform economy in the field on transport. As part of this broader reform, **France** also introduced a measure to ensure an adequate representation of self-employed workers in transport platforms and foster social dialogue, including through the newly created public Authority for Social Relations of Employment Platforms (ARPE).

[224] European Economic and Social Committee (2021), *Involvement of Organised Civil Society in the National Recovery and Resilience Plans – What works and what does not?*, Resolution, February 2021.

Several Member States reviewed their regulations to ensure adequate occupational health and safety at work, in line with Pillar principle 10 (on healthy, safe and well-adapted work environment). In July 2020, the amendment to the labour protection law in **Latvia** entered into force. Its purpose was to define remote work and extend the coverage of the existing health and safety rules to this type work, and unify the approach for both standard and non-standard employees. In December 2020, **France** reviewed the working conditions of the healthcare service in order to strenghten prevention at work and promote participation in testing and vaccination among its staff. **France** is also planning to create a 'prevention passport' that would include all trainings completed by the employees related to risk prevention at work. In December 2020, **Romania** updated the existing framework to protect workers against the risks related to exposure to biological agents at work, including COVID-19.

Some Member States amended their legislation on dismissals to mitigate the impact of the COVID-19 crisis on the labour market. Originally introduced in response to the pandemic, **Spain** extended until February 2022 the temporary ban on contractual termination for 'force majeure' and dismissal based on objective grounds (economic, technical, organisational and production) related to COVID-19. **Italy** extended the temporary dismissal ban adopted in March 2020 until end of June 2021 for companies benefiting from a short-time work scheme.

Several Member States are proposing new or amended regulations on fixed-term work to respond to existing and emerging labour market challenges. Since its adoption in March 2020, **Spain** extended the suspension of dismissals for contracts (both fixed-term and permanent) until the end of September 2021. For fixed-term contracts, the ban was further extended to February 2022. In addition, in its RRP, **Spain** envisaged to simplify and reorder the menu of employment contracts, including the review of the use of the training/apprenticeship contract and the seasonal contract, reinforcing the need to provide justifications for temporary hiring so that open-ended contracts become eventually the general rule. **Italy** updated the law allowing for further extensions or renewals of fixed-term contracts for a maximum period of twelve months and without prejudice to the maximum overall duration of twenty-four months. In June 2020, **Slovakia** adopted a transitional provision to allow employers to extend and renegotiate fixed-term contracts that were to be terminated up to two months after the cessation of the state of emergency. Failure to do so will turn the employment relationship into indefinite. In August 2020, **Lithuania** introduced criteria which have to be met by the agencies of temporary employment, in particular as regards their status and their ability to carry out the temporary employment activity. In December 2020, **France** amended the existing framework of paid leave and proposed new rules on the renewal of certain temporary contracts in line with collective agreements.

Targeted measures to foster transitions towards open-ended employment were also introduced in some Member States, in line with Pillar principle 5 (on secure and adaptable employment). In July 2021, in the framework of its RRP, **Spain** amended the basic statute of the public employee to reduce the share of fixed-term contracts in the public sector and prevent the abuse of this type of employment. Additional stabilisation procedures of temporary staff are foreseen in December 2022 and sector-specific statutes such as health and education will be modified accordingly. With the aim of promoting the conversion of temporary contracts into open-ended ones, in August 2020 **Portugal** adopted a bonus for contract worth two times the monthly basic salary provided for in the contract (up to a limit of some EUR 2,200). In May 2021, **Italy** adopted a new re-employment contract to support the conversion of temporary contracts and foster labour market transitions. The measure seeks to promote open-ended employment through a temporary exemption from social security contributions for employers.

Efforts to tackle undeclared work continue in several Member States with additional measures taken, including capacity-building for labour inspectorates. Greece is planning changes to the tax and social security regime in the cultural and arts sector to encourage declared work. In February 2021, **Spain** adopted an Action Plan to regularise wages and social security contributions for workers in the household care sector through labour inspections, awareness-raising campaigns and technical assistance. By March 2021, the labour inspectorate in **Spain** had sent more than 45,000 letters to employers. This led to the regularisation of some 30,000 domestic workers. As part of a broader reform, **Croatia** adopted the 2021-24 national plan to fight undeclared work, which includes several legislative and non-legislative measures to prevent the abuse of atypical forms of work, raise awareness of the benefits of legal work, and promote fair competition. **Lithuania** adopted a new targeted measure to fight undeclared work in the construction sector. The measure, which is expected to enter into force as of January 2022, will require that all persons working on construction carry a 'builder's ID' and that employers send all the necessary data to a centralised identification system. **Lithuania** also amended its labour law to ensure transparency in the payment of wages and other labour entitlements (i.e. daily allowances and mission expenses, among others) for all employees. The amendments are expected to come into force as of January 2022. As part of a broader reform, **Romania** is planning to formalise domestic work through the introduction of work vouchers; its entry into force is expected by early 2022.

Several Member States adjusted their public employment services to better respond to recent labour market developments. In November 2020, **Estonia** adopted a new Employment Programme 2021-23 with the aim of better supporting those facing barriers to employment, in particular the long-term unemployed. In December 2020, **Greece** launched the 'myOAEDlive' platform through which online counselling services are provided to the unemployed and businesses, including interpretation from/to foreign languages where needed. In December 2020, **Finland** adopted a pilot project to strengthen the provision of employment services at local level. With the participation of 25 pilot areas composed of 118 municipalities, the local government pilots aim to increase the employment of job-seekers, in particular the long-term unemployed and those from vulnerable backgrounds, and to provide them with training to ensure the availability of skilled labour. The project has started in March 2021 and is expected to conclude in June 2023. In December 2020, **Hungary** introduced a new job matching portal 'KarrierM' ('MyCareer') providing information for both job-seekers and employers. With a total budget of HUF 2.8 billion (EUR 7.6 million) the portal also offers individualised guidance and support for job-seekers. However, as part of a broader reform, in February 2021, **Hungary** adopted a new legal framework which removed the financial support for training fees and related travelling costs from the PES toolbox. This change may reduce job-seekers' incentives to enrol in training.

Member States took measures to improve the support provided by public employment services, also to reach out to more vulnerable population groups. Luxembourg launched a project called 'eADEM' to digitalise its public employment services and improve efficiency by upgrading its IT equipment. The project was, according to Luxembourg's RRP, scheduled to start in February 2021 and to be completed by the end of 2024 or beginning of 2025. A measure seeking to expand the number of digital services provided by the PES was introduced in April 2021, and job offers will now be open to all job-seekers and not only to those registered. This follows renewed partnerships between the business federation and the PES (December 2020) and the reform of the professional reclassification system entered into force in November 2020. In December 2020, **Romania** launched a project, financed by the European Social Fund, to modernise the public employment services' structures through the development of case management services for the job-seekers, including vulnerable groups. **Romania** is also planning to launch a new platform to improve public employment services for employers, including training 900 staff and actions to foster cooperation with territorial employment agencies. In July 2020, **Ireland** adopted a temporary measure to increase the capacity of the public employment services to support job-seekers through job-search assistance, including through other contracted services and local employment agencies. In 2019 **Bulgaria** introduced a new service called 'mobile Labour office' to provide employment services in the remote areas where there is no permanent labour office. After being suspended due to the COVID-19 pandemic, the mobile Labour offices restarted their activity in July 2021 providing guidance and support for more than 1,400 jobseekers. The **Belgian** RRP includes measures to promote the exchange of data on the short-term unemployed between different levels of government. The aim is to better support the PES in reaching out to this specific group, with complementary actions developed by regional public employment services (e.g. in the region of Flanders). The **Belgian** region of Wallonia will implement in January 2022 a set of measures to provide more personalised guidance for job-seekers. This includes the roll-out of digital tools and better job-matching actions targeted to the most vulnerable job-seekers. In September 2021, **Greece** legislated a new governance framework for its public employment service and is planning investments in the modernization of its local branches, including actions to improve branding, communication and counselling.

A number of Member States introduced mainly temporary measures to make their existing ALMP frameworks more effective, in particular for tackling long-term unemployment, in line with Pillar principle 4 (active support to employment). In July 2020, **Ireland** approved a temporary measure to provide 10,000 additional work placement posts and professional experience schemes for people in unemployment spells of six months or longer. In October 2020, **Greece** adopted a new employment subsidy programme for 100,000 new jobs in the private sector. The state covers social security contributions of the newly hired employees for six months and provides an additional wage subsidy of EUR 200 per month for persons who were previously long-term unemployed. Starting from January 2022 the programme will be extended with 50,000 new places. In December 2020, the **Belgian** region of Wallonia introduced a new temporary hiring subsidy for the long-term unemployed in sectors strongly affected by the COVID-19 crisis. The new scheme is worth EUR 1,000 per month during a maximum period of 24 months and is provided in addition to another hiring benefit with a decreasing amount over time. In December 2020, **France** extended the pilot project *territoires zéro chômeurs* to further integrate the long-term unemployed. As part of this project, a measure 'CDI inclusion' specifically targets workers above 57 years old through adapted open-ended contracts. The project was expanded to 50 new zones for a duration of 5 additional years. **Austria** approved a new financial allocation to support the labour market integration of the long-term unemployed and better guidance and support from the public employment service, including measures to improve skills financed through the RRP. In January 2021, several amendments to the labour law entered into force in **Finland**. They seek to provide more tailor-made and integrated services for persons in vulnerable situations, in particular the long-term unemployed. In May 2021, **Denmark** reached an agreement to allocate DKK 159 million (approximately EUR 21 million) to tackle long-term unemployment and support the labour market integration of those affected, in particular job-seekers above 50 years old.

Member States introduced new measures (mostly temporary) or extended existing ones to reinforce their unemployment benefit systems, in line with the Pillar principle 13 on unemployment benefits. As of August 2020, **Denmark** implemented a temporary measure to provide higher unemployment benefits (up to 110%) to low-skilled job-seekers initiating a vocational training course. As part of a set of temporary measures to mitigate the negative impact of the pandemic, in November 2020, **Portugal** adjusted the calculation formula for unemployment benefits in situations where the guarantee period for accessing the benefits is reduced, and temporarily suspended the duty of exclusivity (thus self-employment creation is possible while receiving unemployment benefits). In December 2020, **Portugal** extended the entitlements for unemployment benefits ending in 2021 for six additional months. **Belgium** suspended the degressivity of the unemployment benefits until the end of September 2021 and froze it at the level to which the beneficiary was entitled in April 2020. In May 2021, **Spain** adopted a temporary unemployment benefit scheme until September 2021 (worth EUR 776) for artists who have previously contributed to the unemployment scheme (for four to six months in case of a contribution of at least 20 to 55 days in 2019, respectively). **Estonia** approved a reform substantially increasing the level of the unemployment allowance benefit from 2021. From 1 August 2020, the net replacement rate of the unemployment insurance benefit increased from 50% to 60% of previous earnings during the first 100 days of the unemployment spell. Furthermore, the RRP envisages a mechanism to increase the maximum duration of unemployment benefits in case of high unemployment. In **Lithuania**, workers who stop receiving benefits following their return into employment can re-claim unemployment benefits more easily if they become unemployed again.

Some of the measures adopted on unemployment benefit systems are designed to improve the situation of specific population groups. Luxembourg passed a temporary measure to extend until June 2021 the specific short-time work scheme in the context of the COVID-19 crisis. The level of compensation paid for partial unemployment according to the Labour Code cannot be lower than the amount set for the minimum social wage to unskilled employees. Over the course of 2020 and 2021, **Italy** approved temporary provisions to suspend the gradual reduction of unemployment benefits and expand the categories of potential beneficiaries. In December 2020, it also endorsed a temporary income support worth EUR 500 net per month for unemployed or single-income women with dependent children. The measure is valid until 2023 and will have a maximum total expenditure of EUR 5 million euros per year. In April 2021, **Latvia** extended the temporary support of EUR 180 for recipients having exhausted their unemployment benefits from 4 to 6 months, which was introduced in March 2020. Further, in December 2020, **Latvia** adopted a temporary unemployment benefit (EUR 500 for the first two months and EUR 375 for the last two) for young graduates registered as unemployed. Both of these measures ended on 30 June 2021. In addition, the temporary benefit is complemented by a permanent measure to renew up to two times the payment of the unemployment benefits and full coverage of other (i.e. invalidity) benefits. Both groups of potential beneficiaries had to be registered at the PES and participate in ALMPs. **Austria** amended the unemployment insurance act to provide temporary support for working parents with children up to 14 years old or with disabilities (without age limit). Caregivers of older people are also covered by the measure, extended until July 2021. **Austria** also adopted temporary measures to support workers in the culture and creative sector who experienced lost of income with one-off subsidies ranging from EUR 1,000 to EUR 3,500 depending on the case. In August 2020, **Ireland** amended the existing regulatory framework to provide temporary unemployment benefits to those who lost their jobs due to the pandemic, with benefit levels recalibrated in waves.

Member States adjusted their regulatory frameworks to ensure the adequacy and coverage of unemployment benefits, also accounting for conditionality requirements. In December 2020, **Finland** introduced a measure to ease the eligibility conditions for unemploment benefits, in particular for job-seekers enrolled in short-term education. The measure is also expected to ease up the workload of the PES and ensure that resources are allocated to those mostin need. **Italy** funded temporary income allowances for seasonal workers, intermittent workers and self-employed. **Estonia** amended the existing regulation to increase the level of the unemployment benefits as of January 2021 from 35% to 50% of the minimum monthly wage. **Greece,** having ended the temporary extension of the regularly unemployment benefits in May 2021, is planning a broader reform of the existing unemployment benefit schemes. The aim is to improve adequacy and coverage, encourage faster return to the labour market and remove disincentives for skills development. In June 2021, **Finland** further extended the existing legal framework until September 2021 so that job-seekers receive the unemployment benefits as an advance payment for a period of six months, instead of the normal period of two months. In June 2021, **Malta** launched an assessment of the existing unemployment benefit schemes, resulting in a report that will provide concrete evidence to achieve effective coverage and better adequacy of benefits while enhancing the incentives to work. As part of the implementation of the RRP, the report is expected to be published by mid 2022.

