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

accompanying the Communication from the Commission

on the Annual Sustainable Growth Strategy 2020

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FOREWORD

The Joint Employment Report (JER) by the European Commission and the Council is mandated by Article 148 of the Treaty on the Functioning of the European Union (TFEU). The initial proposal for this report by the European Commission is part of the Autumn package, which includes the Annual Sustainable Growth Strategy launching the European Semester cycle. The Joint Employment Report provides an annual overview of key employment and social developments in Europe as well as Member States' reform actions, in line with the Guidelines for the Employment Policies of the Member States[1]. The reporting on these reforms follows the structure of the Guidelines: boosting demand for labour (Guideline 5), enhancing labour supply and improving access to employment, skills and competences (Guideline 6), enhancing the functioning of labour markets and the effectiveness of social dialogue (Guideline 7), and promoting equal opportunities for all, fostering social inclusion and combatting poverty (Guideline 8).

In addition, the Joint Employment Report monitors Member States' performance in relation to the Social Scoreboard set up in the context of the European Pillar of Social Rights. The Pillar was proclaimed jointly by the European Parliament, the Council and the Commission on 17 November 2017. It identifies principles and rights in three areas: i) equal opportunities and access to the labour market, ii) fair working conditions, and iii) social protection and inclusion. Monitoring of progress in these areas is underpinned by a detailed analysis of the Social Scoreboard accompanying the Pillar.

The Joint Employment Report is structured as follows: an introductory chapter (Chapter 1) reports on main labour market and social trends in the European Union, to set the scene. Chapter 2 presents the main results from the analysis of the social scoreboard associated with the European Pillar of Social Rights. Chapter 3 provides a detailed cross-country description of key indicators (including from the social scoreboard) and policies implemented by Member States to address the Guidelines for Employment Policies.

[1] The last update of the Employment Guidelines was adopted by the Council of the European Union in July 2018, aligning the guidelines to the European Pillar of Social Rights (Council Decision (EU) 2018/1215 of 16 July 2018 on guidelines for the employment policies of the Member States).

KEY MESSAGES

Europe is making progress in delivering on the European Pillar of Social Rights. According to the Social Scoreboard accompanying the Pillar, labour market and social trends in the EU continue to be positive for 9 out of the 14 headline indicators. The other 5 either remained stable or recorded, on average, a slight negative development compared to the previous year (i.e. early leavers from education or training, gender employment gap, impact of social transfers on poverty reduction, income quintile share ratio and self-reported unmet needs for medical care). Convergence across Member States was observed, to a different extent, for more than half of the headline indicators. All Member States, with the exception of the Netherlands, have at least one of the indicators significantly below average (or with an important negative trend).

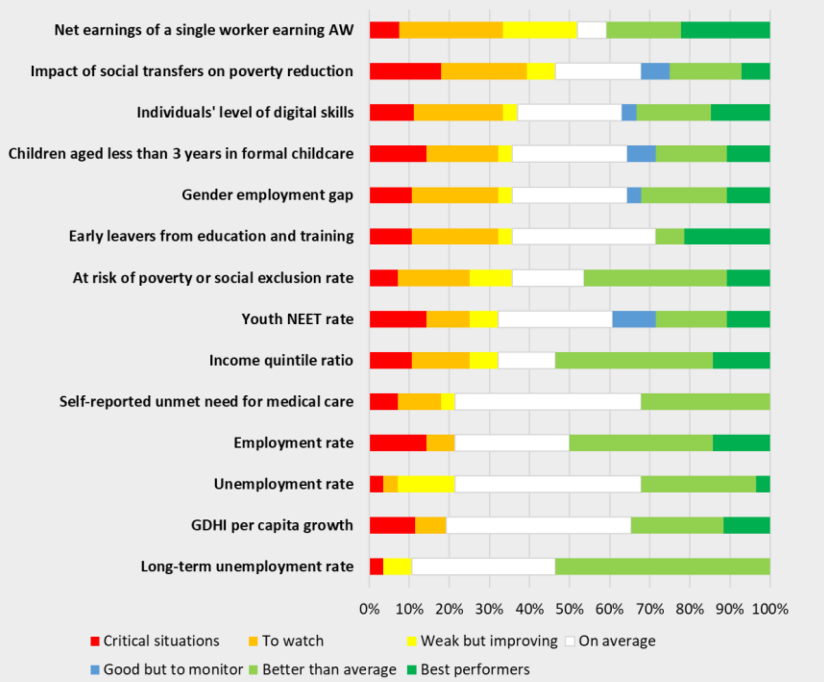
The Social Scoreboard points to positive labour market and social trends in the EU, but challenges remain

9 out of 14 headline indicators improved on average in the last year

14 Member States have at least one "critical situation", same number as in JER 2019

Net earnings of a single worker earning the average wage is the indicator with most challenges

Assessment of Social Scoreboard's headline indicators, November 2019



Source: Commission services on Eurostat and OECD data

Employment continues to increase, though at a slower pace than in past years. In the third quarter of 2019, 241.5 million of people were in employment in the EU, the highest level ever reached. Older and high-skilled workers continue to be the main drivers of employment growth. Due to the economic slowdown, employment growth is expected to be more muted in the remaining quarter of 2019 and in 2020. Therefore, the employment rate of people aged 20-64 is currently projected to approach the 75% Europe 2020 target in 2020, but remain slightly below it.

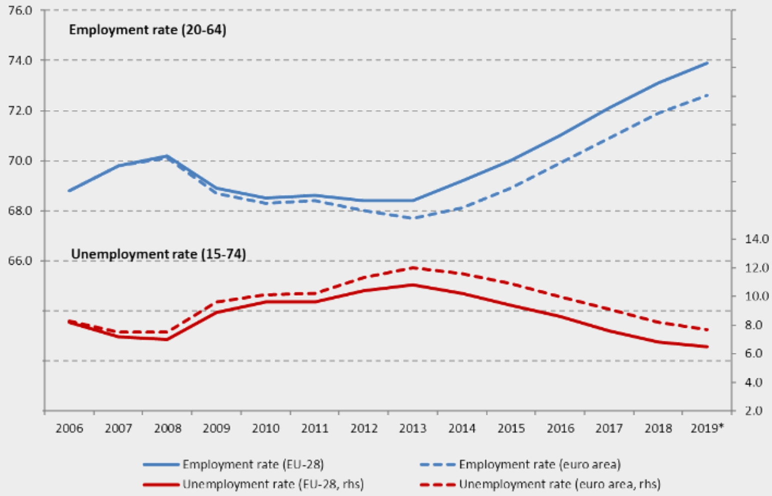
Labour market performance is the best ever recorded

241.5 million
employed people
in the third quarter of 2019

+ 17 million
additional people in employment
compared to the lowest point in mid-2013

73.9%
employment rate
in the second quarter of 2019

Employment and unemployment rates in the EU and euro area



*average of Q1 and Q2, seasonally adjusted. Source: Eurostat, LFS.

Source: Eurostat, LFS

Unemployment reached a record low at 6.3% in the third quarter of 2019. Convergence across Member States towards lower levels continues. Youth and long-term unemployment are declining too, though they are still high in some Member States. Labour shortages are mostly visible in Member States where unemployment is low, though the share of companies experiencing labour shortages is starting to decrease, due to the economic slowdown.

Labour shortages occur where unemployment is low

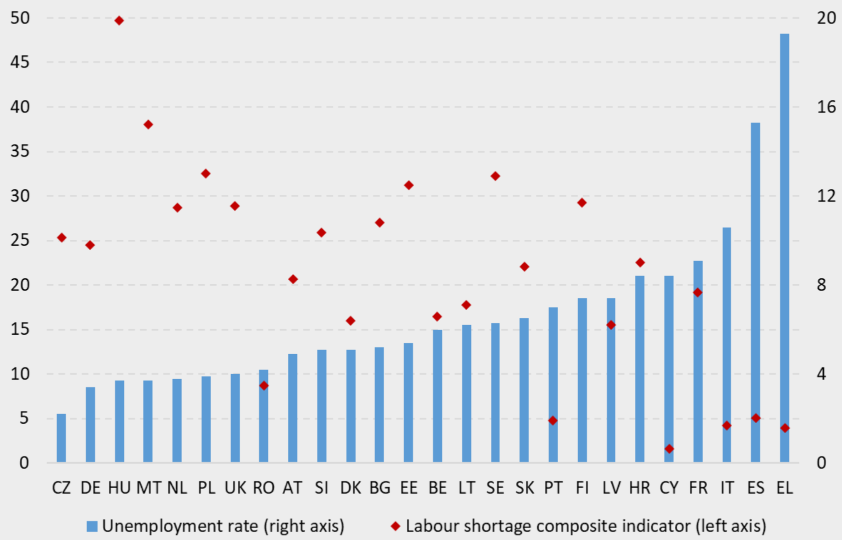
15.6 million
unemployed people
in Q3-2019
(-11 million since the peak in 2013)

6.3%
unemployment rate in Q3-2019

2.5%
long-term unemployment rate (> 12 months)

14.4%
Youth unemployment rate in Q3-2019

Labour shortage indicator (left) and unemployment rate (right) - 2018



Source: Eurostat, LFS and Business and Consumer Survey.
The composite indicator includes all sectors (see LMWD 2019).

The number of people who are at risk of poverty or social exclusion continued to steadily decline for a sixth consecutive year in 2018. In that year alone, around 2.7 million fewer people were at risk of poverty or social exclusion than in the previous year. In particular, severe material deprivation continued to decrease strongly, as did, to a lesser extent, the share of people living in households with very low work intensity, owing to the robust labour market performance. However, the share of people at risk of poverty (a relative poverty indicator) remained broadly stable compared to 2017. If the overall trend continues at the current pace, the EU could record by 2020 a decline of around 13 million people at risk of poverty or social exclusion since 2008 (against a Europe 2020 target of 20 million). Some groups, notably children and people with disabilities, face a substantially higher risk of poverty or social exclusion.

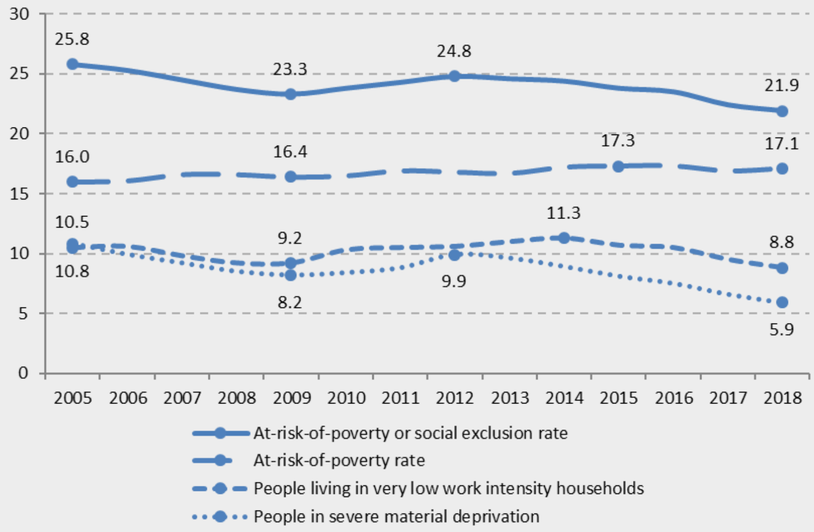
The AROPE rate declines, thanks to a drop in severe material deprivation and improved labour market conditions

110 million
people at risk of poverty or social exclusion, 7 million fewer than in 2008

24.3% of children
are at risk of poverty or social exclusion, higher than the average

21%
is the **share of total income gained by the bottom 40%** of the population

At-risk-of-poverty or social exclusion rate and its sub-components in the EU



Source: Eurostat, SILC

Income inequality slightly increased overall and remains at a high level compared to the pre-crisis period, although relatively favourable in international comparison**.** On average across the EU, the richest 20% of households have an income that exceeds that of the poorest 20% by about five times. In 2018 this ratio increased marginally, after a slight decline in the previous year. With few exceptions, Member States with the highest levels of income inequality have seen a further increase in 2018. The income share of the lower 40% of the population remained broadly stable in 2018 after recovering in 2017. Tackling income inequalities requires action by Member States in different areas, including the design of tax and benefit systems, (minimum) wage setting, fostering equal opportunities in education and training from early ages, ensuring access to affordable and quality services, promoting gender equality and addressing regional disparities.

Gender equality remains a challenge. Gender gaps in employment (11.6 pps in 2018) and pay rates (16.2% in 2017) are substantial and almost stable since 2013. Large disparities across Member States persist. Parenthood and caring responsibilities, coupled with limited access to childcare and other (care) services, and monetary disincentives to labour market participation, are the main drivers of lower employment rates for women. In most Member States, parenthood has a negative impact on the employment rates of women, while the opposite occurs for men. Pay gaps occur in spite of women having on average higher qualification levels than men. They often translate into pension gaps later in life. Several Member States are taking action to improve access to affordable and quality care services, but challenges persist. Concrete measures to tackle the gender pay gap, mostly related to pay transparency, are only in place in a limited number of countries.

Gender inequalities in employment and pay remain substantial

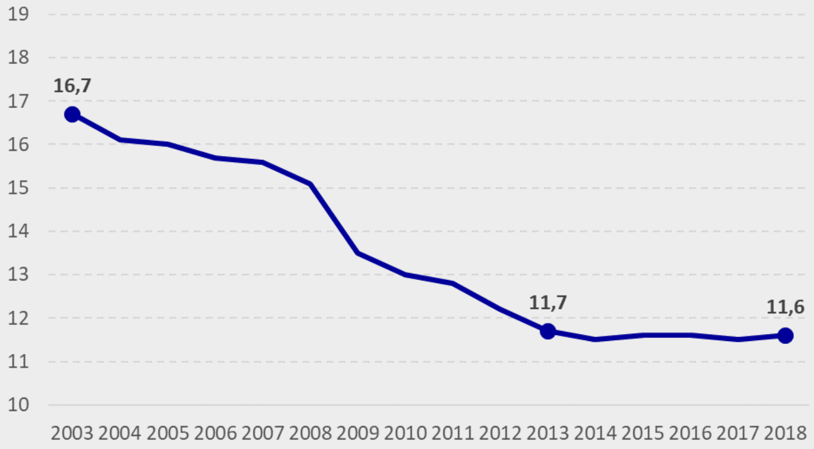
11.6pp
employment gender gap in 2018, almost stable since 2013

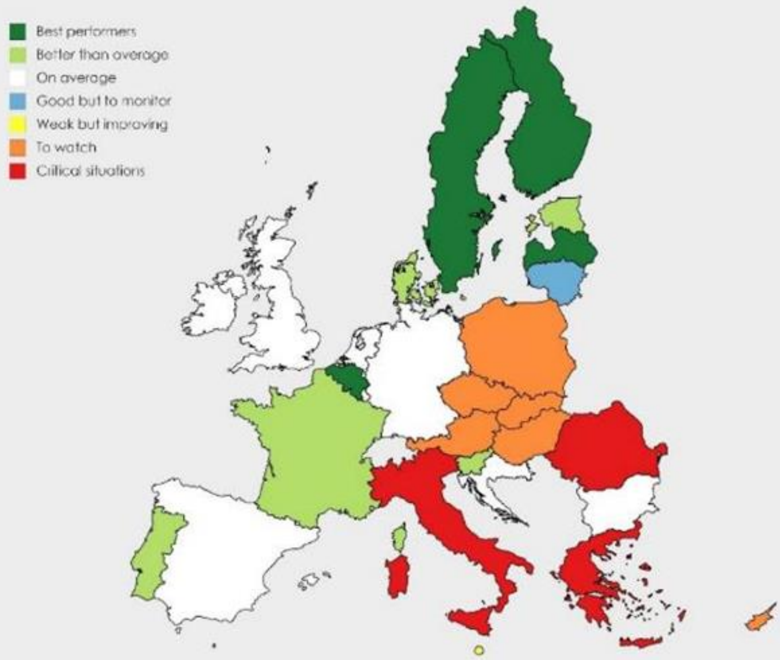
9.2pp
employment impact of parenthood (lower employment rate for women with young children compared to those with no children)

16.2%
gender pay gap (lower pay for women than for men) in 2017

35.2%
gender pension gap (lower pension for women than for men) in 2017

Gender employment gap 2003-2018, EU level and by country (2018)
(percentage points, persons aged 20 – 64)





Source: Eurostat, LFS

Wage growth gained pace in 2018, but remains overall moderate. In 2018 (and 2019) real wages caught up with productivity developments. Over the previous four years, they increased slightly below productivity growth in most euro area Member States. Wage growth has been generally faster (and above productivity growth) in Central and Eastern European countries, contributing to upward convergence within the EU. Currently, the net earnings level of a worker earning the average wage (corrected for purchasing power differences) in most Central and Eastern European Member States is still well below the EU average according to the Social Scoreboard. Balanced and sustainable wage growth should be responsive to labour market conditions and medium-term productivity developments, while taking into account possible implications on cost competitiveness, and respecting the autonomy of social partners.

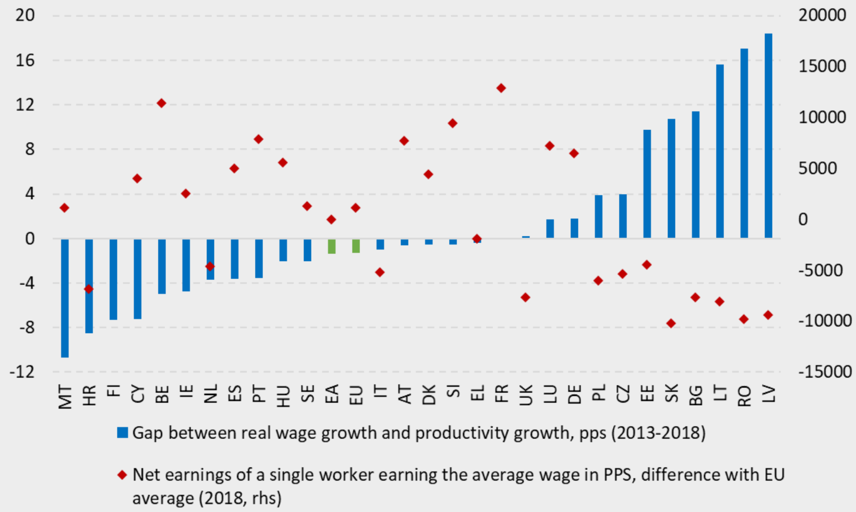
In some Member States there remains scope for real wages growth

+ 1.1%
real wage growth in 2018 in the EU (+0.7% in the euro area)

9.5%
workers at risk of poverty in the EU

16.2%
in-work poverty among employees with **a temporary contract**

Gap between real wage growth and productivity growth (2013-2018, left), net earnings of a single worker earning the average wage (2018, right)



* Countries are ordered by the gap between growth of real compensation and growth of real productivity. Data for Ireland refer to the period 2015-2018.

Source: Eurostat, AMECO database of the European Commission

In-work poverty remains at high levels overall and in many Member States. It is significantly higher for households with people working part-time or on temporary contracts. Adequate minimum wages, whether statutory or collectively bargained, can help prevent in-work poverty, while reducing wage inequality and supporting aggregate demand. In 2019, minimum wage levels were increased in almost all 22 Member States where a statutory minimum wage exists.

Education, training and skills substantially influence people's job prospects. On average in the EU, the employment rate is 56.1% for those who have not completed upper secondary school, 73.4% for those with medium-level qualifications and 84.5% for those with tertiary qualifications. Adapting to transformations in the economy and labour market, as well as to the environmental transition, requires continuous upskilling and reskilling. Despite the growing recognition of the challenge and a number of initiatives being rolled out across Member States, the participation of adults in learning activities has increased only to a limited extent in the last decade, and only a few Member States managed to achieve a more significant improvement. It remains particularly low (below 5%) for low-skilled adults.

Though skills are critical for employability in all EU Member States, participation in adult learning remains low

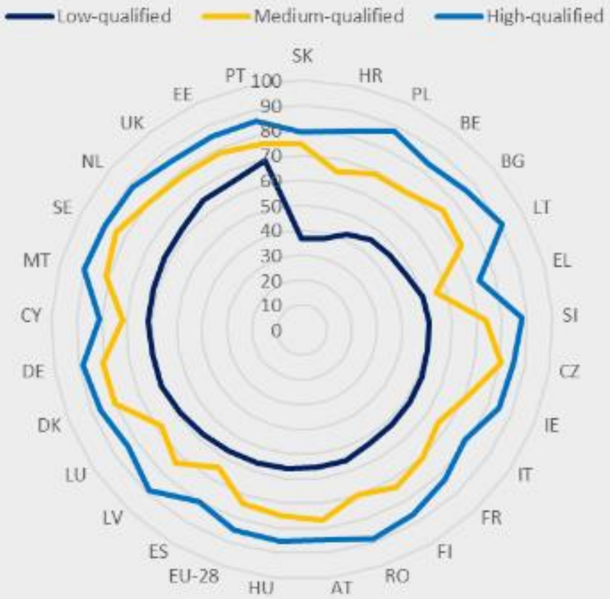
28.4 pps
gap between employment rates of **low- and high-skilled workers**

40.7%
of population aged 30 to 34 successfully completed **tertiary education** (outperforming the Europe 2020 target)

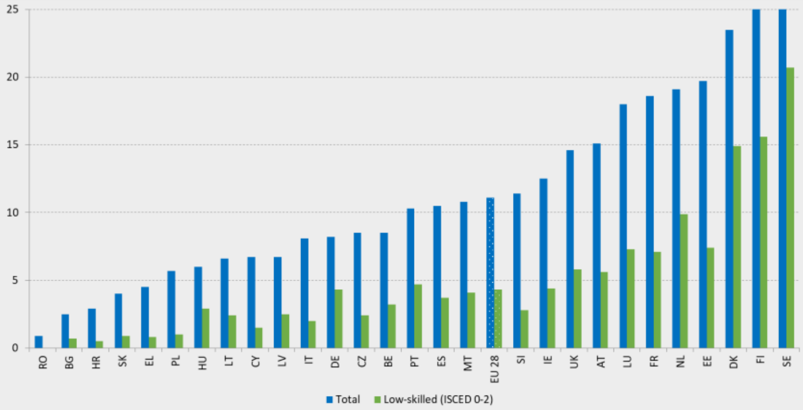
11.1%
of 25-to 64-year-olds participated in **adult learning** in 2018

only 4.3%
of low-skilled adults participated in adult learning in the EU in 2018

Employment rates by educational attainment in 2018
(percentage points, persons aged 20 – 64)



Share of adults participating in learning, total and low-skilled in 2018
(percentage points, persons aged 20 – 64)



Source: Eurostat.

Temporary employment differs significantly across Member States, despite being relatively stable over recent years on average at around 14%. Challenges remain to ensure that involuntary temporary contracts are stepping-stones towards open-ended employment, avoiding “revolving doors” between unemployment and precarious jobs. Reforms are taking place in some Member States, with the aim of ensuring a balance between flexibility and security. These include, in some cases, stricter conditions for using temporary contracts and more clarity on working terms and conditions.