Some Member States passed new regulations or amended existing ones to encourage the free movement of workers, while ensuring the protection of workers' rights. In April 2021, **Romania** approved new provisions to ensure legal protection for Romanian citizens working abroad through contracts coordinated by employment agencies, regardless of their origin (whether from Romania or another Member State). In April 2021, **Finland** amended the existing legal framework on the entry and residence conditions of third-country nationals for the purpose of seasonal work. The measure aims to reduce the administrative burden for employers and foreign seasonal workers and is complemented with additional amendments that will enter into force in October 2021 and seek to prevent and detect unfair labour practices. In June 2021, **Luxembourg** extended the tax arrangements with **Belgium** and **France** for cross-border workers employed in the country but currently teleworking, later further extended until 31 December and 15 November, respectively. The agreement between **Luxembourg** and **Germany** is renewable on a monthly basis.

Several Member States have adapted their frameworks for social partners' involvement and collective bargaining, in line with Pillar principle 8 on social dialogue and involvement of workers. In February 2021, **France** adopted a new legal framework for collective bargaining in the public sector, including a definition of clauses open to negotiation, such as apprenticeships, and the implementation of compensation policies. In April 2021, **France** adopted a reform with the aim of reinforcing social dialogue in the platform economy through the set-up of elections and the nomination of representatives and of a national body in charge of organising the elections. In July 2021, **Cyprus** organised the Labour Advisory Board convention to discuss with social partners a number of major reforms in the country to ensure an effective functioning of mechanisms for collective bargaining, mutual agreements, and the prevention and settlement of industrial disputes. **Greece** updated the framework of collective labour law, setting up a digital register of trade unions, regulating the right to strike and increasing up to 33% the minimum services operation during strikes for public service enterprises. As part of its RRP, **Spain** plans to improve the functioning of collective bargaining by amending the relevant legal rules and incorporating changes to the negotiating structure, with the aim of strengthening the representativeness of the negotiating parties, enriching the content of dialogue, and enhancing legal certainty in its implementation and effects. Also as part of the reforms proposed in its its RRP, **Romania** plans to amend the legislative framework in order to improve the functioning of social dialogue.

2.4 Guideline 8: Promoting equal opportunities for all, fostering social inclusion and fighting poverty

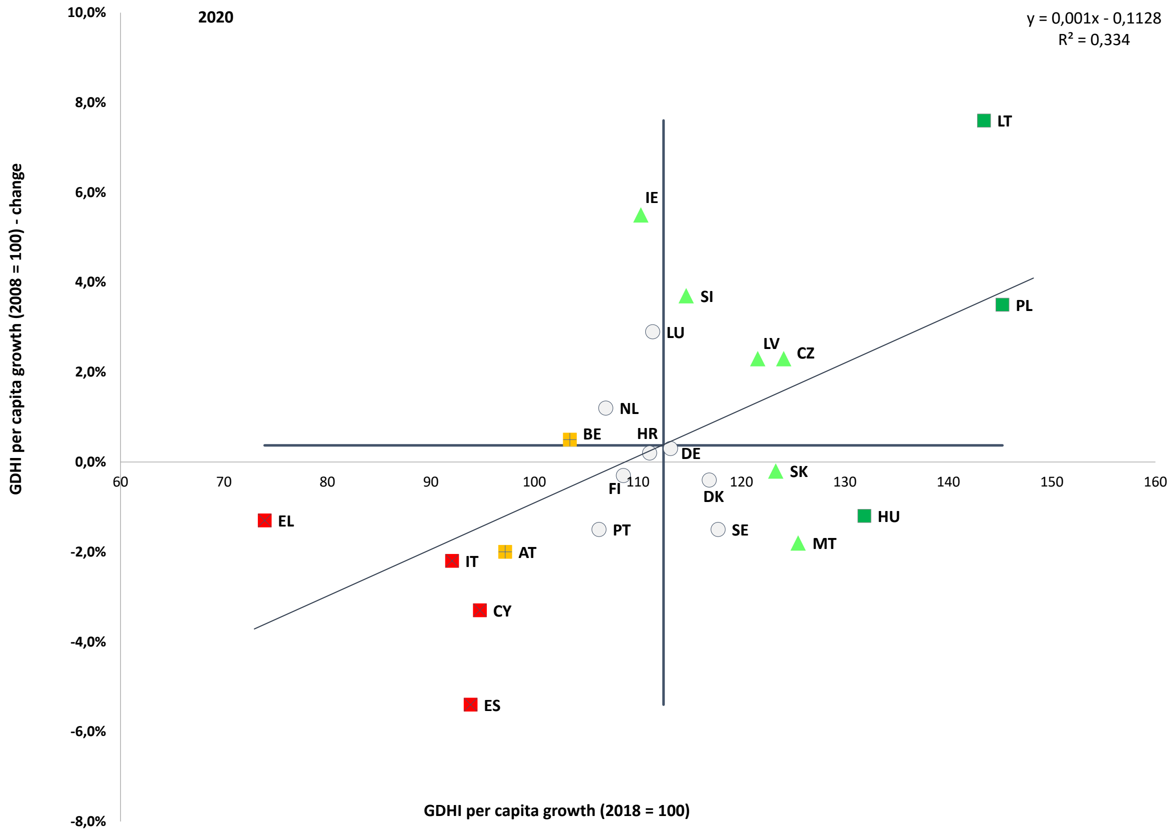
This section looks at the implementation of the employment guideline no. 8, which recommends that Member States promote equal opportunities for all, foster social inclusion and fight poverty, in line with Pillar principles 2 (on gender equality), 3 (on equal opportunities), 11 (on childcare and support to children), 12 (on social protection), 14 (on minimum income), 15 (on old-age income and pensions), 16 on (healthcare), 17 (on inclusion of persons with disabilities), 18 (on long-term care), 19 (on housing and assistance for the homeless) and 20 (on access to essential services). Section 2.4.1 provides an analysis of key indicators, while section 2.4.2 reports on policy measures from Member States in the area of social protection systems and social inclusion.

2.4.1 Key indicators

In spite of the COVID-19 crisis, gross disposable household incomes (GDHI) per capita remained overall broadly stable on average across Member States in 2020. The greatest increase by far was observed in Lithuania, followed by Ireland and Poland (10.2, 5.7 and 4.9 pps, respectively) – see Figure 2.4.1. Spain witnessed the largest decrease, followed by Cyprus, Malta and Italy (-5.4 pps, -3.2 pps, -2.3 pps and -2.1 pps, respectively). The very large bulk of EU countries though displayed much smaller variations. As discussed in section 2.1.1, differences across Member States on this metric reflect, among others, sectoral differences in the impact of the COVID-19 crisis, as well as the different scope of income support schemes and functioning of automatic stabilisers. In some Member States the real gross disposable income per capita still remains below the values observed in 2008, flagging them either ‘to watch’ (Austria[225]) or ‘critical situations’ (Greece, Italy, Spain and Cyprus).

[225] Belgium is also ‘to watch’, but with GDHI per capita above the 2008 level.

Figure 2.4.1: In spite of the COVID-19 crisis, gross disposable household incomes (GDHI) per capita remained overall broadly stable across Member States in 2020
Real gross disposable household income per capita growth (2008=100) in 2020 and change from previous year (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data for BG, EE, FR and RO are not available.
Source: Eurostat, [tepsr_wc310].

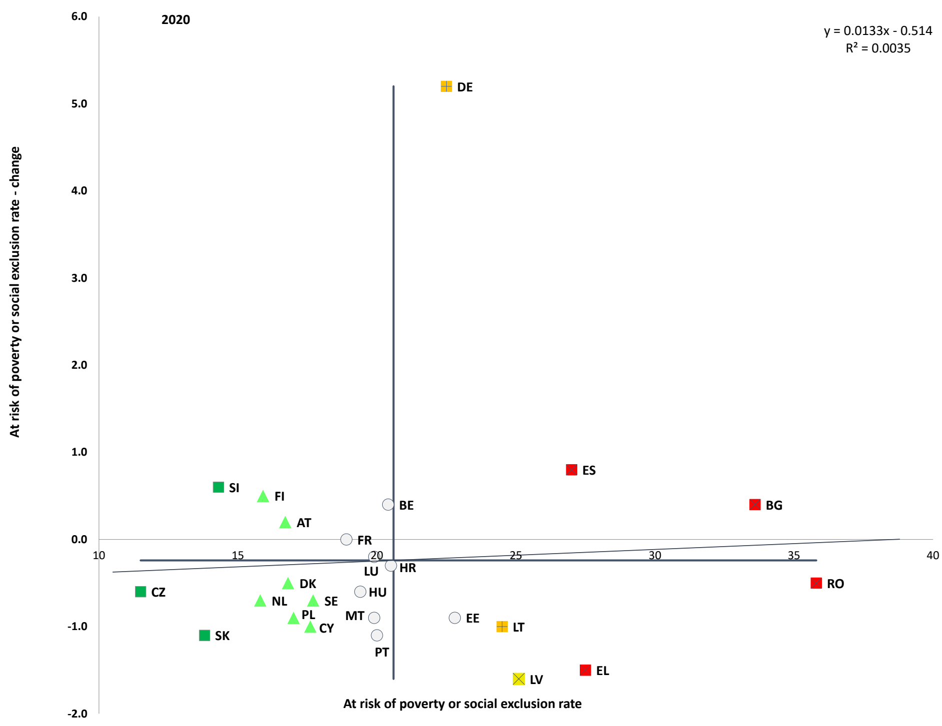
The share of people at risk of poverty or social exclusion (AROPE) remained broadly stable or decreased in most Member States in 2020, but significant differences remain. In the Action Plan on the European Pillar of Social Rights, the Commission set decreasing the number of persons in AROPE by 15 million as a headline target for 2030. In 2020, Romania, Bulgaria, Greece and Spain had the highest AROPE rates (at 35.8%, 33.6%, 27.5% and 27%), while Czechia, Slovakia, Slovenia and the Netherlands had the lowest (at 11.5%, 13.8%, 14.3% and 15.8%). Among the countries with high levels, Romania registered a slight decline (of 0.5 pps) to 35.8%, while Bulgaria and Spain registered a slight increase (0.4 pps and 0.8 pps, respectively), but the situation is still 'critical' in all of them, according to the Social Scoreboard methodology. Lithuania and Germany are countries 'to watch' (see Figure 2.4.2), but one has to note for the latter a serious break in the series due to a major change in data collection.[226] The largest drop in the AROPE rate was reported in Latvia (1.6 pps to 25.1%),

[226] From 2020 on, Germany transmits data on the AROPE indicator to the EU-SILC from a survey (the 'Mikrozensus') that is different from the previous one, to improve the quality of the underlying data following the change in the AROPE indicator in 2021. This change also highlighted that AROPE was underestimated when measured with the former methodology and this constitutes a break in the times series of the data. As a result data from different years is no longer comparable. In 2020, the German AROPE rate moves from 17.3%

continuing a past decreasing trend from a still high level. Among those with lowest AROPE rates, Slovakia improved further, by 1.1 pps to 13.8%, while Czechia improved by 0.6 pps to 11.5%. Differences in AROPE rates are large across European regions, with a wider range than between Member States. Such disparities may appear within a single Member State, such as Spain and Italy – see Figure 8 in Annex 3.

Figure 2.4.2: The share of people at risk of poverty or social exclusion has remained stable or decreased in most Member States but differences remain wide

Share of the population at risk of poverty or social exclusion (%), 2020 levels and changes from previous year (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data for IE and IT are not available and provisional for FR, LV, NL, PL and SK. Break in the series for BE, DE and LU. From 2020 on, Germany transmits data on the AROPE indicator to the EU-SILC from a survey (the ‘Mikrozensus’) that is different from the previous one. As a result data from different years is no longer comparable. The headline indicator has a definition that differs somewhat from that of its predecessor [ilc_peps01] after its revisions in 2021.[227]

Source: Eurostat, [tepsr_lm410].

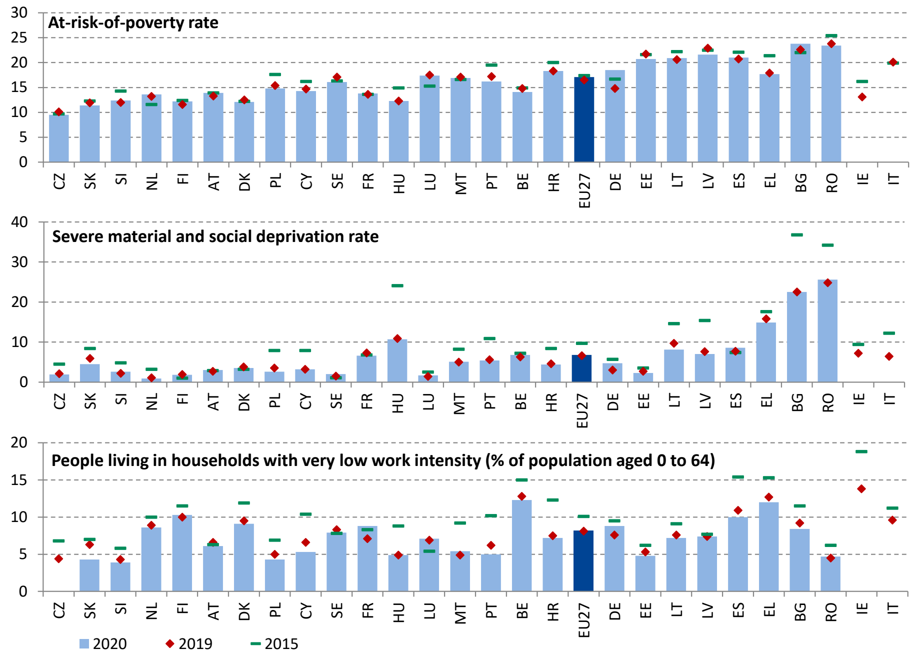
Governments’ swift interventions helped mitigate the impact of the pandemic on income poverty risks, severe material and social deprivation, and the share of people living in quasi-jobless households. The at-risk-of-poverty (AROP) rate indicator for 2020 (based on EU-SILC, and referring to income levels in 2019) remained fairly stable for all Member

recorded in 2019 to 22.5% of 2020, gaining 5.2 pps. This increase should be considered as a statistical movement due to the improvement of the data source.