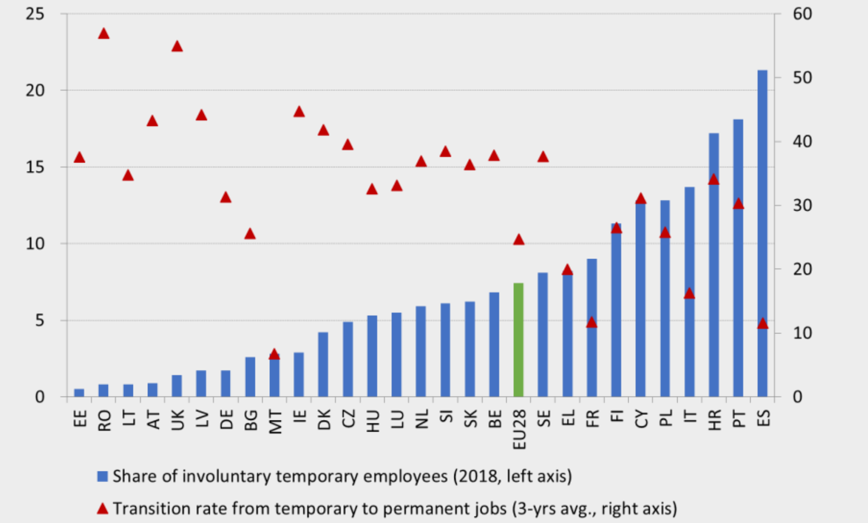
Temporary contracts are often not a "stepping stone"

14.2%
share of employees on temporary contracts in 2018

53%
of all temporary employees are **involuntary**

25.6%
of all temporary employees move **to a permanent job within a year**

Involuntary temporary employees as share of total employees (left) and transition rate towards permanent jobs (right)



Source: Eurostat, LFS.

Platform work is an emerging employment form in European labour markets. European Commission's Joint Research Centre analysis based on the COLLEEM II survey, covering more than half Member States, indicates that 1.4% of workers in those countries provided labour services via platforms as their main job in 2018. One third of EU platform work is estimated to be cross-border. The working conditions of platform workers vary significantly, depending for instance on their legal status (worker or self-employed), the type of tasks they perform and the business model of their parent company. While opening new job opportunities and allowing for innovative business models to develop, the rise of platform work challenges existing labour market practices and legal frameworks (e.g. with regard to protection of working conditions, access to collective bargaining and to social protection systems), which are often not fully adapted to the new developments. In addition, it raises new questions over use of personal data and algorithmic management.

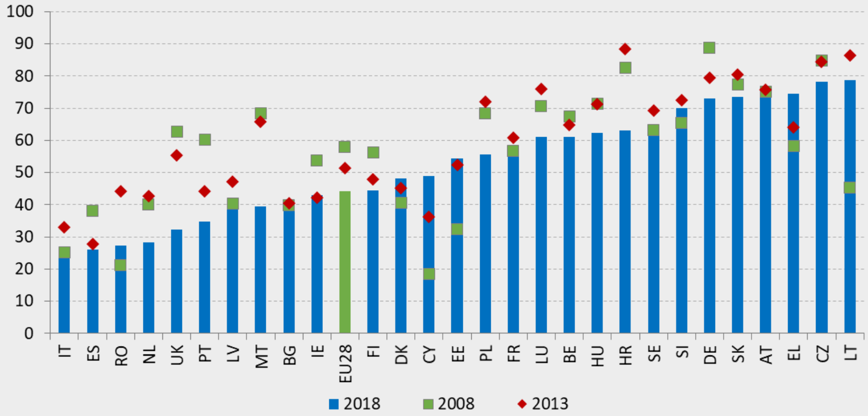
Public Employment Services play a central role in implementing employment policies and facilitating the labour market matching through the delivery of guidance and active support. Member States have taken steps to reinforce the provision of individualised services and are making efforts to simplify and increase the coordination of services. Yet, the role of Public Employment Services as intermediaries remains uneven across Member States. Challenges remain as regards reaching out to those furthest away from the labour market. At the same time, efforts continue to enhance cooperation and exchange of information and best practices in the framework of the European Network of Public Employment Services.

Several Member States have scope to improve matching via PES

44.3%
of unemployed use **public employment services** for job search

21.6%
of unemployed use **private employment offices**

Share of unemployed people using public employment services for job search



Source: Eurostat, LFS

Housing costs are excessively high for a large (though declining) share of households. One European in ten is overburdened by housing costs. Not surprisingly, lowest income households and people living in cities are more affected. Severe housing deprivation is stable, decreasing in some Central and Eastern European Member States, where issues with housing quality have been more marked. Despite these improvements, a significant share of households in those countries suffer from poor housing conditions. Homelessness, the most extreme form of housing exclusion, increased over the last decade in most Member States. To tackle this challenge, many Member States have adopted strategies to deliver integrated responses to homelessness and housing exclusion. There is an increased recognition of the importance of prevention services and enhanced cooperation both at policy and service delivery level.

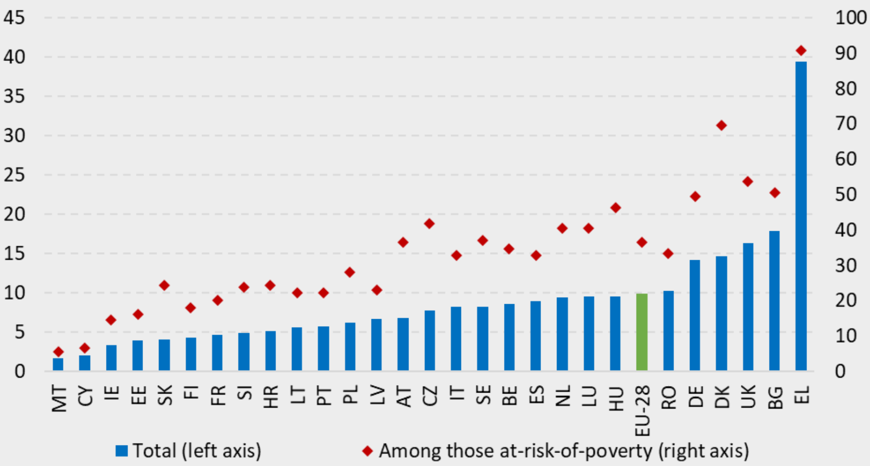
Housing cost overburden is a challenge in several Member States

1 out of 10
Europeans are **overburdened by housing costs**

3.9%
of the population suffer from **severe housing deprivation**

1.9%
do not have either **a bath, or a shower** in their dwelling

Share of the population living in a household where housing costs represent more than 40% of the disposable household income, 2018



Source: Eurostat, SILC.

Social protection systems are being modernised, with a number of Member States expanding their coverage and improving their adequacy. There are, however, still difficulties faced by several groups (notably self-employed and non-standard workers) who endure greater economic uncertainty with limited access to social protection. On average, the impact of social transfers (excluding pensions) on poverty reduction has declined in 2018. Furthermore, the risk and the depth of poverty for persons living in (quasi-)jobless households have continued to increase. On average, only around one third of short-term unemployed are covered by unemployment benefits. While minimum income schemes are currently in place in all Member States, their adequacy still varies considerably.

Improving coverage and adequacy is key to modernising social protection systems

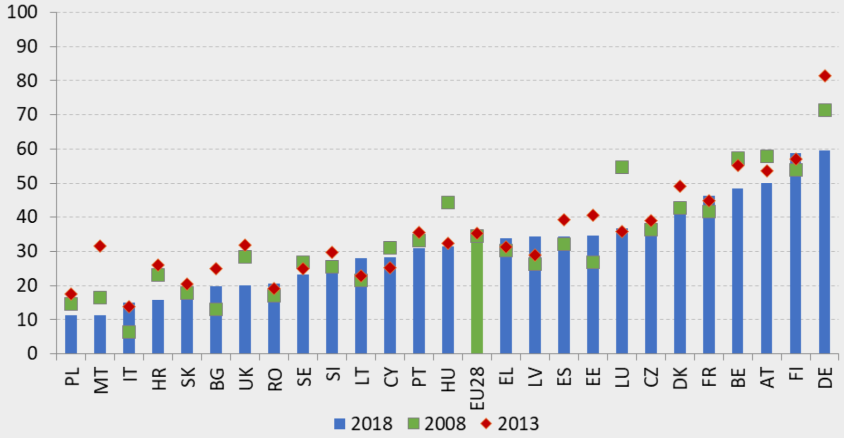
On average, **social transfers** (excluding pensions) reduce poverty **by 33.2%**

32.9% of short-term unemployed (<12 months) are covered by **unemployment benefits**

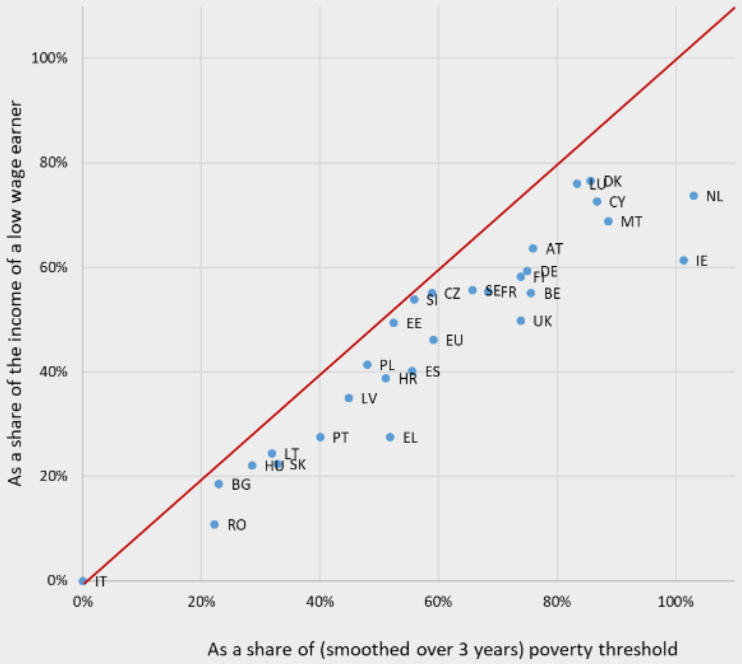
In 8 MS the **self-employed** do not have access to unemployment protection

In 2 MS the net income of minimum income recipients is **above the national poverty threshold**

Coverage of unemployment benefits for the short term unemployed (<12 months)



Net income of minimum income recipients (income year: 2017)



Note: since 2018 a minimum income scheme is also in place in Italy. The low wage earner considered earns 50% of the average wage and works full time.

Source: European Commission analysis based on Eurostat data

Demographic change present pension, healthcare and long-term care with a clear need to adapt. The working age population is already declining on average in the EU and is set to decline further. In 11 Member States it will go down by more than 3% in the next 5 years. At the same time, the old age dependency ratio is projected to increase strongly, prompting Member States to take action to modernise their pension, healthcare and long-term care systems, to preserve their adequacy and sustainability, while ensuring access to good quality services. Though the income replacement and poverty prevention capacity of pensions varies significantly among Member States, ensuring pension adequacy is gaining importance in the policy debate. At the same time, promoting access to and sustainability of long-term care systems is particularly challenging, as many Member States currently rely heavily on informal care. Consequently, some of them started reforms aiming at increasing the pool of carers and improving the situation of informal carers (most of whom are women).