[227] This is due to due to the ‘severe material and social deprivation rate’ replacing the former ‘severe material deprivation rate’ component. See details on the related Eurostat website. Also, the ‘People living in households with very low work intensity’ indicator shifted from the 0-59 to the 0-64 age group from 2019 to 2020.

States (see top panel of Figure 2.4.3). According to Eurostat's flash estimates (referring to 2020 incomes)[228], its increase was contained in at least half the Member States compared to 2019 (and slightly declined in Estonia, Lithuania, Finland, Romania and Czechia). A slight increase is, nonetheless, estimated for Greece, Spain, Croatia, Slovenia and to a lesser extent Italy. The severe material and social deprivation rate[229] remained overall stable in 2020, though with little convergence. While a few countries (Lithuania, Slovakia, Poland and Greece) recorded limited decreases, others have seen stability or slight increases (Spain, Bulgaria and Romania). The share of people living in quasi-jobless households[230] remained also stable, mirroring policy efforts made in containing job losses. Noticeable positive exceptions are Slovakia and Portugal (with a decline of 2 and 1.2 pps, respectively), while increases were observed in France (by 1.7).

Figure 2.4.3: Improvements since 2015 in the AROPE components were sustained also during the crisis for almost all Member States thanks to the enacted policy interventions
Components of the at-risk-of-poverty or social exclusion rate headline indicator (%, 2015, 2019, 2020)



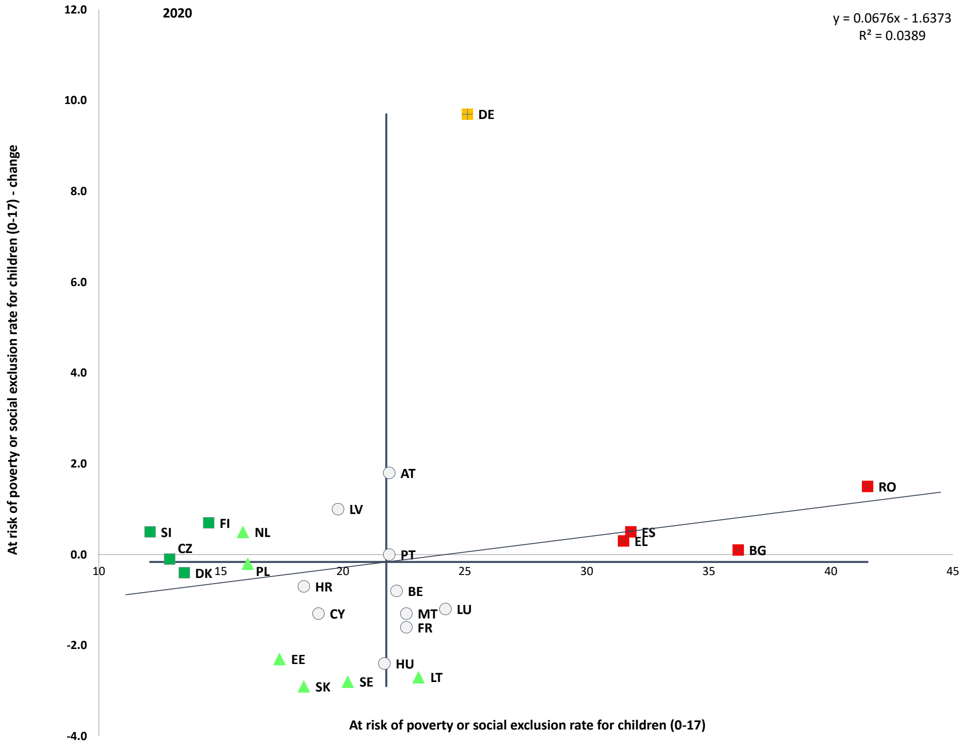
Note Indicators are ranked by AROPE rates in 2020. Data for IE and IT are not available. The 'severe material *and social* deprivation rate' indicator replaces the former 'severe material deprivation rate' component. The 'People living in households with very low work intensity' indicator shifted from the 0-59 to the 0-64 age group from 2019 to 2020. From 2020 on, Germany transmits data on the AROPE indicator and its components to the

[228] Released on July 2021, available on Eurostat website. Accessed on 16 September 2021. Only statistically significant changes are discussed. Estimates are not available for Malta and breakdowns are missing for France and Romania.
[229] The 'severe material and social deprivation rate' indicator replaces the 'severe material deprivation rate' indicator as a component of the AROPE rate, introducing an extended set of deprivation items – see the new set of items on the related Eurostat Glossary Page and further details in the note to the Indicator Subgroup of the Social Protection Committee.
[230] Households where the adults (those aged 18-64, but excluding students aged 18-24 and people who are retired according to their self-defined current economic status or who receive any pension (except survivors pension), as well as people in the age bracket 60-64 who are inactive and living in a household where the main income is pensions) worked less than 20% of their total combined work-time potential during the previous 12 months.

EU-SILC from a survey (the 'Mikrozensus') that is different from the previous one. As a result data from different years is no longer comparable.
Source: Eurostat, [tessi010, tepsr_lm420, tepsr_lm430].

The at-risk-of-poverty or social exclusion rate for children (0-17) remained broadly stable on average in 2020, with still large variations across countries. Both survey data and Eurostat flash estimates indicate that the AROPE rate for children and its components were relatively stable in 2020. Between 2019 and 2020, AROPE for children declined by more than 0.5 pps in 11 Member States, with the most marked reductions registered in Slovakia, Sweden and Lithuania (by around 3 pps). Conversely, it rose in ten Member States, with the greatest increases in Germany, Austria, and Romania (9.7 pps, 1.8 pps and 1.5 pps, respectively; for Germany, the increase is related to the already mentioned break in the series). Romania, Greece, Spain and Bulgaria are flagged as being in 'critical situations' in the Social Scoreboard. In addition, Romania, Austria and Spain record poverty levels that are significantly higher for children than for the overall population (respectively by 5.7, 5.2 and 4.8 pps). Children growing up in poverty or social exclusion are less likely to do well in school, enjoy good health and realise their full potential later in life. As highlighted by the benchmarking framework on childcare and support to children, the persistent poverty rate remains higher among children than in the rest of the population and the impact of social transfers on child poverty is significantly lower than the EU average in some Member States (such as Spain, Romania, Malta, Italy, Bulgaria and Portugal). In some Member States, the AROPE rate for children raised by a single parent or in families with more than 3 children or with a migrant or Roma background is up to three times higher than that of other children.

Figure 2.4.4: The share of children at risk of poverty or social exclusion remained broadly constant but with large variation across EU countries
Share of children (persons aged 17 or less) at risk of poverty or social exclusion (%), 2020 levels and changes from previous year (Social Scoreboard headline indicator)



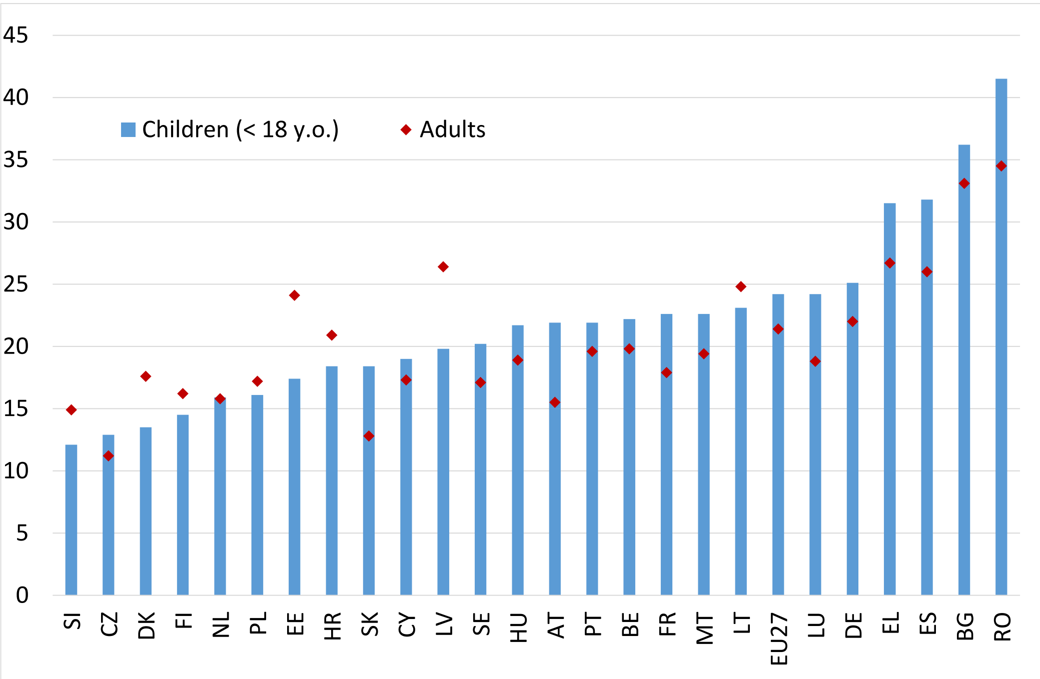
Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data for IE and IT are not available and are provisional for FR, NL, PL and SK. Break in the series for BE, DE and LU. From 2020 on, Germany transmits data on the AROPE indicator to the EU-SILC from a survey (the 'Mikrozensus') that is different from the previous one. As a result data from different years is no longer comparable.
Source: Eurostat, [tepsr_lm412].

Pillar Box 4: **Combatting social exclusion and providing support to children**

The European Pillar of Social Rights sets a number of principles relevant for the well-being and development of children. Principle 11 (childcare and support to children) states that children have the right to affordable early childhood education and care of good quality, as well as to protection from poverty. Children from disadvantaged backgrounds have the right to specific measures to enhance equal opportunities. Principle 1 (education, training and life-long learning) affirms the right to quality and inclusive education, and Principle 3 (equal opportunities) to equal treatment and opportunities regarding social protection, education, and access to goods and services available to the public.

The number of children at risk of poverty or social exclusion in the EU is nonetheless still high. In 2019, 19.6 million children (24.2%) in the EU were in this situation. In most Member States children are more exposed to poverty than the adult population (see chart). The Action Plan on the European Pillar of Social Rights proposed to reduce the number of children at risk of poverty or social exclusion by at least 5 million by 2030.

Share of children (0-17) at risk of poverty or social exclusion (AROPE) compared to adults (18+), (%, 2020)



Note: For IE and IT data are not available.
Source: Eurostat indicator [ilc_peps01n].

Quality early childhood education and care is of particular importance to bridge the gap in lifetime educational achievements of children from disadvantaged backgrounds and enable the labour market participation of their parents, thus increasing household incomes. On average in the EU, 35.3% of children under 3 years of age and 89.6% of children aged between 3 and the minimum compulsory school age were enrolled in institutional childcare in 2019. In some Member States however, the respective figures were below 10% and 60% for these two groups, respectively (see Chapter 2.2.1).

The Council recommendation of 14 June 2021 established a European Child Guarantee to prevent and combat social exclusion of children by guaranteeing access to a set of key services. It calls upon the Member States to provide children AROPE with free and effective access to healthcare, early childhood education and care (see section 2.2.1), education and school-based activities, and at least one healthy meal each school day, as well as effective access to healthy nutrition and adequate housing. The European Child Guarantee is a key element of a comprehensive EU Strategy on the Rights of the Child.[231] By 15 March 2022, the Member States will submit to the Commission their national action plans on how to implement the recommendation, covering the period until 2030. The recommendation envisages strong governance and monitoring processes, including biennial reports by the Member States and a Commission's report to the Council five years after its adoption. In October 2021, a benchmarking framework has been agreed by the Social Protection Committee in the area of childcare and support to children, identifying outcome and performance indicators as well as a range of contextual information – see section 1.4 for details.

The Phase III of the preparatory action for the Child Guarantee resulted in pilot policy interventions by UNICEF in four Member States. In **Bulgaria**, as part of the home visiting programme, more than 2 600 families with young children received support between October 2020 and July 2021. The aim was to ensure nurturing care for children under 3 years and pregnant women. The home visiting staff were trained on early childhood development and engagement of fathers. In **Greece**, a consultation with various stakeholders, including children, contributed to the development of the National Action Plan on childcare reform. In the Attica region, a pilot project will support children in five institutions to be reintegrated with their birth families or to be placed in alternative family and community-based care services. In **Italy**, 13 digitized Innovation and Creativity Camps were implemented online in upper secondary schools, involving over 1,400 students. In **Croatia**, a social welfare centre received support to extend its parenting support programme, which reached more than 100 beneficiaries.

The depth of poverty slightly increased in 2019 compared to 2018. The poverty gap[232] did not improve and sometimes even increased slightly (SILC 2020). The gap was widest (above 25%) in Hungary, Romania, Germany, Spain, Latvia, Bulgaria, Croatia and Greece. In Hungary, it increased for a second year in a row and to a significant extent (7.4 pps). Increases were recorded also in countries with lower than average levels (in France by 5 pps; in Portugal by 2 pps). In other Member States, it remained broadly stable, in spite of the overall improvements in the socio-economic situation before the pandemic (except for Luxembourg and Lithuania with a 6.9 pps and a 2.8 pps decrease respectively). Poverty is deeper among people living in quasi-jobless households[233], at around 40% in the EU in 2019 for the 18-64 year-old population. For this group, Romania, Italy, Bulgaria, Latvia and Slovakia register the widest poverty gaps (all above 50%), with some deterioration in most of them. The indicator is lower than 20% in the Netherlands, Finland and Ireland. The biggest

[231] Adopted on 24 March 2021, available online. In addition to socio-economic inclusion, health and education aspect, which is covered by the European Child Guarantee, the Strategy has five other thematic areas: child participation in political and democratic life; combatting violence against children and ensuring child protection, child-friendly justice, digital and information society, and the global dimension.