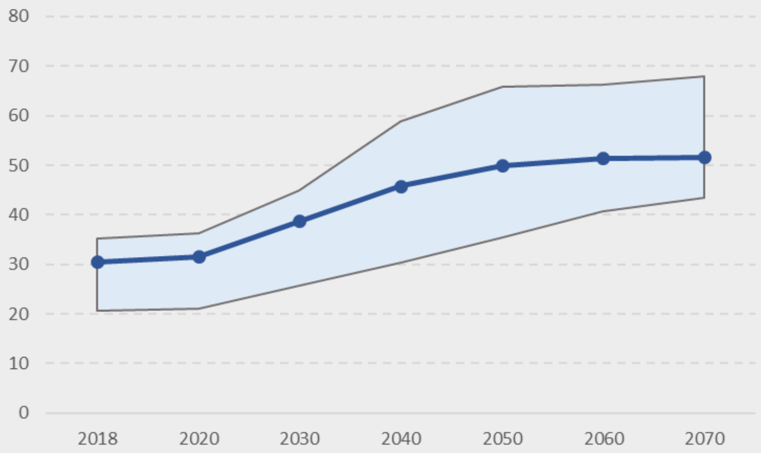
Population ageing requires a modernisation of pension, healthcare and long-term care systems

1.7 %
of population report **unmet needs for medical care**

10.2
healthy life years at 65 for women and **9.8** for men

From 3 in 2018 to 2 in 2050
working adults supporting one retired person

Old age dependency ratio (ratio between the number of persons aged 65+ and those aged between 15 and 64) in the EU



Note: expressed per 100 persons of working age (15-64).
The light blue area highlights the minimum and maximum projected values per year.

Source: Eurostat, baseline projections

Strengthening social market economy goes hand-in-hand with strengthening the quality of social dialogue. Involvement of social partners in the design and implementation of employment and social policies and reforms is acknowledged in the Employment Guidelines. Overall, the quality of the involvement at national and regional level has remained stable in the majority of Member States, though differences across countries remain. In addition, while the overall involvement of the social partners in the European Semester has progressed slowly, there is room for further development. In particular, this would require in some Member States more predictable and meaningful exchanges around the preparation of the National Reform Programmes, including in terms of the time allotted.

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

This section presents an overview of labour market and social trends and challenges in the European Union, providing a detailed analytical account of major employment and social policy areas. Detailed trends by Member States are provided in the following sections of the report.

1.1 Labour market trends

The number of people in employment increased for the fifth consecutive year in 2018, though at a slower pace than in 2017 (i.e. by 1.3% compared to 1.6%). Total employment kept increasing at a moderate rate also in the first three quarters of 2019, to reach 241.5 million[2] in Q3-2019 – about 2.1 million more than one year earlier, and the highest level ever reached in the EU. In annual terms, total employment is projected to increase by 1% in 2019 and 0.5% in 2020[3]. Compared to the lowest level recorded in the first quarter of 2013, more than 17 million additional people found a job in the EU, including 11 million in the euro area.

The employment rate of people aged 20-64 continued rising towards the Europe 2020 target. In 2018, it increased by one percentage point up to 73.2% on annual average, and further reached 73.9% in the second quarter of 2019, 0.8 percentage points more than in the same quarter of the previous year. The employment rate increased at the same pace in the euro area, by 0.8 percentage points year up to 72.7% in the second quarter of 2019. Both in the EU and in the euro area these are the highest levels ever reached. If the positive trend continues at the current pace, the EU would be well placed to reach its 75% employment rate target. Yet, the current slowdown in economic activity, together with the tightening of labour markets in some Member States, suggests that the employment rate may increase more slowly in the next quarters of 2019 and in 2020, so that eventually it may only come close to the 2020 target without reaching it[4].

An increase in labour market participation accompanied the positive trend of the employment rate. The activity rate for the age group 20-64 reached 78.7% in the EU and 78.5% in the euro area in the second quarter of 2019 (from respectively 78.4% and 78.3% one year before). As in previous years, the increase in labour market participation largely relied on older workers (aged 55-64) and, to a lesser extent, women.

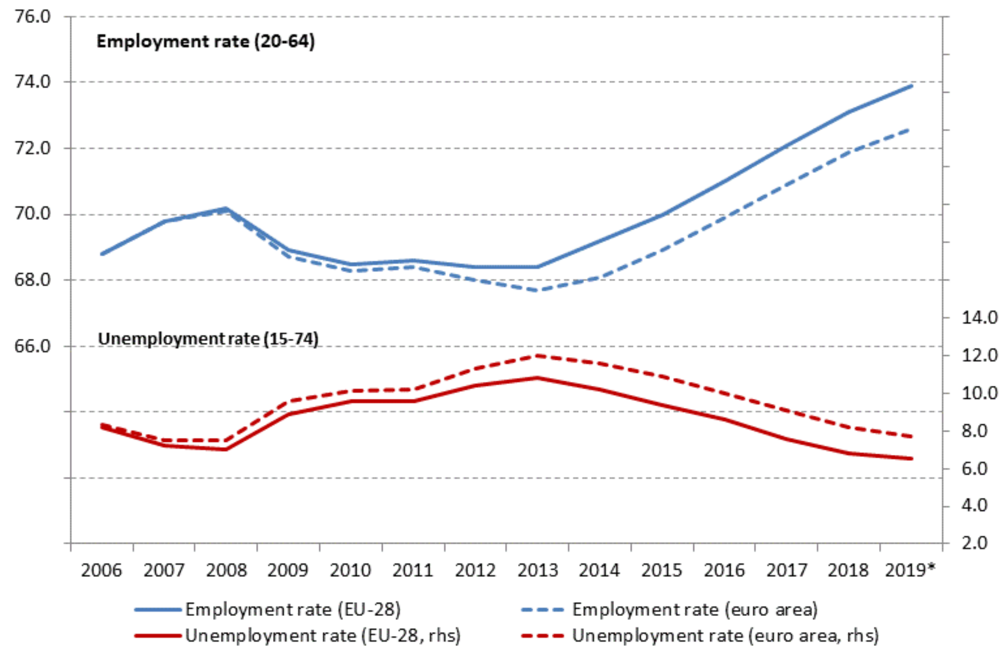
[2] Total employment figures come from National Accounts (domestic concept), other figures from Labour Force Survey data. Seasonally adjusted quarterly figures are used throughout this section.

[3] According to Commission's 2019 Autumn Economic forecast.

[4] The 2019 Employment Performance Monitor and the 2019 Annual Employment Performance Report by the Employment Committee (EMCO) estimate that the employment rate will reach 73.8% in 2019 and to 74.3% in 2020 (based on Commission's 2019 Spring Economic forecast and Eurostat 2015 population projections).

Figure 1: The employment and unemployment rates recorded the best performance ever in the EU

Employment and unemployment rates in the EU and euro area



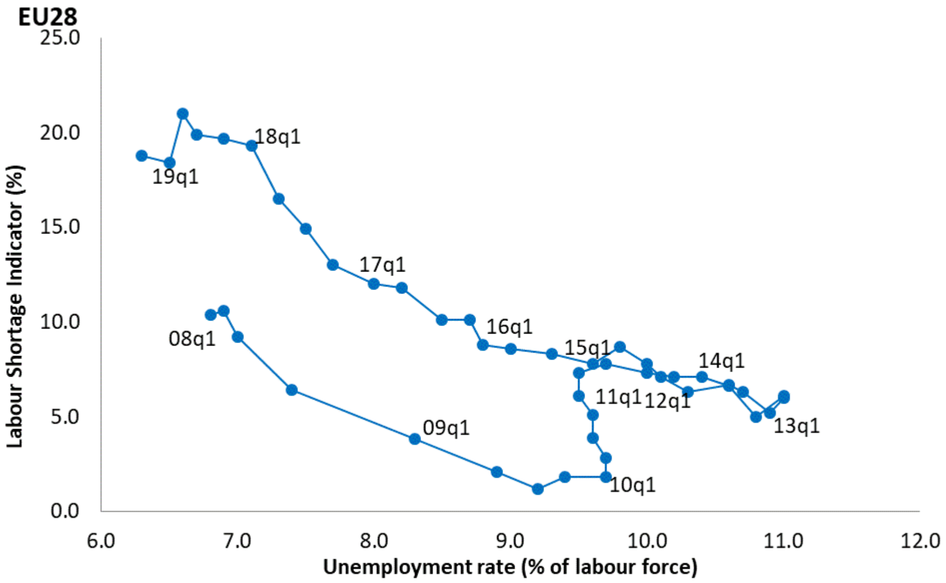
*average of Q1 and Q2, seasonally adjusted.
Source: Eurostat, LFS.

Total hours worked are increasing more slowly but steadily, and have now finally surpassed the 2008 peak. Since the recovery started in 2013, the number of people in employment has increased significantly faster than the volume of hours worked (between Q2-2013 and Q2-2019 the former rose by 7.7%, compared to 7.1% for the latter). This partly reflects a long-term structural decline, exacerbated by an increase in (involuntary) part-time work in the aftermath of the crisis and a shift of employment towards sectors with lower working hour intensity. Nonetheless, the volume of worked hours has picked up in 2018, exceeding for the first time the 2008 peak level by 0.3%.

The unemployment rate kept declining in 2018 and in the first three quarters of 2019. Strong job creation, in a context of moderately increasing labour market participation, translated into a further drop in unemployment. In the third quarter of 2019, the unemployment rate (15-74) decreased to 6.3% in the EU and 7.5% in the euro area, from respectively 6.7% and 8% one year before. In absolute numbers, this corresponds to 15.6 million unemployed people in the EU, about 1 million fewer than in the same quarter of the previous year, and almost 11 million fewer since the peak observed in the second quarter of 2013. In spite of a drop in unemployment rates, over the past year, across all Member States, a significant degree of heterogeneity persists (as shown in Section 3.1.1), with some countries at very low levels (and with small margins for further improvements) and others still far from their pre-crisis minimums.

Figure 2: While companies report a high level of labour shortages, there are signs of improving matching in the labour market

Beveridge curve in the EU



Source: Eurostat, LFS and Business and Consumer Survey. Note: seasonally adjusted figures.

While slightly receding compared to one year ago, labour shortages are at a high level. Since the recovery started, the share of business indicating the availability of labour as a factor limiting production[5] has increased continuously in the EU, from around 5% at the end of 2012 to around 20% in 2018. The Beveridge curve[6] (Figure 2) shows that such an increase went along with a continuing fall in unemployment, though the outward shift in the curve that occurred between 2010 and 2013 points to a lower efficiency of matching in the post-crisis period compared to the pre-crisis one[7]. With the recent economic slowdown, the number of companies reporting labour shortages has declined slightly in 2019, while unemployment has continued dropping, as mentioned above. Although it is early to judge whether the Beveridge curve is showing a change in trend, the behaviour of recent quarters suggests that an inward shift is occurring, consistent with an overall improvement in the matching process (although the situation differs substantially across Member States).

Long-term and youth unemployment continue to decrease too. The continuing improvement in labour market conditions translated into a shrinking pool of long-term unemployed (i.e. those unemployed for more than one year). The number of people in this situation amounted to 6.2 million in the second quarter of 2019, i.e. 1.1 million (or 15%) fewer than in the same quarter of 2018. At 2.5% of the active population, long-term unemployment has reached the pre-crisis minimum of Q3-2008 (while in euro area it is still above, at 3.3% vs 2.8%). Looking at the situation of young jobseekers, a marked improvement is also visible. The youth unemployment rate recorded a reduction by 1 pp for the EU, down to 14.4% in the third quarter of 2019, and by 0.9 pps in the euro area, down to

[5] This indicator is part of the EU Business and Consumer Survey.

[6] The Beveridge curve is a graphical representation of the relationship between unemployment and a measure of job vacancies (either the vacancy rate or, as in this case, an indicator of labour shortages).