[232] That accounts for the distance of the median income of people at risk of poverty from the poverty threshold. Eurostat, indicator [ilc_li11]. Age group: Total. The indicator uses income information from the preceding year, hence 2020 values describe the situation in 2019.

[233] The indicator is calculated by Eurostat (unpublished) as the distance between the median equivalised total net income of persons - which equivalised disposable income is below the at-risk-of-poverty threshold and that are living in a household with very low work intensity - and the at-risk-of-poverty threshold itself, expressed as a percentage of the at-risk-of-poverty threshold. This threshold is set at 60% of the national median equivalised disposable income of all people in a country and not for the EU as a whole.

increase is observed in Hungary (+14.9 pps). High rates hint at challenges with the adequacy and coverage of benefits.

Persons with disabilities, especially women and those of working age, were much more likely to be AROPE in 2020. In the EU, 28.9% of persons with disabilities faced a risk of poverty or social exclusion compared to 19% of those without in 2020, having recorded an increase from 28.4% in 2019.[234] The rate was the highest in Bulgaria (52.3%), Estonia (40.4%), Latvia (39.3%), Lithuania (38.7%), Croatia (38.2%) and the lowest in Slovakia, Denmark, Finland and Austria (between 20.3% and 22.3%). Among persons with disabilities, women are more at risk (29.9%, compared to 27.7% of men), as are people aged 16-64 (34.3%, compared to 23.2% for those from 65 years). The COVID-19 crisis had a disproportionate impact on persons with disabilities and aggravated pre-existing exclusion risks[235], notably in terms of access to healthcare, education, employment and on-line support services, particularly for persons living in institutions[236].

The share of people with migrant background and of Roma facing poverty and social exclusion is substantially above the average. AROPE rates for non-EU born people were much higher (around twice as large) in 2020 compared to those for the native born[237] in the Member States with the highest levels (53% vs 26.9% in Greece, 52.6% vs 21.3% in Spain, 45.2% vs 20.4% in Germany, and 44.6% vs 15% in Belgium). Between 72% and 80% of Roma across the EU live with an income below the respective national at-risk-of-poverty threshold - a situation which was worsened by job losses in the pandemic. The situation is even worse for Roma children.[238]

Energy poverty continued to decrease EU-wide, but the situation remains critical for people below the poverty threshold. The share of people unable to keep their homes adequately warm reached 8.2% in 2020.[239] For people with an income below the poverty threshold, this share reached 20.1% in 2020, in sharp contrast to only 5.8% of people above the threshold. Affordability is a problem particularly in some Member States in Southern and Eastern Europe, notably in Bulgaria, Lithuania, Cyprus, Portugal and Greece. Higher energy prices entail a risk of increasing energy poverty. On 13 October 2021, the Commission adopted a Communication on *Tackling rising energy prices*[240], in which a toolbox was presented to address the immediate impact of (current) sudden prices increases, and further strengthen resilience against future shocks. As announced in the 'Fit for 55' package, and with a view to ensuring a just transition towards climate neutrality, the Commission intends to put forward a proposal for a Council Recommendation by the end of 2021 to provide further guidance to the Member States on how to address the social and labour aspects of the green

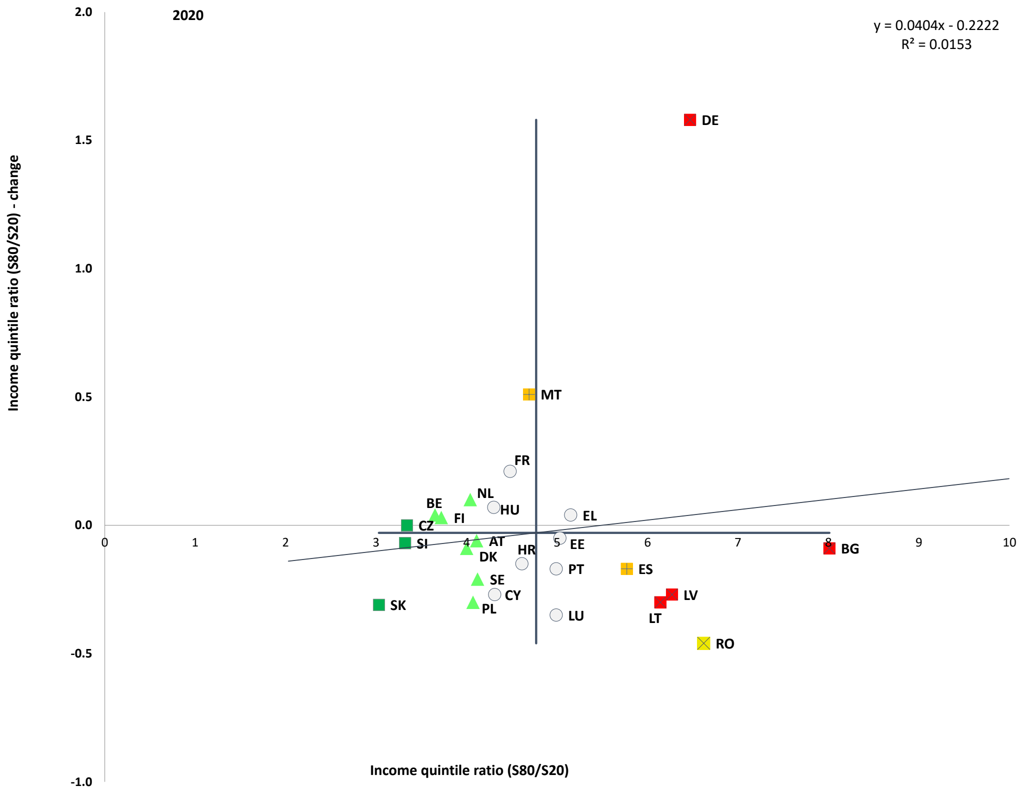
[234] Eurostat indicator [hlth_dpe010], based on EU-SILC, covering people aged 16 and over. Based on the global activity limitation indicator (GALI) concept, people are considered to be with disability if they have some or severe activity limitations.
[235] European Commission, *Employment and Social Developments in Europe 2021*, June 2021
[236] World Health Organisation, *Policy Brief: A Disability-Inclusive Response to COVID-19*, May 2020
[237] As shown by Eurostat indicators [ilc_peps06], [ilc_li33] and [ilc_iw16], AROPE, AROP and In-work AROP.
[238] See details and references in SWD(2020) 530 final.
[239] According to the Eurostat indicator [ilc_mdes01]. Note: a break in the series is indicated for the EU average and also for Belgium, Germany and Luxembourg in 2020.
[240] Communication from the Commission on 'Tackling rising energy prices: a toolbox for action and support', COM/2021/660 final

transition[241]. Changing energy prices and their distributional effects need to be carefully monitored, with the need for compensation mechanisms to be eventually put in place.

Income inequality was stable or even decreased in most Member States before the COVID-19 crisis. Survey data indicate that in the EU the income share of the top 20% of the income distribution was, on average, almost five times the share of the bottom 20% in 2019 (the income reference year of the indicator) – see Figure 2.4.5. The most pronounced drops in income inequality were observed before the pandemic in Romania, Luxembourg, Slovakia, Poland, Lithuania, Cyprus and Latvia. Particularly strong increases in overall inequality were noted in Malta, France and Germany (the latter is nonetheless related to a break in the series). Germany, Bulgaria, Latvia and Lithuania are in 'critical situations' due to registering both high levels and increases or comparatively small decreases in inequality. Regional disparities are large across European regions and, as in case of AROPE rates, they can be wide within one Member State – see Figure 4 in Annex 3. As discussed in Chapter 1, Eurostat's flash estimates show that, in 2020, the income quintile share ratio (S80/S20) for the EU as a whole remained stable[242], even though employment (market) incomes are estimated to have dropped by 10% for the first income quintiles and by 2% for the fifth. The public support put in place, including via short-time work and other job retention schemes (see Chapter 2.1.1), as well as of the functioning of the automatic stabilisers via the tax and benefit systems had a major role in achieving this result. These mechanisms were in many cases reinforced in order to alleviate the consequences of the COVID-19 crisis, in particular for vulnerable groups. As a result, the impact in terms of disposable income is estimated to be nearly the same across the whole income distribution, with an estimated increase of disposable incomes by 2% for the first quintile to around no change for the fifth quintile.

[241] The initiative was announced in the 'Fit for 55' Chapeau Communication (COM/2021/550 final) and in recital 18 of the proposal for establishing a Social Climate Fund (COM/2021/568 final)
[242] In most Member States the estimated change did not appear to be statistically significant.

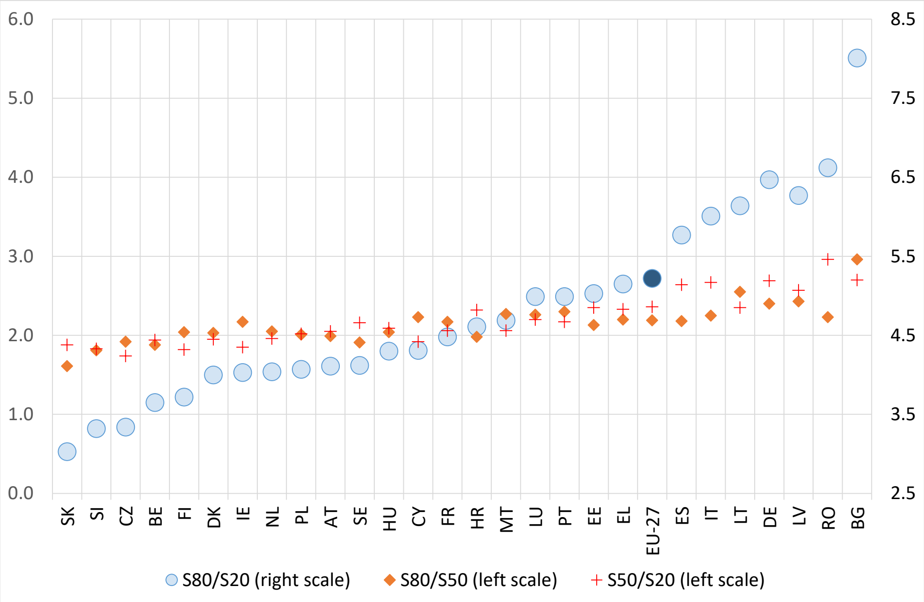
Figure 2.4.5: Income inequality decreased or remained stable in the majority of Member States thanks to massive public support and the functioning of the automatic stabilisers
Income quintile share ratio (S80/S20), 2020 levels and changes from previous year (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data for IE and IT are not available and provisional for FR, LV, NL, PL, SK. Break in the series for BE, DK, DE and LU. From 2020 on, Germany transmits data on the indicator to the EU-SILC from a survey (the 'Mikrozensus') that is different from the previous one. As a result data from different years is no longer comparable.
Source: Eurostat, [tessi180].

The shape of income inequalities over the income distribution varies widely across the EU Member States. Over the last decade, increases in inequalities were essentially driven on average by increases in the lower end of the income distribution (see JER 2021). Member States that experience higher overall income inequality (S80/S20) than the EU average generally also feature higher inequalities at the lower and higher ends of the income distribution, as indicated by the respective quintile share ratios (S50/S20 and S80/S50) – see Figure 2.4.6. This is, however, more pronounced at the lower end (S50/S20) as in the cases of Romania, Latvia, Germany, Italy, and Spain. Higher inequality at the lower end also drives overall inequality in countries below the EU average, like for Croatia, Estonia, Slovakia, and Sweden. In other Member States (Bulgaria, Cyprus, Ireland, Lithuania, Malta, and Portugal), the overall inequality stems relatively more from higher S80/S50 inequality.

Figure 2.4.6. The shape of income inequalities over the income distribution varies significantly across Member States
Quantile share ratios S80/S20, S80/S50 and S50/S20 (2020)



Note: Data for IE and IT are not available for 2020, 2019 values are used.
Source: Eurostat [tessi180], [ilc_di11d], [ilc_di11e]

Early estimates of social protection expenditures in 2020 for 19 Member States[243] point to unprecedented levels and large increases compared to 2019. Overall, social protection expenditure increased by EUR 234 billion (more than 8%) over 2019. Increases across Member States range from 3% in Poland and Croatia to more than 20% in Ireland and Malta. Over 2019-20 increases were driven mostly by greater spending on unemployment benefits, including benefits paid under short-time work schemes (EUR +101 billions, or +75%). Increases were observed also in expenses related to social exclusion (+14%), housing (+7%), family/children related benefits (+6%), sickness/healthcare (+ 5%), and old-age benefits (+3%). In relative terms, among the 19 reporting Member States, increases in spending in unemployment benefits greater than 100% were observed in Austria, Czechia, Portugal, Ireland, Estonia and Malta. Expenditures in sickness/healthcare increased by more than 10% in Belgium, Bulgaria, Czechia, Denmark, Ireland, Latvia, Hungary, Malta and Portugal. Social protection expenditures strongly increased as a share of GDP, from 27.6% in 2019 to 31.2% in 2020 (+3.6 pps), partly also as a result of the drop in the overall level of GDP in 2020.