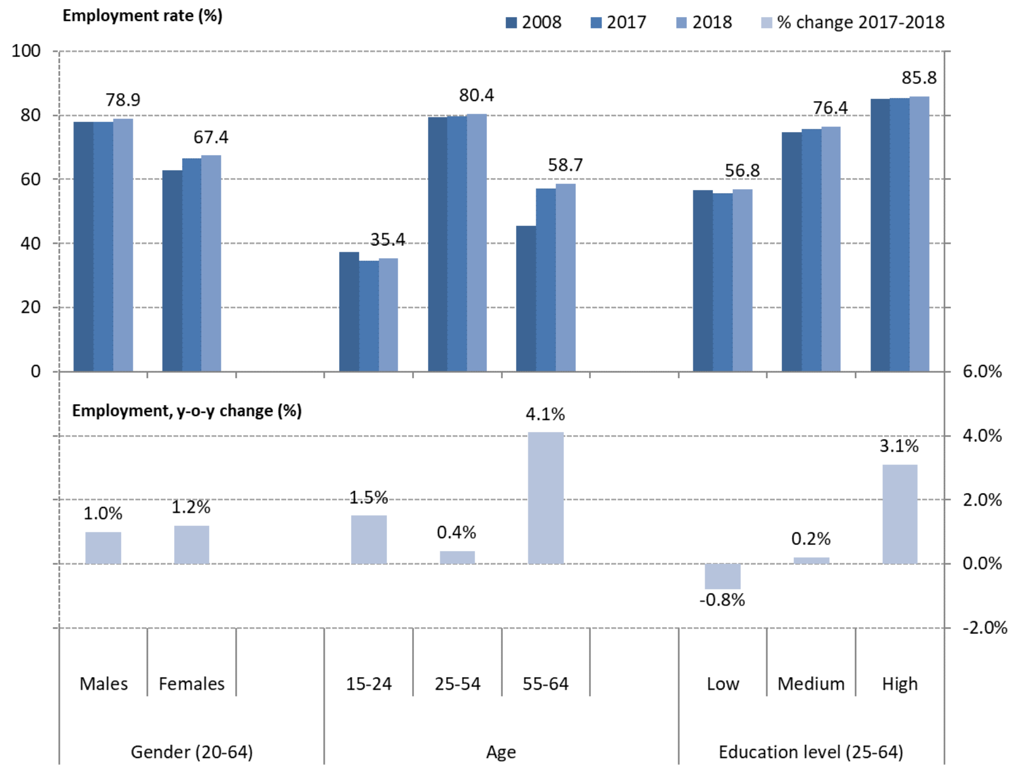
[7] See *Labour Market and Wage Developments in the EU, 2019* for details.

15.8% (yet, rates above 30% are still recorded in Spain, Italy and Greece). Overall, 3.2 million people between 15 and 24 are unemployed in the EU, and this number expands to 5.5 million when all those neither in employment, nor in education or training (NEET) are considered. Nonetheless, the NEET rate improved over the last year, down to 10.2% in the EU and 10.3% in the euro area in Q1-2019 (from respectively 10.6% and 10.8% one year before). These rates are the lowest ever recorded.

In spite of a decrease in the NEET rate, early school leaving has stabilised. After declining steadily over the last decade, the rate of early leavers from education and training (aged 18-24) stabilised at 10.6% in 2017 and 2018. Therefore, while being very close to the Europe 2020 target of 10%, there is room for further reduction[8]. On the contrary, the Europe 2020 target for tertiary educational attainment (40% in the age group 30-34) was achieved in 2018, with a rate of 40.7% (0.8 pps more than in 2017).

Figure 3: Older and high-skilled workers are the main drivers of employment growth

Employment rates and employment growth across different groups in the EU



Source: Eurostat, LFS.

Older workers continue to be the main driver of employment growth. As in previous years, in 2018 older workers (55-64) recorded the largest increase in employment compared to other age classes (Figure 3): the number of employed persons in this group rose by 4.1% in 2018 (a similar growth rate as in 2017 when it reached 4.3%). The employment rate of older workers consequently increased by 1.6 pps to 58.7% in 2018, the highest level ever (more than 13 pps higher than in 2008). Employment also grew among other age groups, though at a

[8] In the Communication "Strengthening European Identity through Education and Culture" of 14 November 2017 (COM(2017) 673 final) the Commission indicated the ambition to reduce the benchmark for early school leaving to 5% by 2025.

slower pace. In particular, the number of young people (15-24) in employment rose at a comparable rate as in 2017 (1.5% vs. 1.6%), leading to an increase in the youth employment rate by 0.8 pps to 35.4% (yet, this rate remains 1.9 pps below the 2008 level). Employment for prime age adults (25-54) grew by 0.4%, resulting in an 80.4% employment rate in 2018.

The employment rate of non-EU born people kept increasing. In the age bracket 20-64 it rose up to 64.5% in 2018 (1.5 pps more than in 2017), corresponding to an increase in absolute terms from 17.4 million to 18.3 million. The employment rate for this group compares to 73.9% for the average of native-born[9] (0.9 pps more than in 2017). Therefore, while slightly narrowing, the gap remains sizeable, after having expanded during the crisis (more than 9 pps in 2018, compared to less than 5 pps in 2008).

Employment keeps increasing slightly faster for women than for men, but the gender employment gap remains large. In 2018, employment growth was 0.2 pps quicker for women than for men (same value as in 2017). However, such a small difference was not sufficient to bring down the gender employment gap (i.e. the difference in employment rates by sex) which remained stable at 11.5 pps. After dropping significantly during the crisis (it amounted to 15 pps in 2008) reflecting a stronger impact of the recession on male employment, this indicator has remained almost unchanged since 2014. This gap appears particularly high for women aged 30-34 at 14.5 pps (mostly related to childbearing), for those aged 55-64 at 13.7 pps, and for low-skilled ones at 21.1 pps (compared to 10.9 pps and 6.8 pps respectively for the medium- and high-skilled).

High-skilled people make out an increasing proportion of the workforce. This is part of a long-term trend, as employment relying on high-skill tasks is on the rise while Member States' workforces are becoming more skilled[10], which reflects the increasing demand for and the supply of high-skilled workers in the economy. The number of employed people (age group 25-64) with higher education increased by 3.1% in 2018, leading to an employment rate of 85.8% within this group. An only slight increase of 0.2% was recorded among medium-skilled workers (i.e. those with upper secondary education) who achieved an employment rate of 76.4%. On the contrary, the number of low-skilled workers (i.e. with lower secondary education or below) kept dropping, by 0.8% (following a 0.3% in 2017). However, since the overall low-skilled population aged 25-64 is on a continuous decline (in 2018 alone it reduced by 1.7 million, or 2.7%) – as part of a trend reflecting population ageing and higher educational attainment among younger generations – this group's employment rate actually increased from 55.6% in 2017 to 56.8% in 2018. The gap between employment rates of low- and high-skilled workers continues decreasing (from a peak of 31.4 pps in 2013) but remains very high at 29 pps, pointing to the need for action to increase the employability of people with low education level, notably by upskilling and reskilling.

Most of the additional jobs created in 2018 are permanent and full-time, but the share of temporary employees remains sizeable. Of the 2.7 million additional employees (15-64) recorded in 2018, almost all were on permanent contracts; the number of temporary employees increased by a mere 55 thousand in the same period (compared to 0.8 million the year before). Nonetheless, the increase in permanent contracts was not sufficient to bring

[9] This group refers to the EU average of those who are native in their Member State.

[10] European Commission (2019). Labour Market and Wage Developments in Europe. Annual review 2019. Luxembourg: Publications Office of the European Union. Available at: https://ec.europa.eu/social/main.jsp?langId=en&catId=89&furtherNews=yes&newsId=9485

down the overall share of temporary employees over total employees, which decreased by only 0.1 pps to 14.2% in 2018. Self-employment (15-64) dropped by 160 thousand, continuing the slow decline recorded in previous years and resulting in a share of 13.5% over total employment (down from 13.7% in 2017 and 14.4% in 2013). Finally, most additional jobs were full-time (+2.4 million), while the number of part-time workers remained roughly constant. Consequently, the proportion of part-time workers (aged 15-64) dropped slightly for the third year in a row (by 0.2 pps to 19.2% in 2018), though remaining almost 2 pps above the 2008 level. On the upside, the share of involuntary part-time workers among total part-timers kept decreasing (from a peak of 29.6% in 2014 to 24.6% in 2018) though remaining substantial.

Looking at sectoral developments, employment continues to shift towards services. Following the trend of recent years, in 2018 the largest number of jobs was created in services[11] (2.6 million additional persons in employment in 2018, or +1.5% compared to 2017; based on national accounts). Such an increase kept pushing up the share of services over total employment, which in the last decade increased continuously from 70.1% in 2008 to 74% in 2018. In absolute terms, industry recorded the second largest increase in 2018 (by 470 thousand), which corresponds to a rise by 1.3% over the previous year (in line with performance recorded in 2017 and 2016). For the second year in a row, the number of people employed in construction increased by more than 2% (or 337 thousand people), consolidating the recovery started in 2015. However, the number of employed persons in this sector is still almost 13% lower than in 2008. Finally, after having stabilised in 2017, employment in agriculture started decreasing again in 2018 (by 2.5%) in line with its long-term trend. The share of agriculture in total employment actually dropped from 5.4% in 2008 to 4.3% in 2018.

1.2 Social trends

The number of persons at risk of poverty or social exclusion[12,13] continued its steady decline. This declining trend continued for a sixth consecutive year in 2018 (Figure 4), and the number of people at risk of poverty or social exclusion fell to 110 million persons (or

[11] Within services, the largest percentage increase was recorded in "information and communication" activities (+3.9%), followed by "professional, scientific and technical activities; administrative and support service activities" (respectively by 3.4% and 2.9% in 2017). On the contrary, "financial and insurance services" recorded a drop by 0.7%.

[12] People at risk of poverty or social exclusion (AROPE) are people who are at risk of poverty (AROP) and/or experiencing severe material deprivation (SMD) and/or living in (quasi-)jobless households – i.e. households with very low work intensity (VLWI).

People at risk of poverty are people living in a household whose equivalised disposable income is below 60% of the national equivalised median income (this indicator is therefore an income poverty indicator).

People are severely materially deprived if they live in a household unable to afford at least four of the following items: 1) pay rent/mortgage/ utility bills on time; 2) keep home adequately warm; 3) meet unexpected expenses; 4) eat meat, fish or a protein equivalent every second day; 5) one week annual holiday away from home; 6) have access to a car for private use; 7) have a washing machine; 8) have a colour TV; and 9) have a telephone.

People living in (quasi-) jobless households are people aged 0-59 living in a household where working-age adults (18-59) worked less than 20% of their total work potential during the past year (i.e. during the income reference year).

[13] The income statistics of EU SILC refer to the previous income year, with the exception of United Kingdom (survey year) and Ireland (income of 12 months preceding the survey).

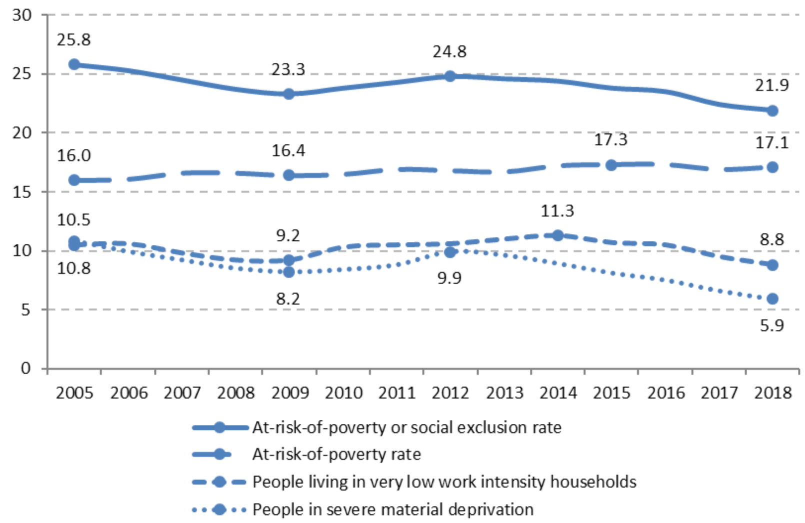
21.9% of the total population), nearly 2.7 million fewer than in 2017 (around 2 percentage points less than in 2008). The overall trend reflected a decrease in severe material deprivation, and to a lesser extent, in the share of households with very low work intensity, while the at-risk-of-poverty rate remained broadly stable. This is overall in line with the recovery in employment, and increases in disposable income. If the positive trend continues at the current pace, the EU would be well placed to record by 2020 a decline of around 13 million people at risk of poverty or exclusion since 2008 (against a Europe 2020 target of 20 million). Yet, the current slowdown in economic activity suggests that the actual decline may be less prominent.

The sharp fall in the number of persons suffering from severe material deprivation is continuing. More than 3 million people were relieved of severe material deprivation in the year to 2018, bringing the overall number of persons affected down to 29.7 million or 5.9% of the EU population. This decline represents a significant improvement for a sixth year in a row, reflecting an improving material situation of households. As the fall in this indicator is driven by a good performance among those Member States for which severe material deprivation is highest (see Section 3.4), the overall improvement points to continued upwards social convergence.

A robust labour market has contributed to a further reduction in the number of persons living in quasi-jobless households. The number of people living in households with very low work intensity further dropped by around 3 million people. These people represent 8.8% of the population, a level largely below the pre-crisis situation.

Figure 4: The share of people at-risk-of-poverty or social exclusion is on the decline, but the share of those at-risk-of-poverty remains broadly stable

Percentage of population at-risk-of-poverty or social exclusion (AROPE) and subcomponents (2005-2017).



Source: Eurostat, SILC.

The percentage of the population at risk of poverty remains high despite the strength of the recovery. The relative poverty indicator remains broadly stable, increasing marginally to 17.1% from 16.9% one year earlier. The number of people living in households with a disposable equivalised income below 60% of the national median is slightly above 86 million, one million people more than in the previous year. While the latest data from Eurostat flash estimates[14] suggest that poverty rates are meant to decline, such decline has come to a halt after a strong improvement in 2017.

The in-work poverty risk has remained broadly stable at a high level in 2018. In 2018, the percentage of people in work at risk of poverty increased by a 0.1 pps from 2017 and remains close to the peak registered in 2016. 9.5% of employed people live in a household whose income is below 60% of the median (1.2 pps higher than the minimum reached in 2010). People working part-time and with temporary contracts are more exposed to such risk, but in some Member States this risk is also relatively high for full-time workers and workers with a permanent contract (see also sections 3.1.1 and 3.4.1).

Trends in the depth of poverty indicate that in some countries the economic growth is not benefitting all. The relative median income poverty gap, which measures how far away from the poverty line those at risk of poverty are (i.e. how poor the poor are), increased by half a point to 24.6% in 2018. This reflects diverse trends across Member States, that overall suggest that the poorest people are not always reached by positive impacts of the economic growth.

The risk and the depth of poverty for persons living in (quasi-)jobless households have continued to increase. The at-risk of poverty rate for persons living in very low work intensity households (less than 20% of their capacity) is high (62.1% in 2018) and has steadily increased for a fifth consecutive year. This has been identified as a trend to watch by the Social Protection Committee[15]. There are also growing differences between the median income of these people and the at-risk-of-poverty threshold (see Section 3.4.1), pointing to possible gaps in the adequacy and coverage of benefits.

Despite continuing improvements, children continue to face a high risk of poverty or social exclusion. In 2018 the percentage of children at risk of poverty or social exclusion in the EU-28 fell by 0.6 pps to 24.3%. However, this rate remains higher than the one for the general population. In all Member States, children whose parents are low-skilled face a significantly higher risk of poverty or social exclusion, pointing to persisting inequalities of opportunities.

Aggregate household incomes continue to grow. The gross disposable income of households (GDHI) rose for a fifth year in a row to 2018. The annual increase was in line with improvements in overall real GDP per capita (which rose by around 1.8%), suggesting that recent growth is benefitting households.

Income inequality remains at a high level. On average, the richest 20% of households in Member States have an income that exceeds that of the poorest 20% of households by about five times. In 2018, this ratio increased after a first decline last year, and remains at a high

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[14] EU-SILC data refer in most Member States to incomes recorded in the previous year (i.e. 2017 incomes for SILC 2018). Eurostat published flash estimates for income 2018 (i.e. EU-SILC indicators published in 2019). See methodological note and results by Eurostat: https://ec.europa.eu/eurostat/web/experimental-statistics/income-inequality-and-poverty-indicators.

[15] 2019 SPC annual report.

level in many Member States (see Section 3.4). The latest Eurostat flash estimates suggest however that a decline is set to occur[16].

The income share earned by the 40% of the population with the lowest incomes (S40) remained stable after an increase in 2017. In many countries this group, which consists of lower income workers and those in receipt of social benefits, had seen their share of income worsen or stagnate, even before the economic crisis. Further improvements in the S40 will however be required in order to reverse previous trends of the last decade.

[16] Eurostat flash estimates for income 2018 (i.e. EU-SILC indicators published in 2019). See methodological note and results by Eurostat: https://ec.europa.eu/eurostat/web/experimental-statistics/income-inequality-and-poverty-indicators.

2. SNAPSHOTS FROM THE SOCIAL SCOREBOARD

The European Pillar of Social Rights was proclaimed jointly by the European Parliament, the Council and the Commission on 17 November 2017. It sets out a number of key principles and rights to support fair and well-functioning labour markets and welfare systems. It is designed as a compass for a renewed process of convergence among Member States towards better socio-economic conditions. The Council's new strategic agenda for the EU 2019-2024 highlights that the European Pillar of Social Rights needs to be implemented at EU and Member State level, with due regard for respective competences. The Commission will come forward with a Communication launching an engagement towards an Action Plan for the implementation of the European Pillar of Social Rights at the beginning of 2020.

The European Pillar of Social Rights is accompanied by a social scoreboard to monitor performances and track trends across Member States[17]. The scoreboard provides a number of indicators (headline and secondary) to screen the employment and social performance of Member States on selected indicators along three broad dimensions, identified in the context of the Pillar: (i) equal opportunities and access to the labour market, (ii) dynamic labour markets and fair working conditions, and (iii) public support / social protection and inclusion. Since the 2018 edition, the Joint Employment Report includes the social scoreboard, the results of which are summarised in this Chapter as concerns headline indicators. The analysis is placed in the broader reform context presented in Chapter 3.

2.1.The scoreboard explained

The social scoreboard is a central tool for monitoring performance in the employment and social domains, and convergence towards better living and working conditions. In particular, it helps monitoring the situation of Member States on measurable dimensions of the Pillar, complementing the existing monitoring tools, in particular the Employment Performance Monitor and the Social Protection Performance Monitor[18]. It notably includes 14 headline indicators that assess employment and social trends at large:

- *Equal opportunities and access to the labour market:*
    - Share of early leavers from education and training, age 18-24
    - Gender gap in employment rate, age 20-64
    - Income inequality measured as quintile share ratio - S80/S20
    - At-risk-of-poverty or social exclusion rate (AROPE)
    - Young people neither in employment nor in education or training (NEET rate), age 15-24
- *Dynamic labour markets and fair working conditions:*
    - Employment rate, age 20-64
    - Unemployment rate, age 15-74
    - Long-term unemployment rate, age 15-74

[17] SWD(2017) 200 final, accompanying the Communication COM(2017) 250 final of 26 April 2017.

[18] 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 Europe 2020 employment and poverty reduction targets.

  - Gross disposable income of households in real terms, per capita[19]
  - Net earnings of a full-time single worker without children earning an average wage[20]
- *Public support / Social protection and inclusion:*
  - Impact of social transfers (other than pensions) on poverty reduction[21]
  - Children aged less than 3 years in formal childcare
  - Self-reported unmet needs for medical care[22]
  - Share of population with basic overall digital skills or above.

Headline indicators are analysed using a common methodology agreed by the Employment Committee and the Social Protection Committee (see Annex 3 for details). This methodology evaluates the situation and developments in Member States by looking at levels and yearly changes[23] 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 (by using a predefined matrix) so that each Member State is assigned to one out of seven categories ("best performers", "better than average", "good but to monitor", "on average/neutral", "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.

A careful and non-mechanical reading of the table is warranted. For this purpose, a detailed analysis of the fourteen indicators, including longer-term trends and additional indicators, when relevant, is presented in Chapter 3. In addition, the forthcoming country reports will provide an in-depth analysis of all "critical situations" and additional socio-economic and policy background to better qualify country-specific challenges in the context of the European Semester. Together with further analysis included in the Employment Performance Monitor and the Social Protection Performance Monitor, this will provide an analytical basis for the subsequent Commission proposals for Country Specific Recommendations where appropriate.

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[19] 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.

[20] Levels of this indicator are expressed in purchasing power standards (PPS) while changes are expressed in national currency in real terms. To smooth out short-term fluctuations, 3-year averages are used for both levels and changes. This indicator should be read and interpreted in conjunction with other indicators, such as the in-work poverty rate, the ratio between the fifth and the first decile of the wage distribution (D5/D1) and other relevant EPM/SPPM and JAF indicators.

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

[22] 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.

[23] 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; and net earnings of a full-time single worker without children earning an average wage, for which three-years averages are used, in agreement with the Employment Committee and the Social Protection Committee.

For the first time, the 2020 Joint Employment Report integrates a regional dimension to the Social Scoreboard. During the last years, the Social Scoreboard was used to analyse country performance at the national level. However, the evolution of the indicators at the national level may mask important differences at regional level (while, in many Member States, a number of policies and funding are often decided at this level). Therefore, the regional dimension of the social situation and of convergence is gaining relevance, particularly within the framework of the European Semester. Against this background, this edition of the report features evidence on the regional situation, on the basis of the Social Scoreboard. In particular, a series of maps showing regional breakdowns by Member State are presented in Annex 3 for some Social Scoreboard headline indicators[24]. Furthermore, the analysis in Chapter 3 reports, where relevant, findings at the regional level for the Member States where large disparities[25] exist between NUTS 2 regions. The data and findings make it possible to better understand how different regions in a country fare as regards some key dimensions of the Pillar and helps monitor convergence within countries, assess the impact of regional policies and shape regional policy-making.

2.2.Evidence from the social scoreboard

The analysis of the Scoreboard points to continuing positive labour market and social trends in the EU, although not all indicators are improving[26]. Looking at average values for the EU[27], 9 out of 14 headline indicators recorded an improvement over the last available year (i.e. 2018 or 2017 depending on data availability). In comparative terms, (overall and long-term) unemployment rates recorded the most significant progress, reflecting positive developments in the labour market. As already in 2017, unemployment rates have decreased in all Member States in 2018. Yet, some other indicators remained stable compared to the previous year or even slightly worsened (i.e. early leavers from education or training, gender employment gap, income quintile share ratio, impact of social transfers on poverty reduction and self-reported unmet needs for medical care). As highlighted by the respective scatterplots in Chapter 3, more than half headline indicators exhibited, to a different extent, convergence across Member States over the last observed period (notable exceptions are the income quintile share ratio, self-reported unmet needs for medical care and the share of population with basic overall digital skills or above).

Almost all Member States face challenges on at least one headline indicator. Considering the three most problematic classifications altogether (i.e. "critical situation", "to watch" and "weak but improving"), all Member States are flagged at least once, with the exception of the Netherlands. Looking at "critical situations" only (i.e. indicators for which the level is much worse than average, and either not improving sufficiently fast or deteriorating further), 14 Member States were flagged, the same number as in the 2019 Joint Employment Report. Estonia and Malta joined this group of countries (or “re-joined” it, after having left it in the

[24] For which data at a regional level (NUTS 2) is available (early school leaving, gender employment gap, NEET rate, employment rate, unemployment rate, long-term unemployment rate, at-risk of poverty or social exclusion rate, impact of social transfers (excluding pensions) on poverty reduction, self-reported unmet needs for medical care and income quintile share ratio).