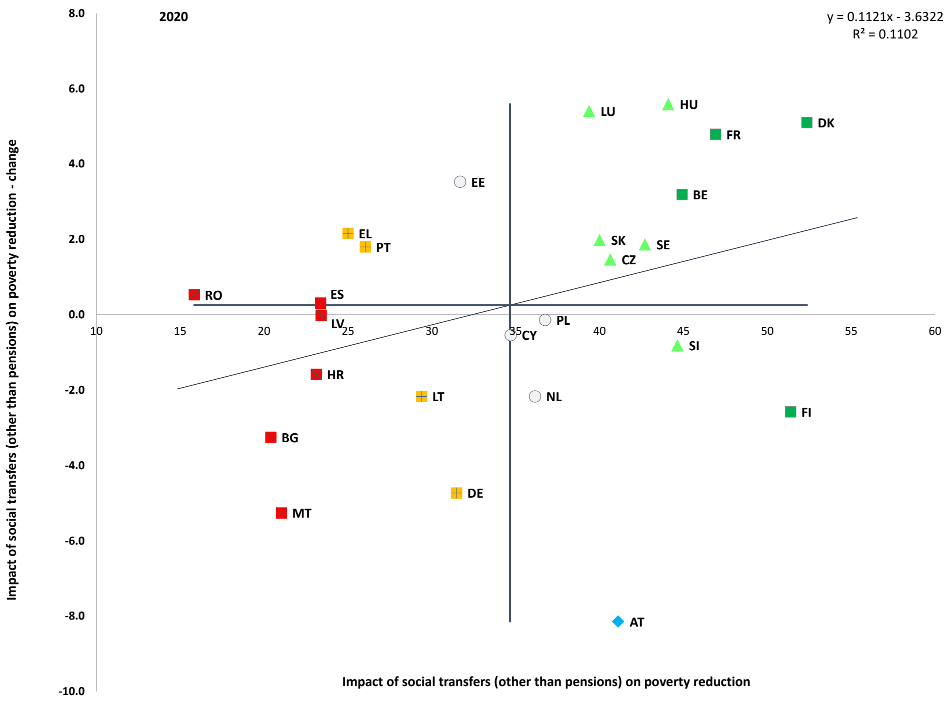
The impact of social transfers on poverty reduction has been stable in the EU-27 since 2015 but has shown divergence across Member States. On average in the EU social transfers (excluding pensions) reduced the at-risk-of-poverty rate by about a third (32.7%) in 2020. However there are significant differences across Member States, ranging from about 16% in Romania to above 50% in Denmark and Finland. In 2020 (referring to 2019 incomes) five Member States saw both higher values and increases: France and Denmark (best

[243] Source: Eurostat, Early estimates - Social protection - Eurostat (europa.eu) covering BE, BG, CZ, DE, DK, EE, IE, FR, HR, IT, LV, LT, HU, MT, AT, PL, PT, SI and SE. Altogether these 19 Member States accounted for around 79% of EU-27 GDP in 2019 (and 81% of social protection expenditures).

performers), as well as Belgium, Hungary and Luxembourg (registering breaks in the series though). Over the same period, the poverty reduction effect was below average and remained relatively stable in Romania, Spain and Greece, but declined substantially in Bulgaria, Malta and Croatia, all six in a 'critical situation'. The indicator shows a tendency of divergence across Member States. Differences are also large across regions in the EU, with particularly low values recorded in southern regions of Italy, most regions in Romania and certain regions of Greece and Croatia – see Figure 9 in Annex 3.

Figure 2.4.7: The poverty reducing impact of social transfers is diverging across Member States

Impact of social transfers (other than pensions) on poverty reduction, 2020 levels and changes from previous year (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data for IE and IT are not available and provisional for FR, LV, NL, PL and SK. Break in the series for BE, DK, DE and LU. From 2020 on, Germany transmits data on the indicator to the EU-SILC from a survey (the 'Mikrozensus') that is different from the previous one. As a result data from different years is no longer comparable.

Source: Eurostat, [tespm050].

There is considerable variation in terms of social protection coverage, in particular among non-standard workers. On average, the share of working-age persons (16-64) at risk of poverty receiving social benefits (at individual level[244]) is higher among employees with a temporary contract (41%) than among those with a permanent one (26%). However, there is considerable variation across Member States: coverage is below 25% in Croatia, Poland, Portugal, Malta, Hungary, Slovakia and Greece – some of these countries (like Poland, Portugal and Croatia) also report a high prevalence of temporary contracts. It is also small among the self-employed (12.9%) compared to employees (31%), pointing to a lower access to social protection for the former. Finally, while around half (52%) of the unemployed

[244] According to the indicator on effective access endorsed in the context of the monitoring framework on access to social protection (benefit recipiency rate for the population at risk of poverty before social transfers).

received social benefits in the EU, this share was below 15% in Croatia, Greece, Romania, Poland, Slovakia and Bulgaria. In contrast to the recent significant increase in the number of unemployment benefit recipients[245], most Member States did not record increases in social assistance benefit recipients. However, in many Member States (Belgium, Czechia, Greece, Spain, France, Latvia, Lithuania, Luxembourg, Portugal and Slovenia) the number of recipients of these benefits increased noticeably at some point over 2020.[246]

Pillar Box 5: **Access to adequate social protection**

In 2019 the Council adopted a Recommendation on access to social protection for workers and the self-employed[247], in order to implement Principle 12 of the European Pillar of Social Rights (on social protection) and to adapt social protection systems to quickly evolving labour markets. Member States committed to ensure: 1) access to social protection; 2) effective coverage for all workers and self-employed regardless of the type of employment relationship[248]; 3) adequate level of protection (decent standard of living, appropriate income replacement); and 4) transparency of the conditions and rules as well as administrative simplification. Member States were asked to submit a plan setting out the corresponding measures to be taken at national level by 15 May 2021. By mid-October 2021, 25 Member States submitted their national plans.[249]

Most of the national plans include measures that address at least one of the four areas of the Recommendation, though with considerable differences in range, scope[250] and timing.[251] While 21 plans (out of 25) include measures to improve access to social protection, in general they do not aim to cover all the gaps identified in the monitoring framework[252] or the Country-Specific Recommendations issued in the 2020 European Semester cycle[253]. Most measures (implemented or foreseen) relate to formal coverage of non-standard workers or the self-employed (in 15 Member States) and improving adequacy (in 13 Member States), with a focus on pensions, unemployment and sickness benefits. Fewer measures are envisaged regarding effective access, preservation and transferability of entitlements and transparency and simplification.

Almost all plans reported on policy measures taken in response to the COVID-19 crisis. Such measures include relaxation of the rules, extension of the duration and/or increase in the amounts of (e.g., unemployment and sickness) benefits. In addition, specific support has been provided to some groups (workers under precarious contracts, the self-employed) or sectors/occupations (cultural sector,

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245 See chapter 2.3.1 on unemployment benefit receipts.

246 See Table 7, compiled from SPC data collection, in the *2021 SPC Annual Review of the Social Protection Performance Monitor (SPPM) and developments in social protection policies*.

247 Council Recommendation 2019/C 387/01 of 8 November 2019.

248 That is to avoid that the rules prevent individuals from accruing or accessing benefits and make sure entitlements are preserved, accumulated and/or transferable.

249 Yet to submit their plans are Luxembourg and Slovenia. The plans are available online.

250 Nine plans foresee one main policy (or legislative) measure (DK, ES, DE, EL, HR, IE, LT, FI, LV), and also nine include 3 to 6 measures (CY, CZ, EE, FR, IT, MT, NL, PT and RO). Belgium put forward more than 30 measures in a comprehensive package, addressing the different dimensions of the Recommendation.

251 14 Member States refer to measures taken since the adoption of the Recommendation (in November 2019), while measures planned for the future are included in 17 national plans.

252 Monitoring framework on Access to social protection for workers and the self-employed, available online.

253 In 2020, 16 Member States (BG, CY, EE, ES, HU, HR, IT, LT, LV, MT, NL, PL, PT, RO, SI and SK) were issued a country specific recommendation (CSR) on social protection, often with a very clear focus on improving access for non-standard workers and self-employed (CY, EE, ES, IT, LT, NL, PL, PT and SI). Adopted RRPs for 17 Member States include measures related to social protection, 14 of which had related CSRs in 2019 or 2020. Most of these RRPs cover the related CSRs, but few address them completely.

healthcare workers, domestic workers, etc.).[254] As a whole, the exceptional measures helped extend social protection to previously uncovered or partially covered groups. However, the majority of measures taken in 2020 and early 2021 appear to be temporary, which means they are unlikely to become a permanent feature of social protection systems.[255] This is why the Action Plan implementing the European Pillar of Social Rights encouraged Member States to further extend access to social protection, using the exceptional COVID-19 measures as a source of inspiration for structural reforms to improve the protection of the unemployed, non-standard workers and the self-employed.

Recent national measures to address gaps in formal coverage mostly concern the self-employed and people in non-standard work. France made permanent the extension of sickness benefits to all self-employed, including *professions libérales* (in the context of the social security law adopted at the end of 2020). The **Irish** government proposed a new statutory sick pay in order to ensure protection for employees who do not have a right to sick leave in their employment contracts. **Belgium** plans to improve formal coverage for specific categories (artists, platform workers, informal carers, sex workers) and to evaluate and adapt the so-called 'bridging rights' that provide income support to the self-employed. **Romania** plans to extend paternity leave to the self-employed and ensure formal access to all social security branches for seasonal and day workers as well as platform workers. **Czechia** intends to improve access to sickness and related risks (including maternity) for non-standard workers. **Cyprus** plans to ensure full coverage by social protection for the self-employed, i.e. extension of coverage of unemployment benefits and schemes related to accidents at work and occupational diseases. **Poland** initiated a reform extending mandatory insurance notably by pension schemes for civil law contracts. Finally, **Greece** envisages to extend access to sickness benefits to the self-employed.

As for adequacy, a number of national measures included in the plans address the situation of pensions, notably for the self-employed. For instance, **Spain** and **Latvia** decided to adapt the calculations of contributions for the self-employed, notably to support the adequacy of future pensions, while **Belgium** plans to align the pensions systems of the self-employed and employees and make contributions by the self-employed closer to their contribution capacity. **Austria**, **Germany** and **Estonia** took measures improving pension adequacy, notably for those with low entitlements and **Czechia** tabled a pension reform to improve the fairness of the pension system (including with regard to gender gaps).

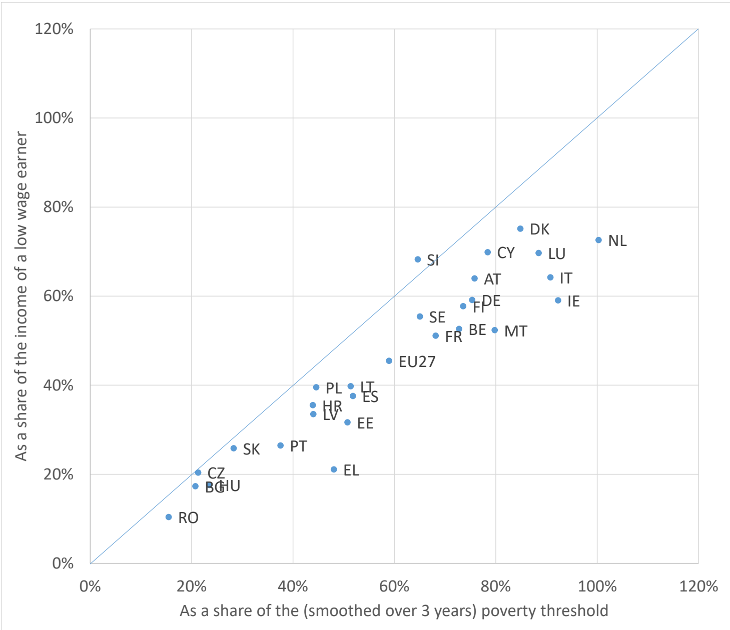
The adequacy of minimum income schemes has been eroding in almost all Member States in 2019. The adequacy of minimum income benefits can be monitored[256] by comparing the income of beneficiaries with the national poverty threshold and with the income of a low-wage earner. These references provide indications on the income poverty alleviation impact, as well as on the activation dimension and potential disincentive effects of the schemes. For the latest available income year (2019), the adequacy of minimum income schemes eroded overall in the EU, reflecting how the income of minimum income beneficiaries was lagging behind overall income developments before the COVID-19 crisis. This erosion was more substantial in some countries, when compared to the income of a low-wage earner (Malta -5.8 pps, Croatia -3.2 pps, Romania -2.9 pps) or to the poverty threshold (France -6.3 pps, Greece -6 pps). On the reverse, adequacy increased significantly in Italy following the 2019 reform and to a lesser extent in Lithuania (13.6 pps) and Slovenia

[254] See section 2.4.2 and Joint Employment Report 2021.
[255] See also ESPN (2021).
[256] According to the methodology agreed in the benchmarking framework on minimum income, see the 2019, 2020 and 2021 Joint Employment Reports.

(15.2 pps). In a few countries, minimum income adequacy is close to the poverty threshold (the Netherlands, Ireland and Italy), while it remained below one third of the poverty threshold in Romania, Bulgaria, Hungary, Czechia and Slovakia – see Figure 2.4.8.

Figure 2.4.8: The adequacy of minimum income support varies strongly across Member States

Net income of minimum income recipients as percent of at-risk-of-poverty threshold (smoothed over three years) and of the income of a low wage earner (income year 2019)



Note: The charts concerns single childless persons. Net income of a minimum income recipient may also include other types of benefits (e.g. housing benefits) than minimum income. The low wage earner considered earns 50% of the average wage and works full time.
Source: DG EMPL computation from EU-SILC microdata.

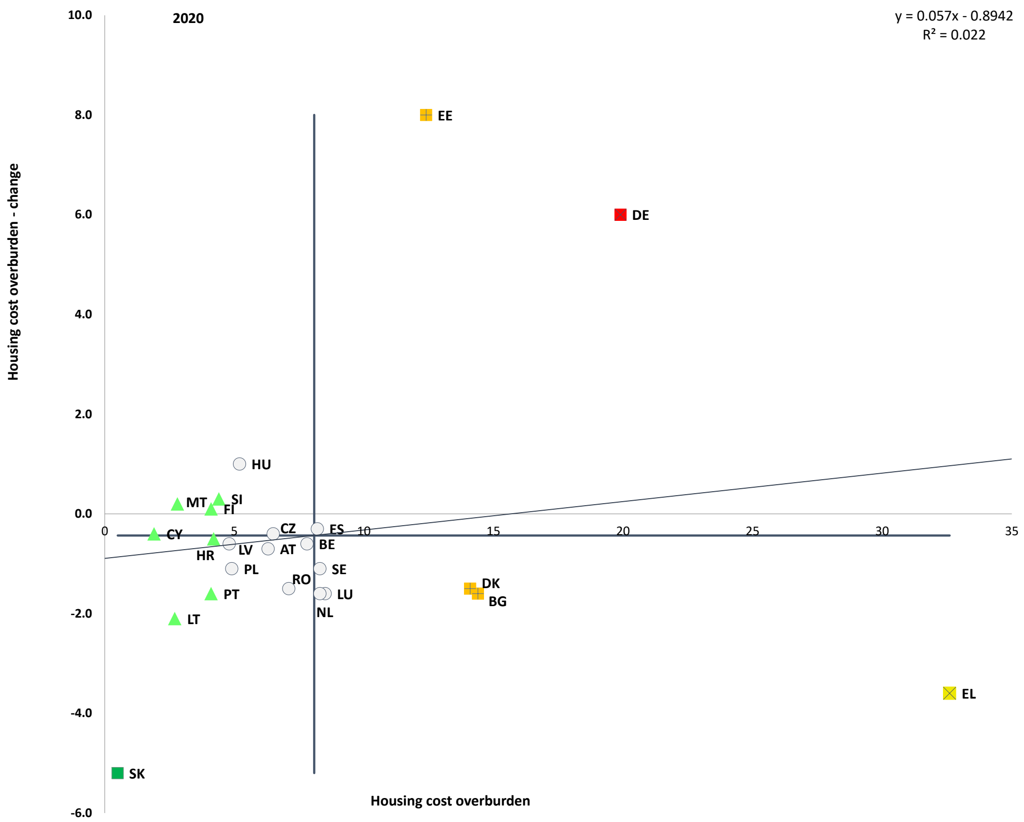
The housing cost overburden rate[257] **continued to slightly decline before the crisis.** In 2019 (the income year the 2020 indicator refers to), around one tenth of the EU population lived in households that spent 40% or more of their (equivalised) disposable income on housing. This rate was highest in Greece (32.6%), followed by Germany, Bulgaria and Denmark (around or more than 15%) and lowest in Slovakia, Cyprus, Lithuania and Malta (less than 3%) – see Figure 2.4.9. Both absolute numbers and the ordering of countries are relatively similar for people under 30 as for the rest of the population. Within the population at risk of poverty, the rate of housing cost overburden was significantly higher (37.8% in

[257] The indicator measures the share of the population living in households where the total housing costs represent more than 40% of disposable income (both 'net' of housing allowances). The Methodological Guidelines and Description of EU-SILC variables (version April 2020) describes allowances (only means-tested ones included) as including rent benefits and benefits to owner-occupiers, but excluding tax benefits and capital transfers. The document defines housing costs as monthly and actually paid, connected with the household's right to live in the accommodation. They include structural insurance (for tenants: if paid), services and charges (sewage removal, refuse removal, etc.; mandatory for owners, for tenants: if paid), regular maintenance and repairs, taxes (for tenant: on the dwelling, if applicable) and the cost of utilities (water, electricity, gas and heating). For owners paying a mortgage, mortgage interest payments are included (any tax relief deduced, but housing benefits not deduced). For tenants at market price or at reduced price, also rental payment is included. For rent free tenants, housing benefits should not be deduced from the total housing cost.

2020), with significant disparities among Member States. In Greece, 82.5% of the population at risk of poverty was overburdened by housing costs, while around two thirds were in Denmark and Germany. In Lithuania, Malta, Cyprus and Slovakia, the share was about 10% or less. In general, tenants, either in the private rental market or in the reduced price market, are more affected by housing affordability issues (25.2%) than owners with a mortgage (6.2%).[258]

Figure 2.4.9: The housing cost overburden rate declined on average before the crisis, but with substantial differences among Member States

Share of persons living in households with housing cost overburden (%), 2020 levels and changes from previous year (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data are not available for IE, FR and IT, provisional for LV, NL, PL and SK. Break in the series for BE, DK, DE, LU. From 2020 on, Germany transmits data on the indicator to the EU-SILC from a survey (the 'Mikrozensus') that is different from the previous one. As a result data from different years is no longer comparable.
Source: Eurostat, [tespm140].

Families with children and single parent households were already experiencing higher housing difficulties before the crisis. In 2019, 6.5% of households composed of a single parent with dependent children faced severe housing deprivation, in contrast to 4% for the whole population.[259] Higher rates were recorded in Greece, Spain, Romania, Sweden and

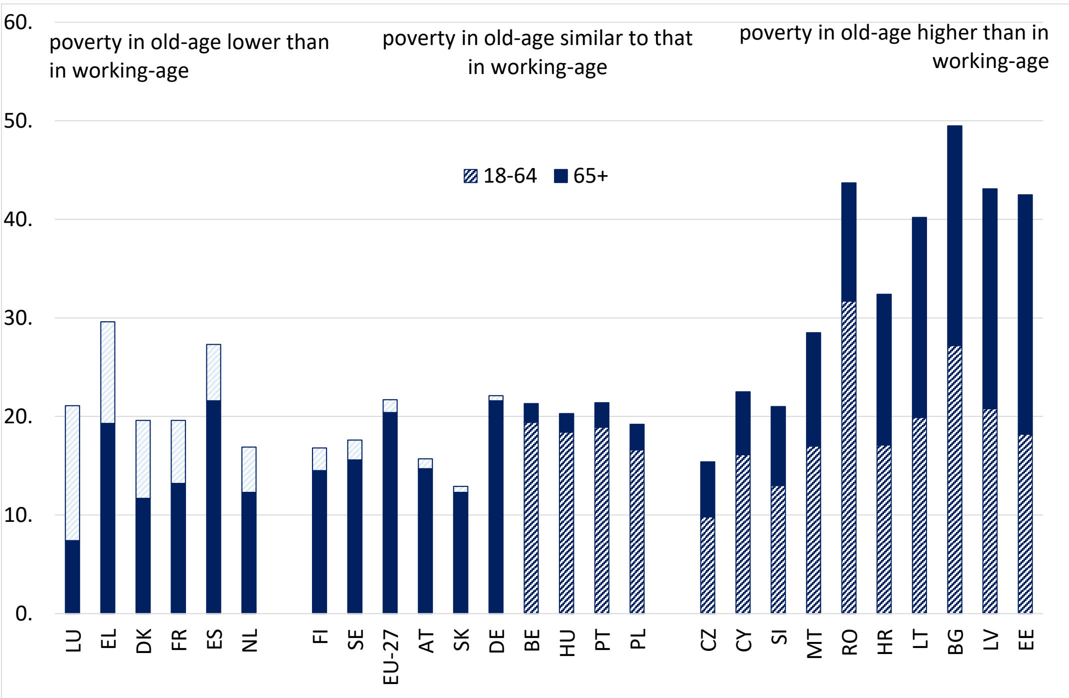
[258] Eurostat indicator [ilc_lvho07c].
[259] Eurostat indicator [ilc_mdho06].

Denmark. Survey data collected by Eurofound[260] in 2019 indicate that housing insecurity was higher for households with children than for those without (6.6% vs 4.1%). Also, persons experiencing homelessness were more exposed to health issues and affected by the interruption of service delivery over lockdown periods. Overall, the COVID-19 crisis has amplified long-standing housing challenges and pre-existing inequalities in tenure and housing conditions, including for those that were already excluded from housing before.[261]

On average, also thanks to the effectiveness of pension systems, people aged over 65 are better protected against poverty than the rest of the population. In 2020, in the EU the at-risk-of-poverty-or-social-exclusion rate among those aged 65 and above was just above 20% (20.4%), below that for people aged 18-64 (21.7%). This was also the case in 8 out of the 27 Member States – see Figure 2.4.10. However, in some Member States, the risk of poverty or social exclusion among older persons was much higher, with the difference peaking at 24.3 pps in Estonia and 22.3 pps in Latvia and Bulgaria. In the latter, as many as 49.5% of the people aged 65 and above are at risk of poverty or exclusion. The risk among older persons has been increasing since 2015[262], largely due to increases in the poverty rate during the recovery. In the EU-27 there is also a large gender gap. In 2020 older men's poverty risk was 16.9%, against 23.3% for older women. The difference is due to lower pensions accruing to women, as well as women living longer on average and more often living alone.

Figure 2.4.10: People aged over 65 tend to be better protected against poverty than the rest of the population

At-risk-of-poverty-or-social-exclusion rates by age groups (%, 2020)



[260] See [Eurofound (2021), Education, healthcare and housing: How access changed for children and families in 2020, COVID-19 series, Publications Office of the European Union, Luxembourg.]
[261] See for example a preliminary analysis by the OECD on how the COVID-19 pandemic might affect housing affordability in the future: ['Building for a better tomorrow: Policies to make housing more affordable', Employment, Labour and Social Affairs Policy Briefs, OECD, Paris]
[262] This is the first year it can be computed under the new definition.

Source: Eurostat [ilc_peps01n]. Data for IE and IT are not available.

Pensions amount on average to over half of the late-career income. In the EU-27, the average pension of those aged 65-74 amounted to 57% of work income of those aged 50-59 in 2019.[263] This ratio has been increasing since 2010, when it stood at 53%. In some countries, this ‘cross-sectional replacement ratio’ is well above 70%, in particular in Luxembourg, Greece, Italy, Portugal and Spain. Consequently, these are also among the countries where old-age poverty is lower than working-age poverty.[264] On the other hand, in 14 countries the ratio is below 50% and in three of them below 40% (Ireland, Croatia and Bulgaria). In the majority of countries the ratio is lower among women, but 11 Member States record on the contrary substantially higher replacement ratios among women, and notably Czechia, Estonia, Denmark and Slovakia.

The impact of COVID-19 reversed the trend of improving life expectancy in the EU. Following the outbreak of the pandemic, the ‘life expectancy at birth’ indicator, a good proxy for health impacts, is estimated to have fallen in the vast majority of the EU Member States – see Figure 2.4.11.[265] This erosion marks a departure from a decade-long trend of increasing life expectancy. The largest decreases from 2019 were recorded in Spain (-1.6 years) and Bulgaria (-1.5), followed by Lithuania, Poland and Romania (all around -1.4). Losses in life expectancy may have affected disadvantaged people more severely than others. For instance, already before the crisis, Roma people’s life expectancy was, on average, 10 years lower than that of the general population.[266]

[263] See Pension Adequacy Report 2021, page 40.

[264] As shown by Eurostat indicator [ilc_pnp3]. The indicator is defined as the ratio of the median individual gross pensions of 65-74 age category relative to median individual gross earnings of 50-59 age category, excluding other social benefits.

[265] Life expectancy is a *period indicator* of mortality, reflecting the average life span in a population subject to the mortality rates of the selected period of time, sensitive to negative as much as positive changes within a year. An alternative assessment can be based on the excess mortality indicator, as on page 4 of the *Employment and social developments in Europe 2021*.

[266] See Vincze et. al. (2019) *Prevalence of Chronic Diseases and Activity-Limiting Disability among Roma and Non-Roma People: A Cross-Sectional, Census-Based Investigation.* *International Journal of Environmental Research and Public Health*, 16(19), p.3620.

Figure 2.4.11: The COVID-19 pandemic reversed recent increases in life expectancy
Life expectancy at birth (year), Member States ordered by decrease in life expectence compared to 2019

Note: Data for 2020 are provisional for all Member States and not available for IE. The EU-27 average is computed without IE.
Source: Eurostat, indicator [demo_mlexpec]

Notwithstanding the pandemic, self-reported unmet needs for medical care were broadly stable in most Member States in 2020, but variation is substantial across them (see Figure 2.4.12[267]). Poland, France, Latvia and Finland registered the largest increases (by 8.5 pps, 1.4 pps, 1 pp and 0.7 pps respectively), with Poland displaying a rather high unmet needs rate of 12.7% and flagged as being in 'critical situation'.[268] On the contrary, Estonia and Greece recorded large decreases (by 2.5 pps and 1.7 pps respectively), with nonetheless rather high 2020 levels (13% and 6.4%). In a not negligible group of countries (Malta, Austria, Germany, Luxembourg, the Netherlands, Cyprus, Spain and Hungary) the share of people reporting unmet needs for medical care remained very low (below 1%) in spite of the pandemic, with significant decreases in Cyprus and Hungary which joined this group in 2020. Among others, [269] people living in low-income are more likely to be vulnerable due to unmet medical needs, though the extent of the gap with the overall population differs across Member States[270]. Regional differences in self-reported unmet needs for medical care appear mostly between Member States, but some notable variation is recorded within Greece, Romania, Sweden and Hungary – see Figure 10 in Annex 3.

[267] The data for 10 countries are either provisional, have a break in series, or missing. See note to Figure.