[25] Based on the population-weighted coefficient of variation.

[26] The cut-off date for the extraction of social scoreboard headline indicators is xx[th] November 2019.

[27] This evidence refers to weighted EU averages, except for the indicator "Net earnings of a full-time single worker without children earning an average wage" for which unweighted average is used.

previous year), while Hungary and Portugal left it. The count of challenges indicates some worsening across the board. Across the 14 domains assessed, overall 121 "critical situation", "to watch" or "weak but improving" cases are identified, i.e. about 31% of the total number of assessments (same number as in the 2019 JER). Of these, 40 are "critical situations" (corresponding to 10.3% of all assessments), compared to 41 in the 2019 JER (corresponding to 10.6% of all assessments).

Looking at the three broad dimensions covered by the scoreboard, similarly to previous years, most challenges are flagged in the **"public support/social protection and inclusion"** domain, with an average of 9.8 cases (of which 3.5 "critical situations") per indicator. **Children aged less than 3 years in formal childcare** appears as the indicator with most flags, i.e. for 13 Member States (of which 5 in the bottom category).

The dimensions of **"equal opportunities and access to the labour market"** and "**dynamic labour markets and fair working conditions"** follow, with an average of 9.6 and 6.8 flagged cases per indicator respectively (3 and 2.2 "critical situations" each). In the first domain, the most flagged indicators are **early leavers from education and training,** the **gender employment gap** and the **at risk of poverty or social exclusion rate** (10 times). In the latter, **net earnings of a full-time single worker without children earning an average wage** appears as the indicator with most numerous challenges (14 flags).

As in past years, the situation of Member States and the severity of their challenges vary widely. Greece, Italy, Romania and Spain present "critical", "to watch", or "weak but improving" assessments on ten or more indicators (see Table 1). Of these countries, Italy reports the highest number of “critical situations” (eight), followed by Romania (seven), Greece (four) and Spain (two). Yet, Greece, Romania and Spain also report a number of positive assessments each: Greece is among the “best performers” on early school leaving and “better than average” on income inequality and participation in childcare; Romania is among the “best performers” on household disposable income per capita growth and “better than average” on the unemployment rate; Spain is among the “best performers” on participation to childcare and “better than average” on self-reported unmet needs for medical care. In terms of overall count of challenges, Bulgaria and Croatia (eight challenges), Estonia and Latvia (six challenges) follow. By contrast, Sweden is a "best performer" or "better than average" on eleven headline indicators, followed by the Czechia (nine indicators), Germany, Denmark, Malta and the Netherlands (eight indicators each).

When looking at **equal opportunities and access to the labour market,** the largest improvements were recorded, on average, in terms of NEET and at-risk-of-poverty or social exclusion rates. However, the early school leaving rate stopped a long-term declining trend and only remained stable compared to the previous year, while the gender employment gap and the income quintile share ratio increased marginally. When looking by indicator:

- Spain, Italy and Malta face a "critical situation" when it comes to early leavers from education and training, compared to Greece, Croatia, Ireland, Lithuania, Poland and Slovenia as the "best performers";
- Greece, Italy, and Romania score critical on the gender employment gap, compared to Finland, Latvia and Sweden as "best performers";
- Lithuania, Latvia and Romania face a "critical situation" in terms of income inequality compared to the best performance of the Czechia, Finland, Slovenia and Slovakia;

- The situation as concerns the at-risk-of-poverty or social exclusion rate is critical in Lithuania and Latvia, compared to the Czechia, Slovenia and Slovakia as "best performers";
- Bulgaria, Greece, Italy and Romania face a "critical situation" when looking at NEETs whereas Czechia, Germany and Luxembourg perform the best.

Turning to **dynamic labour markets and fair working conditions in the EU,** on average the situation improved over the last year across all indicators, notably employment and unemployment rates (both overall and long-term), gross disposable household income (GDHI) per capita and net earnings of a full-time single worker without children earning an average wage. When looking by indicator:

- Croatia, Greece, Italy and Spain face a "critical situation" when it comes to their employment rate, compared to the Czechia, Estonia, Germany and Sweden as the "best performers";
- Italy scores critical on the unemployment rate while the Czechia scores as "best performer";
- Italy scores critical on the long-term unemployment rate (no "best performers" identified through the methodology, while 15 countries are "better than average")
- The growth in per capita GDHI is seen as a "critical situation" in Greece, Cyprus and Italy, compared to Bulgaria, Poland and Romania as "best performers";
- The situation on net earnings of a full-time single worker without children earning an average wage is assessed as critical for Romania and Slovakia, while Austria, Germany, Ireland, Luxembourg, the Netherlands and the United Kingdom are the "best performers".

As regards **public support and social protection and inclusion,** the situation has improved over the last year available in terms of childcare availability and digital skills. However, it has slightly worsened as concerns the impact of social transfers on poverty reduction and the self-reported unmet needs for medical care. When looking by indicator:

- Spain, Italy, Lithuania, Latvia and Romania face a "critical situation" when it comes to the ability of their social transfers to reduce the risk of poverty. This compares to Hungary and Ireland as the "best performers";
- Czechia, Poland, Romania and Slovakia score critical on the participation of children aged less than 3 to formal childcare, compared to Belgium, Spain and Luxembourg as "best performers";
- Estonia and Latvia face a "critical situation" in terms of self-reported unmet need for medical care (no "best performers" identified through the methodology, while nine countries are "better than average");
- Bulgaria, Croatia and Romania face a "critical situation" when looking at levels of digital skills, while Finland, Luxembourg, the Netherlands and Sweden perform the best.

Table 1. Summary of headline indicators of the Social Scoreboard

	Equal opportunities and access to the labour market					Dynamic labour markets and fair working conditions					Public support / Social protection and inclusion			
	Early leavers from education and training	Gender employment gap	Income quintile ratio	At risk of poverty or social exclusion rate	Youth NEET rate	Employment rate	Unemployment rate	Long-term unemployment rate	GDHI per capita growth	Net earnings of a full-time single worker earning AW	Impact of social transfers on poverty reduction	Children aged less than 3 years in formal childcare	Self-reported unmet need for medical care	Individuals' level of digital skills
Year	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**	**2018**	**2017**	**2018**	**2018**	**2018**	**2018**	**2017**
Best performers	**EL, HR, IE, LT, PL, SI**	**FI, LV, SE**	**CZ, FI, SI, SK**	**CZ, SI, SK**	**CZ, DE, LU**	**CZ, DE, EE, SE**	**CZ**		**BG, PL, RO**	**AT, DE, IE, LU, NL, UK**	**HU, IE**	**BE, ES, LU**		**FI, LU, NL, SE**
Better than average	CZ, LU	BE, DK, EE, FR, PT, SI	AT, BE, DK, EL, FR, IE, MT, NL, PL, PT, SE	AT, DE, DK, FI, FR, HU, MT, NL, PL, SE	DK, LV, MT, SE, SK	CY, DK, FI, LT, LV, MT, NL, PT, SI, UK	DE, HU, MT, NL, PL, PT, RO, UK	AT, CY, CZ, DE, DK, EE, HR, HU, LU, MT, NL, PL, PT, SE, UK	DK, EE, HU, LT, SE, SK	BE, DK, FI, FR, SE	AT, FR, PL, SE, SI	EL, FR, PT, SE, SI	AT, CZ, DE, ES, HU, IE, LU, MT, NL	AT, CZ, DE, MT, UK
On average	AT, BE, CY, DE, FI, FR, LV, NL, SK, UK	BG, DE, ES, HR, IE, LU, NL, UK	CY, EE, HR, HU	BE, CY, IE, LU, PT	BE, FI, FR, HU, IE, LT, PL, PT	AT, BG, FR, HU, IE, LU, PL, SK	AT, BE, BG, DK, EE, FI, IE, LT, LU, LV, SE, SI, SK	BE, BG, FI, FR, IE, LT, LV, RO, SI, SK	BE, CZ, DE, FI, FR, IE, LU, LV, NL, PT, SI, UK	IT, MT	CY, DE, LU, MT, NL, SK	CY, DE, EE, FI, IE, IT, LV, UK	BE, BG, CY, DK, FR, HR, IT, LT, PL, PT, SE, SI, SK	BE, EE, ES, FR, LT, SI, SK
Good but to monitor		LT			AT, NL, SI						DK, FI	DK, NL		DK
Weak but improving	RO	MT	BG, ES	BG, EL, RO	CY, HR		CY, EL, ES, HR	EL, ES		BG, EE, HU, LT, LV	BG, EL	BG	EL	CY
To watch	BG, DK, EE, HU, PT, SE	AT, CY, CZ, HU, PL, SK	DE, IT, LU, UK	EE, ES, HR, IT, UK	EE, ES, UK	BE, RO	FR		AT, ES	CZ, EL, ES, HR, PL, PT, SI	BE, CZ, EE, HR, PT, UK	AT, HR, HU, LT, MT	FI, RO, UK	EL, HU, IE, LV, PL, PT
Critical situations	ES, IT, MT	EL, IT, RO	LT, LV, RO	LT, LV	BG, EL, IT, RO	EL, ES, HR, IT	IT	IT	CY, EL, IT	RO, SK	ES, IT, LT, LV, RO	CZ, PL, RO, SK	EE, LV	BG, HR, RO

Note: update of 2 December 2019. GDHI per capita growth not available for HR and MT. Net earnings of a full-time single worker without children earning the average wage not available for CY. Individuals' level of digital skills not available for IT. Breaks in series and other statistical flags are reported in Annexes 1 and 2.

Box 1. Benchmarking - state of play

The Communication of 26 April 2017 establishing a European Pillar of Social Rights[28] identified benchmarking as a key tool to support structural reforms and foster upward convergence in the employment and social fields within the European Semester.

Since then, benchmarking frameworks have been developed and discussed with Member States in several areas, in line with the common approach agreed by the Employment Committee (EMCO) and the Social Protection Committee (SPC), focusing on the identification of policy levers, which are accompanied by general principles for policy guidance and, when available, specific indicators. At this stage, policy levers are not accompanied by reference values, as the aim is to allow for comparison across Member States and mutual learning to incentivise the necessary reforms.

The benchmarking framework on unemployment benefits and active labour market policies was first used in the 2018 European Semester, including indicators on the generosity and coverage of unemployment benefits and related activation policies. Work is ongoing on the development of indicators to finalise the framework in relation to the quality of early-support services to job seekers.

The benchmarking framework on minimum income, covering the adequacy, coverage and activation components of minimum income schemes, was in turn fully integrated in the 2019 Semester, together with the benchmarking framework on adult skills and learning, which was agreed with the Employment Committee in October 2018.

Work is currently ongoing on additional benchmarking frameworks for possible use in future Semester cycles, notably within EMCO on minimum wages and on mapping collective bargaining, and within SPC on pension adequacy and on childcare and support to children.

[28] COM(2017) 250 final.