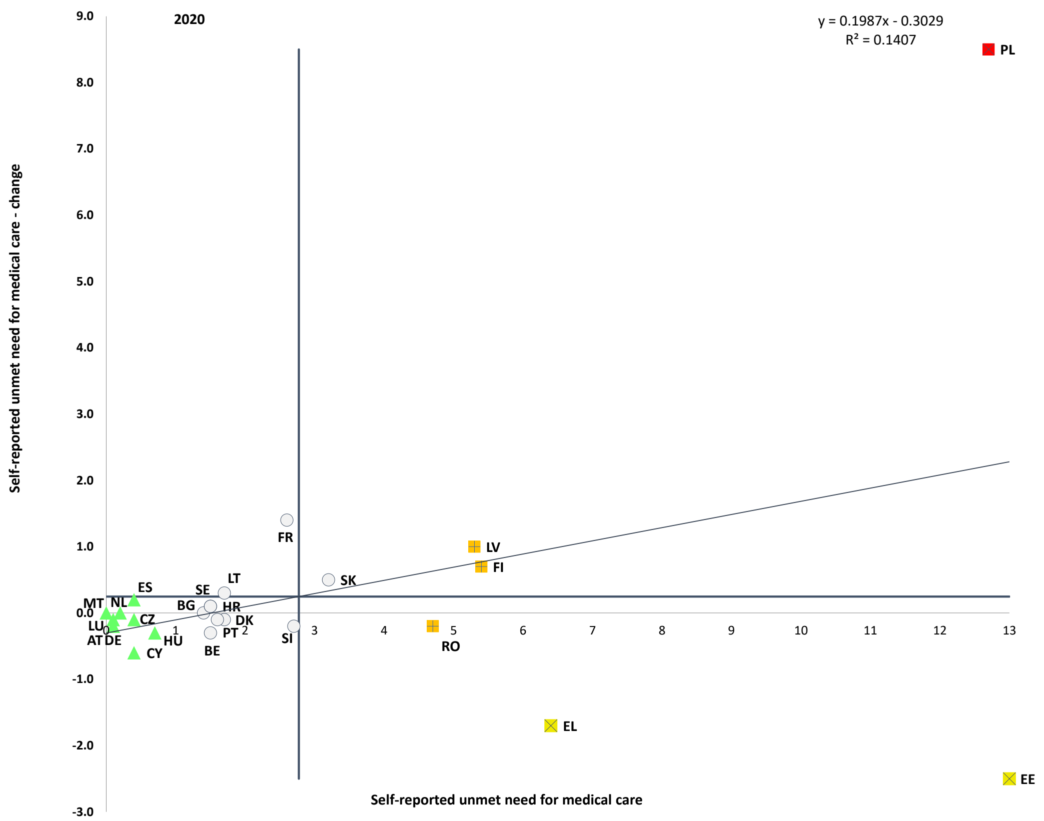
[268] Eurofound's 'Living, working and COVID-19' survey covering roughly the same period indicated that 18% of respondents across the EU reported unmet medical needs during the pandemic.

[269] In particular people living in institutions, people with disabilities, Roma and Travellers, refugees and immigrants, or homeless people (FRA, Fundamental rights report 2021).

[270] See Eurostat indicators [hlth_silc_29] and [hlth_silc_31] for self-reported 'Unmet medical needs' breakdowns.

Figure 2.4.12: Large variation in self-reported unmet needs for medical care were recorded across Member States during the COVID-19 crisis

Self-reported unmet needs for medical care, 2020 levels and changes from previous year (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data for IE and IT are not available and provisional for FR, LV, NL, PL and SK. Break in the series for BE, DE and LU. From 2020 on, Germany transmits data on the indicator to the EU-SILC from a survey (the 'Mikrozensus') that is different from the previous one. As a result data from different years is no longer comparable.
Source: Eurostat, [tespm_110].

12.4.2 Policy response

In 2020 and 2021, in the context of the COVID-19 crisis, Member States introduced a number of temporary and permanent income support measures. These two years have underlined the gaps in social protection systems affecting in particular people in vulnerable situations (such as low-income households without work-related income or people on precarious jobs). Governments hence adopted both emergency and permanent measures, introducing new schemes or adapting existing ones, and ensuring better adequacy and coverage of benefits for all, including from last-resort benefits.

Emergency income support measures were introduced or adapted depending on the needs triggered by the COVID-19 crisis. For instance, throughout the pandemic, **Greece**

had been extending by three months the entitlement to the guaranteed minimum income and the housing benefits to avoid the need to be physically present for submitting new applications. In **Italy**, the government renewed until September 2021 the *Reddito di Emergenza*, introduced in May 2020 as a temporary measure on emergency income for households without access to the minimum income scheme. In **Slovakia,** people who remained without income or allowances, after losing a job they held before 12 March 2020 due to the pandemic, were eligible for a monthly 'SOS subsidy', which was in force until 1 July 2021. In the **Netherlands**, the government allocated temporary extra funds to municipalities to provide additional social assistance from January 2021 to people who lost income due to the crisis, in order to pay for housing costs such as rent or mortgage payments, utilities (electricity, water, gas) service charges, municipal taxes (TONK). In **Belgium**, the government increased temporary minimum incomes with EUR 50 per month (until the end of December 2021).

Besides emergency measures, **permanent changes to already existing schemes were adopted, with a view to strengthen social resilience more permanently,** in line with Pillar principles 12 (on social protection) and 14 (on minimum income). The RRF has provided substantial additional EU funding to this aim. In **Spain**, the Facility will support pilot projects on effective integration pathways for the beneficiaries of the recently introduced national minimum income scheme. One of the milestones of the **Latvian** RRP is an update of the minimum income reform for 2022-24, which involves a unified and evidence-based methodology for the calculation of the general minimum income (GMI) and an annual indexation aligned to overall income developments. By the end of 2022, **Romania** plans to complete the minimum inclusion income reform, including by increasing the adequacy, targeting and coverage of benefits and incentives for employment. Several Member States updated their minimum income schemes by increasing the benefit level, in particular for those in most vulnerable situations. From July 2021, **Lithuania** provides an additional benefit to single persons above 65 and those with disabilities, who are otherwise not entitled to survivors' pensions. **Malta** increased the maximum rates of supplementary assistance for low-income couples and single persons. A supplement to this assistance, already introduced in 2020 for people aged 65 years and over and at risk of poverty, was extended in 2021 to all people in this age group, irrespective whether they experience poverty risks or not.

Member States also introduced temporary measures to support families during the COVID-19 emergency. A fund of EUR 500 million was established in **Italy** to finance food solidarity interventions and support vulnerable families in their payments of rent and utility bills. In **Czechia**, parents of children who were sent home from school due to the pandemic could claim paid care leave between October 2020 and June 2021. In **Latvia**, a one-off allowance of EUR 500 was paid to every child. In the **Belgian** region of Brussels, vulnerable households received a one-off benefit of EUR 100 per child for the school year 2020-21, while in Flanders there was a temporary increase in the child benefits for vulnerable households. **Bulgaria** provided a monthly targeted allowance to low-income parents of children up to 14 years who, in case of lockdown of educational institutions, had to stay at home to take care of their children and could not work remotely or take paid leave. The allowance amounted to 100-150% of the minimum wage (in case of one and two or more children, respectively, for more than 10 days of closure).

The amounts, calculation methods, and periods of eligibility for parental, child and family benefits became more generous in several Member States. In **Estonia** and **Lithuania**, the bases for calculation of family, maternity, paternity and parental benefits were reviewed so that parents could receive amounts reflecting their pre-pandemic (i.e., generally higher) incomes. In **Latvia**, people, whose parental leave expired during the COVID-19 emergency and who were unable to return to work, received a monthly benefit of up to EUR 700 until June 2021. In the **Brussels region** (**Belgium**), youth under 21 years of age who were in the 'job integration period' became eligible to receive a child benefit, even if they had not completed secondary education. In **Latvia**, a substantial and permanent increase of family benefits is planned for 2022, mostly benefitting large families. In **Lithuania**, the amount of the universal child benefit was increased to EUR 70 per month, and the additional benefit (for children with disabilities or in disadvantaged or large families) to EUR 111.20. In **Hungary**, the infant care allowance was increased in July 2021 from 70% to 100% of the previous gross earnings without a cap. Since the allowance is not subject to social security and pension contribution deduction, it is higher than the previous net earnings, while, not being capped, it benefits most the better-off households. In **Romania**, child allowances are planned to rise by 20% on 1 January 2022.

Specific policy measures addressing child poverty and supporting the social inclusion of vulnerable children were taken too, in line with Pillar principle 11 (Childcare and support to children)**.** In **Czechia,** since July 2021, parents of children for whom the other parent does not pay alimonies can apply for a replacement alimony to be paid by the PES, in a court-ordered amount (but not more than CZK 3,000, i.e., about EUR 118 per month). In **Lithuania**, also second grade pupils were covered by universal free school meals as of September 2021. In **France**, a draft law to protect the welfare of children placed under the protection of the State modernises the framework of foster families and the national governance of child protection.

In 2020-21, Member States continued to take measures to support people affected by the crisis and not adequately covered by social protection, such as non-standard workers and the self-employed, in line with Pillar principle 12 (on social protection) and 13 (on unemployment benefits) Most of these measures were temporary[271], though some countries also undertook more structural reforms to expand the coverage or the adequacy of their social protection systems. For example, **Finland** granted temporary access to unemployment benefits to self-employed entrepreneurs and freelancers, while **Germany**, **Austria** and **Spain** facilitated access to unemployment benefits for artists. The **Netherlands** adopted several packages of temporary income support (TOZO) mostly for solo self-employed. **Belgium** extended the 'bridging right' (allowance in case of bankruptcy) to self-employed who faced a substantial decline in turnover or were forced to suspend their activities. **Spain** supported self-employed affected by the crisis through an extraordinary benefit and exemptions of payments of contributions. **Lithuania** supported the income of self-employed whose activities were affected by the quarantine and whose income had been reduced by at least 30%, while **Greece** provided specific income support to self-employed in agriculture, tourism and coastal fishery.

Member States facilitated access to sickness benefits and also took some measures to strengthen access to health care, notably in relation to COVID-19. Lithuania extended the list of persons eligible to receive the sickness benefits related to COVID-19. **Romania** adopted a new category of leave to provide those ordered to quarantine with full sick leave, while **Slovakia** created an accident allowance for employees recognised as temporarily unfit for work. Moreover, **Estonia** temporarily funded payment of benefits from the second day of sickness and **Belgium** temporarily increased the level of benefits for both employees and self-

[271] See ESPN (2021, forthcoming) 'Social protection and inclusion policy responses to the COVID-19 crisis. An analysis of policies in 35 countries'.

employed. **Estonia** took measures to facilitate access to healthcare in relation to COVID-19 for uninsured persons. On the contrary, **Hungary** abolished the entitlement to free healthcare for those not insured, aimed notably at reducing undeclared work. In **France**, public employers will fund 50% of the complementary health insurance for public employees.

Member States took both temporary and permanent measures to improve the eligibility and adequacy of disability-related benefits and services, in line with Pillar principle 17 (on the inclusion of persons with disabilities) In **Italy** unemployed or single mothers with dependent children with a recognised disability will receive a monthly contribution up to EUR 500 net for 2021, 2022 and 2023. **Latvia** allocated a one-off allowance of EUR 200 for recipients of disability care allowance or the allowance for persons with disabilities in need of care (besides those receiving old-age, invalidity or survivor's pensions). **Malta** introduced a permanent benefit of EUR 300 per annum for parents who have to leave their employment to take care of a child over the age of 16 entitled to increased severe disability assistance. **Malta** also extended the group of persons eligible for the severe disability allowance in case of intellectual disability conditions. Since July 2021, **Lithuania** has entitled all persons with disabilities to be helped by a personal assistant. If the income of the person with disability is lower than EUR 256, the aid is free, and if it is higher, the amount paid for the personal assistant should not exceed 20% of income of the person with disability. **Portugal** extended the social benefit to persons whose disability results from certain accidents and provided for accumulation with the informal carer's allowance or the payment to an institution where care is provided. **Luxembourg** increased by 2.8% the revenue REVIS (*revenu d'inclusion sociale*) and the benefit for persons with a serious handicap (RPGH) from 1 January 2021. The RRP of **Romania** foresees at least 8,455 institutionalised persons with disabilities receiving support in view of the de-institutionalisation and implementing their 'independent living pathway'.

Accessibility of social services, particularly remotely, has improved in some Member States in response to limited in-person contacts during the pandemic, in line with Pillar principle 20 (on access to essential services). Many of the services or specific functions requiring personal contacts, such as counselling or home visits, were suspended after the onset of the pandemic. This change has brought to the fore the need to modernise social services, also through greater use of digital technologies. An ongoing reform in **Bulgaria** envisages preparing a national map of social services in cooperation with municipalities. A dedicated ESF project will support setting up the methodological framework, the update of the quality standards and the qualification of the staff of a new Agency with a supervisory function. The reform planned by **Spain** in the context of the RRP aims at defining a minimum common social services portfolio and related standards throughout the country. Some Member States have been focusing on enhancing access to social services. **Lithuania** made it possible to introduce requests for social services electronically. To ensure continuity of the services, **Portugal** introduced a temporary guaranteed financial contribution to the social and solidarity sector.

Many Member States continued taking measures in 2021 to support the housing tenure of households, notably from vulnerable groups, and some adopted more permanent measures to improve housing affordability in the longer run, in line with Pillar principle 19 (on housing and assistance for the homeless). The most widespread temporary measures taken by governments in the EU were exemptions on mortgage or rent payments (**Austria, Belgium, Czech Republic, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Slovakia, Portugal** and **Spain**) and moratoria on evictions (**Austria, Belgium, Finland,**

France, Germany, Hungary, Ireland, Luxembourg, the Netherlands, Portugal and **Spain**).[272] Beyond these, **Ireland** adopted an Affordable Housing Bill prioritising the increased supply of affordable homes. **Lithuania** introduced a housing rental compensation adequacy scheme to control increases in rent levels. **Malta** adopted measures to support first-time buyers and reduce the tax payable on property granted by donation by parents to their children, where the property is to be used as their residence. **Spain**, in its RRP, foresees the adoption of the Royal Decree defining the regulatory framework for the implementation of the Programme on energy efficient social rental dwellings compliant with energy efficient criteria. **Luxembourg** amended the existing Housing Pact to strengthen the public sector's capacity to increase the stock of public affordable and sustainable housing, especially for rental. The reform, which is currently under discussion, would offer municipalities the support and incentives to develop land use plans in coordination with the central government. **Slovenia** introduced amendments to the national Housing Act in order to promote an effective and balanced approach to housing provision, including the possibility for activating the existing but unoccupied housing stock for use as public rental housing. The Action Plan on the European Pillar of Social Rights announced the launch of an Affordable housing initiative. This will pilot the renovation of 100 districts, and the creation of a European platform for enhanced collaboration in the fight against homelessness.

Some Member States recently introduced or expanded targeted measures to support access to energy, as an essential service, for the most vulnerable, in line with Pillar principle 20 (on access to essential services). **Spain**, for example, enacted measures to support access to energy for low-income people, also in line with its Strategy against Energy Poverty 2019-24. **Cyprus**, among other countries, will implement energy efficiency measures under its RRP with the explicit goal of reducing energy poverty. The Commission has put forward, as part of the Green Deal, a comprehensive package of measures that will contribute to alleviate energy poverty and increase the quality of housing, in particular for medium- and low-income households.[273] Recent initiatives, such as the 'Fit for 55' package or the Recommendation on Energy Poverty[274], put the need for such structural adjustment into the spotlight.

Many Member States have undertaken reforms to improve the resilience and accessibility of health systems, in line with the Pillar principle 16 (access to healthcare). A broad range of measures in this area has been included in the RRPs endorsed so far. Addressing healthcare workforce shortages has become a critical issue due to the COVID-19 pandemic and Member States have embarked on comprehensive reforms to tackle it in their RRPs. For example, **Spain, Ireland, Lithuania, Malta and Luxembourg** proposed comprehensive measures to address shortages of medical professionals, increase the attractiveness of medical professions and improve working conditions. **Portugal** is working towards enhancing the skills of the health workforce, reinforcing multidisciplinary teamwork and expanding the number of health professionals within its primary care. The RRP of **Italy** includes training for employees of the National Health service. The crisis also mobilised efforts to rethink ways of financing healthcare in order to deal with structural underfunding

[272] See OECD (2020), Housing Amid COVID-19: Policy Responses and Challenges.
[273] These are notably: the Renovation Wave Initiative (COM(2020) 662 final of 17 September 2020), the Commission Recommendation on Energy Poverty (Commission Recommendation (EU) 2020/1563 of 14 October 2020), the future revision of the Energy Efficiency Directive (Directive 2012/27/EU of 25 October 2012) and the steer and guidance for local action by EU Energy Poverty Observatory.
[274] The Recommendation and details on the policy context are available online.

and sustainability of the revenue base in the long term. **Luxembourg and Lithuania** announced reforms to address this challenge.

Member States continued their efforts to build more resilient health systems with service provision adapted to the needs of the population, in line with Pillar principle 16 (access to health care). One of the priority areas has been to increase the role of primary care as the first point of contact for patients, potentially alleviating the burden on hospitals caused by shocks like the COVID-19 pandemic or longer-term pressures related to population ageing. In this sense, **Lithuania** proposed to strengthen family medicine, and **Luxembourg** to improve the integration of primary care with hospitals. **Portugal** proposed a comprehensive reform aiming at transforming primary care centres into more proactive actors with the expanded portfolio of community-based services, with related reforms included in its RRP. Bottlenecks in access to hospital care have also been addressed and reforms focused mainly on transformations of the hospital sector that were necessary to respond to the shock. **Lithuania** proposed a reform that aims at putting in place a cluster of hospitals for infectious diseases and main centres of emergency care. Some Member States also introduced measures to improve healthcare coverage, improving access to certain services. **Spain**, for example, focussed on dental, early childhood care, and genomic medicine, and **Portugal** on mental care. In **Portugal**, a comprehensive package of reforms will accompany such efforts to increase the availability of mental care services in community-based settings. The digital transformation of health systems was also accelerated by COVID-19. **Luxembourg** is working towards expanding its telemedicine solution for patients with chronic conditions in 2022 as part of its RRP. **Spain** proposed a new framework for e-health, including better connectivity and establishment of a health ‘Data Lake’, pooling data from all regions and different information systems. **Lithuania** proposed to expand significantly the infrastructure for e-health and its roll-out. To alleviate pressure on both GP offices and hospital emergency departments, **Italy** rolled out new special units for continuity of care and introduced the profile of the ‘family and community nurse’, a new type of advanced practice nurse designed to strengthen home-based care. **Italy** will also renovate hospitals.

Several Member States continued to reform their pension systems to improve their adequacy and fiscal sustainability, notably by intervening on the length of working life and on retirement age, in line with Pillar principle 15 (on old-age income and pensions). **Belgium** plans to use RRF funds to further pension reforms aimed at supporting longer working lives and increased sustainability. In **Spain**, the government has set a reform programme aiming to restore the indexation of pensions and increase the uptake of supplementary pensions, while envisaging measures to preserve fiscal sustainability, including by introducing incentives to reduce early retirement. In **Romania**, a debate continues on the outstanding special pensions (after many were merged into the general scheme in the past decade), mainly covering the military and the police, in view of their excessive cost.[275] Also in **Romania**, the RRP includes the reform of the public pension system, through a new legislative framework aiming to ensure the fiscal sustainability in the context of population ageing, and correct inequalities.[276]. In **Denmark**, a new provision since August 2020 allows early retirement (1-3 years below the statutory age, currently 66.5 years) for those with long careers (41-43 years) by the age of 61[277]. In **Germany**, the ‘pension commission’ [278] published a report in March 2020, providing recommendations for

[275] ESPN Flash report on Romania, March 2020.
[276] ESPN Flash report on Romania, July 2020.
[277] ESPN Flash report on Denmark, January 2021.
[278] Rentenkommission ‘Verlässlicher Generationenvertrag’.

adjustments to the current system to address both adequacy and fiscal sustainability challenges. **Bulgaria** took steps to increase the pensions by introducing new methods of calculations with the aim of having no pensioners below the poverty line.

Some countries took further steps to reform the funded pillars of their pension systems. In **Estonia**, a reform adopted in October 2020 allows members of the statutory funded pension scheme to withdraw their savings from the scheme, which may reduce future adequacy. In **Poland,** in mid-2021, the government proposed liquidating the 'mandatory open pension funds' and members will have to choose between transfers to private accounts or the notional state pension account; this would affect over 15 million people. Meanwhile, also in **Poland**, the occupational Employee Capital Plans were phased in (March 2021), covering some 3 million employees.[279] In the **Netherlands**, in mid-2020, the occupational pension scheme was further reformed by replacing the notion of 'pension entitlement' with 'pension expectation', further departing from the defined benefit principle.[280]

Pillar Box 6: **Long-term care (LTC) in EU Member States**

Population ageing is expected to lead to a strong increase in the demand for long-term care (LTC), as frailty and the need for LTC increases at older age; ensuring the availability and affordability of LTC services is essential, in line with principle 18 (long-term care) of the European Pillar of Social Rights. The number of persons potentially in need of LTC in the EU-27 is projected to rise from 30.8 million in 2019 to 33.7 million in 2030 and further to 38.1 million in 2050. Strengthening access to formal LTC is important, also in this light, to ensure social fairness and gender equality[281], and also provides an opportunity for job creation. Investment in good quality home-care and community-based LTC services are important to provide an accessible alternative to residential care for all.

The share of older people in need of care differs widely between Member States and has a strong gender dimension. On average, 26.6% of people aged 65 or more living in private households were in need of long-term care in 2019 in the EU-27. Self-reported long-term care needs[282] among older people living in private households ranged from 11.6% in Luxembourg to 56.5% in Romania (see Figure 1). Among the 65+, women are more often in need of LTC, a share of 32.1% compared with 19.2% of men in the same age group in the EU-27 in 2019. This is because the average age of women is greater within the same age group, but also because older women spend fewer years in good health.[283] The share of those in need ranged from 62.7% of older women and 47.4% of older men in Romania, to 13.2% of older women and 9.6% of older men in Luxembourg.

[279] ESPN Flash report on Poland, July 2021

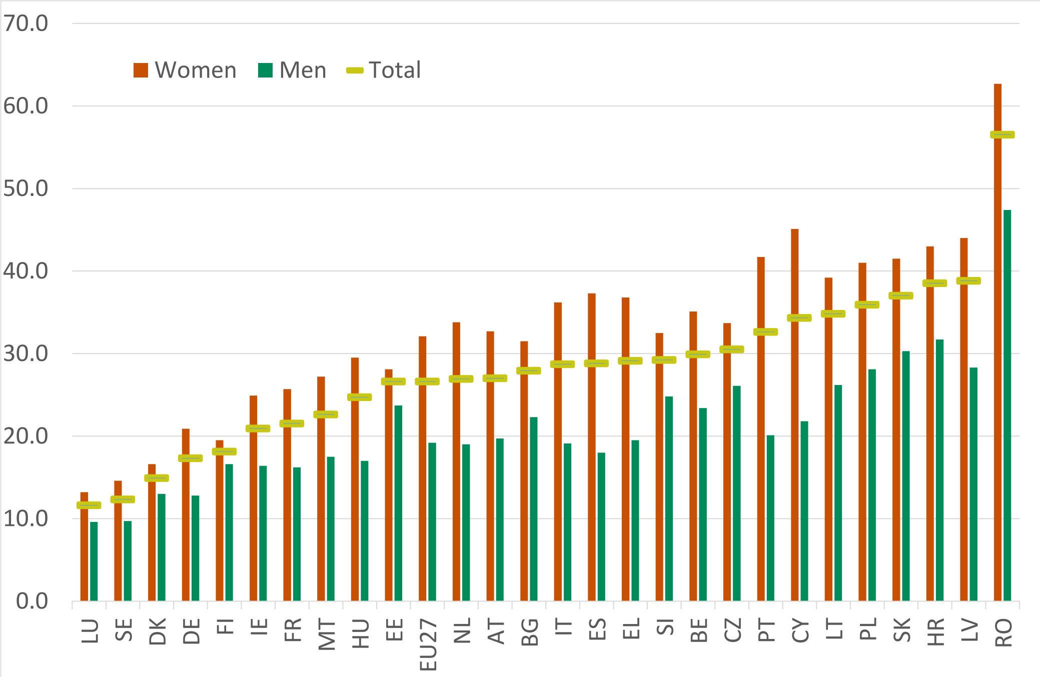
[280] See Ed Westerhout, Eduard Ponds, Peter Zwaneveld (2021), *Completing Dutch pension reform*, CPB Background Document.

[281] Care obligations have a strong negative labour market impact on women, analysed in section 2.2.1.

[282] Taking the presence of self-reported severe difficulties with activities of daily living and/or instrumental activities of daily living as an approximation (proxy) of the need for long-term care, in line with the definition used by the Social Protection Committee.

[283] In 2019, the EU-27 average of life expectancy at birth was 84 years for women, more than 5 years more than that for men (see Eurostat indicator [demo_mlexpec]), whereas the number of healthy life years were 65.1 and 64.2 for women and men, respectively – a much smaller difference (see Eurostat indicator [hlth_hlye]).

Share of people aged 65 or more, living in private households with a severe level of difficulty with personal care or household activities or both in 2019



Note: Calculated as 100% less the share of those with no severe difficulty.
Source: European Health Interview Survey wave 3, 2019, Eurostat indicator [hlth_ehis_tadle].

Households in need of LTC often have limited access to formal homecare services as they are not affordable or simply not available. In 2019, 46.5% of people aged 65 or more with severe difficulties in personal care or household activities in the EU reported that they had an unmet need for help in such activities. This lack of help was significantly more pronounced for those in the lowest income quintile (51.2%) compared to those in the highest (39.9%). The lack of access to formal care can translate into unmet care needs or burden on informal carers, who provide the largest share of care. Most of long-term carers in the EU, 59%, are women.[284]

Social protection coverage for long-term care is limited and relies on a mix of in-kind and cash benefits that varies across Member States. In 17 countries, public LTC support in kind is available to 11% or less of all people aged 65 or over. Coverage of cash benefits varies from 0 to 37.2%, substituting or often complementing in-kind benefits.[285] On average, in the EU, while 26.6% of the population 65+ are in need of care, 9.4% received home or institutional care and 8.8% received cash benefits in 2019. In general, the adequacy of social protection in relation to long-term care needs varies considerably across Member States, and persons in need can face very high out-of-pocket payments for formal long-term care, even after receiving social benefits.[286]

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284 Based on combined evidence from European Quality of Life Survey (2016) and European Health Interview Survey (2013-2015). See Eurostat indicators [hlth_ehis_tadlh], [hlth_ehis_tadlhi] and Ecorys (2021) *Study on exploring the incidence and costs of informal long-term care in the EU*, Publications Office of the European Union, Luxembourg.

285 Share of the 65+ with LTC benefits in kind and in cash in 2019 (%). DG ECFIN computations based on data used for European Commission and EPC (2021), *Ageing Report*, Publications Office of the European Union, Luxembourg.

286 Based on OECD analysis of 19 jurisdictions as well as low, moderate and severe needs. See Section 2.3.2 and Box 2 of the 2021 Long-term care report.

Some Member States are implementing broad LTC reforms whereas others have focussed on improving the situation of informal carers. France and Slovenia are establishing LTC as a new branch of social protection. **Slovenia**, in its RRP, also plans to adopt the Long-Term Care Act and adopt a national monitoring model for quality indicators for long-term care providers in institutions. As part of its RRP, **Czechia** foresees the entry into force of the law on long-term care. The RRP of **Latvia** foresees creating new places for the provision of long-term care services close to the family environment for 852 persons of retirement age. **Spain** adopted a comprehensive plan for LTC with an increased funding to reduce waiting lists, improve working conditions and introduce improvements in services and benefits to guarantee adequate care. To re-establish the functioning of the social LTC services, **Portugal** adopted a programme with a system of incentives aimed at mitigating the additional costs caused by the COVID-19 pandemic. It covers the costs of acquiring individual protection equipment for workers and users, sanitation equipment, disinfection contracts, the costs of training workers and the reorganisation of workplaces. Several Member States, such as **Spain** and **Slovakia**, increased the care allowance to support informal carers, while **Malta** extended its eligibility criteria to retired people, provided the cared person is not the spouse.