3. EMPLOYMENT AND SOCIAL REFORMS – MEMBER STATES PERFORMANCE AND ACTION

This section presents an overview of recent key employment and social indicators and measures taken by the Member States in priority areas identified by the EU employment guidelines[29], as adopted by the Council in 2019. For each guideline, recent developments on a selection of key indicators are presented, as well as policy measures taken by Member States. As concerns the latter, the section draws on Member States' National Reform Programmes 2019 and European Commission sources[30]. If not specified otherwise, only policy measures implemented after June 2018 are presented in the report. An in-depth analysis of recent labour market developments can be found in the Labour Market and Wage Developments 2019 report[31] and the Employment and Social Developments in Europe Review 2019.[32]

3.1.Guideline 5: Boosting demand for labour

This section looks at the implementation of the employment guideline no. 5, which recommends Member States to create conditions promoting labour demand and job creation. It first presents an overview of unemployment and employment rates by Member State, complementing the analysis at EU level made in Chapter 1, to highlight the relevance of the job creation challenge across countries. It then looks at self-employment dynamics and the changing nature of self-employment, as well at the shortages of skilled labour. Finally, it investigates wage, minimum wage and tax wedge developments and their impact on income and living standards, on job creation and competitiveness. Section 3.1.2 reports on policy measures implemented by Member States in these areas.

3.1.1 Key indicators

While economic growth slowed down, unemployment continued to decline in all Member States in 2018 for the second consecutive year. As a result, in 2018 it stood below 5% in 10 Member States. In most of the countries with a high unemployment rate, the decline was faster than the average, confirming the convergence trend[33] towards lower unemployment levels observed in recent years. In particular, Spain, Greece, Portugal, Croatia and Cyprus all experienced a reduction by at least 2 pps. Partial exceptions are France and Italy, where the decline, while steady, had a slower pace. In spite of the general improvement, disparities in unemployment rates remain considerable, with rates ranging from 2.1% in Czechia (ranked as

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[29] Council Decision (EU) 2018/1215 of 16 July 2018 on guidelines for the employment policies of the Member States.

[30] Including LABREF database, available at http://ec.europa.eu/social/main.jsp?catId=1143&intPageId=3193.

[31] European Commission (2019). Labour Market and Wage Developments in Europe. Annual review 2019. Luxembourg: Publications Office of the European Union. Available at: https://ec.europa.eu/social/BlobServlet?docId=21904&langId=en

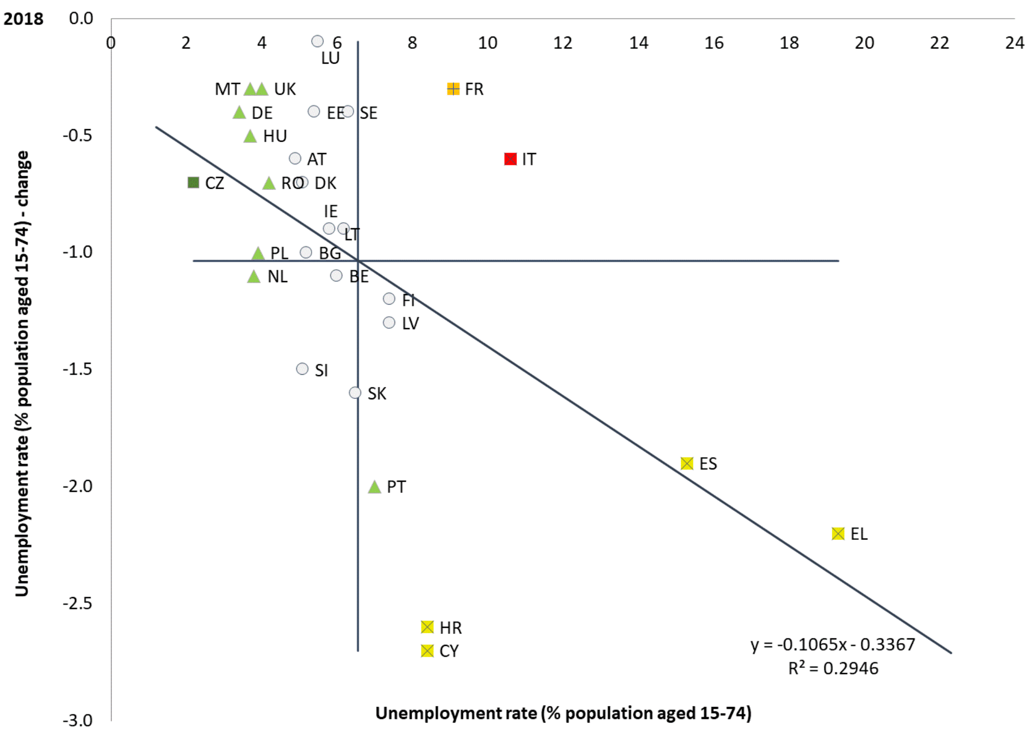
[32] European Commission (2019). Employment and Social Developments in Europe. Annual Review 2019. Luxembourg: Publications Office of the European Union. Available at: https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8219

[33] When looking at social scoreboard figures according to the common methodology, the report uses the concept of convergence in levels, or "beta-convergence". This refers to the situation where indicators in worse-performing countries improve faster than in best performing ones. It can be assessed by looking at the slope of the regression line in the scatterplot of levels against changes.

"best performer") to 19.2% in Greece (see Figure 5, which looks jointly at levels and changes according to the agreed methodology for assessing headline indicators of the social scoreboard[34]). Large disparities also persist at regional level (see Annex 3) with some regions of Greece, Italy and Spain still recording unemployment rates above 20%. By 2018, unemployment had turned below pre-crisis levels in the majority of Member States (see Figure 6). Notable exceptions include France, Italy and Spain. In 2018, more than half of the unemployed people in the EU were concentrated in these three countries.

Figure 5: Unemployment is converging towards lower levels

Unemployment rate (15-74) and yearly change (Social Scoreboard headline indicator)

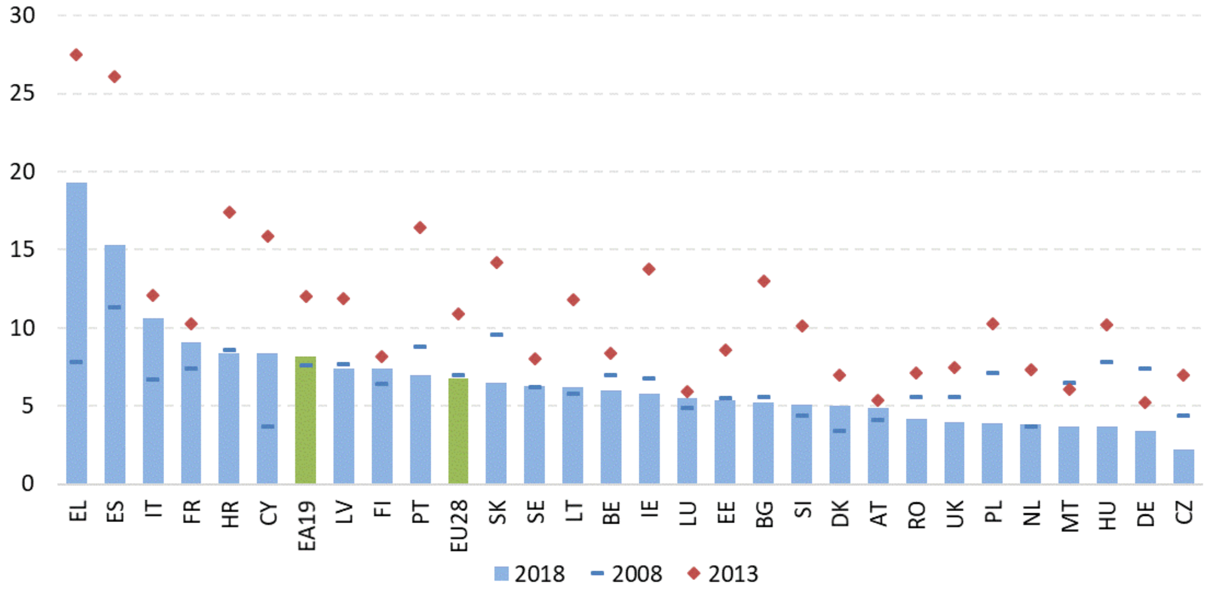


Source: Eurostat, LFS. Period: 2018 levels and yearly changes with respect to 2017. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.

[34] See Chapter 2 and Annex 3 for details.

Figure 6: Over the last five years, unemployment has decreased in all Member States

Unemployment rate (15-74), multiannual comparison

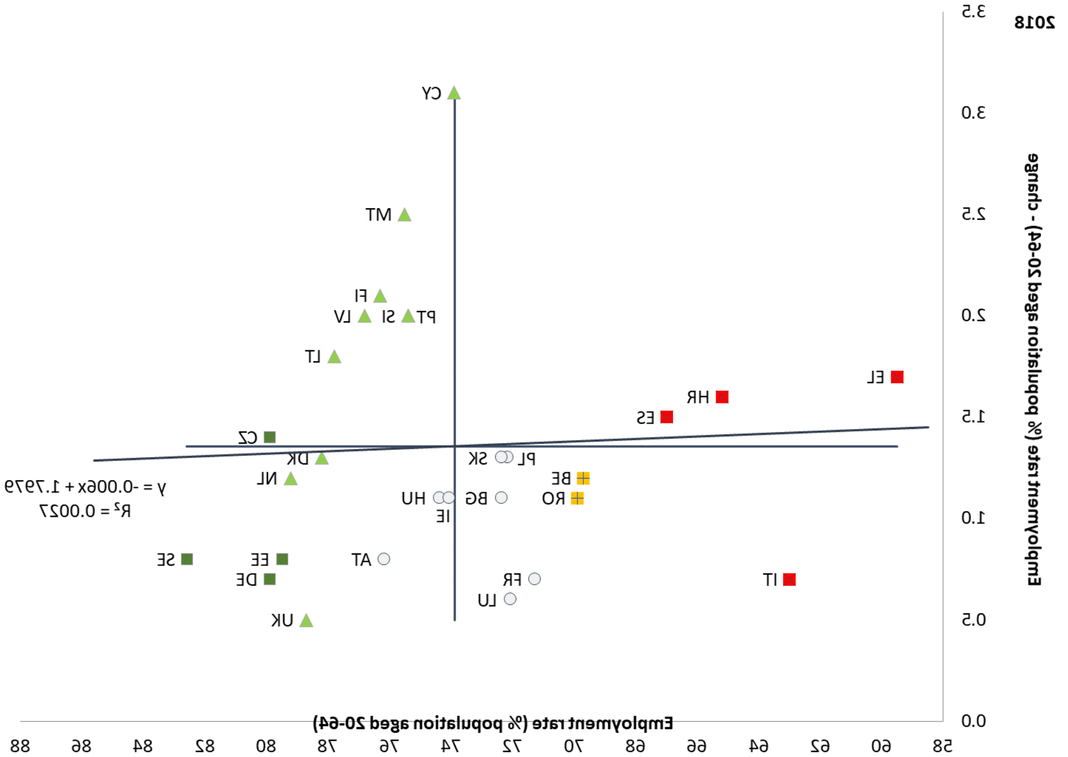


Source: Eurostat, LFS.

The employment rate continued to increase and marked a new peak in the majority of Member States in 2018. All Member States registered an increase by at least 0.5 pps compared to 2017. As of 2018, half of the Member States had already reached the Europe 2020 75% target (and thirteen had reached their national employment target). However, as shown in Figure 7, convergence remains very limited. Employment growth is slower than the average in several countries with low starting levels, including Italy and France. At the same time, the highest increases were registered in countries with relatively high starting levels (Cyprus, Slovenia, Malta, Finland, Latvia). Job creation was sustained also in many countries that had already reached the 75% target (Lithuania, Denmark, the Netherlands, Czechia). As a result, disparities in the employment rate (age group 20-64) remain wide, with levels ranging from 80% or more in Sweden, Germany, Czechia and Estonia (the "best performers") to around 60% in Greece (see Figure 7 and Figure 8). A number of Member States present significant regional disparities in employment rates (see Annex 3).

Figure 7: Employment increased in all Member States, but convergence remains limited

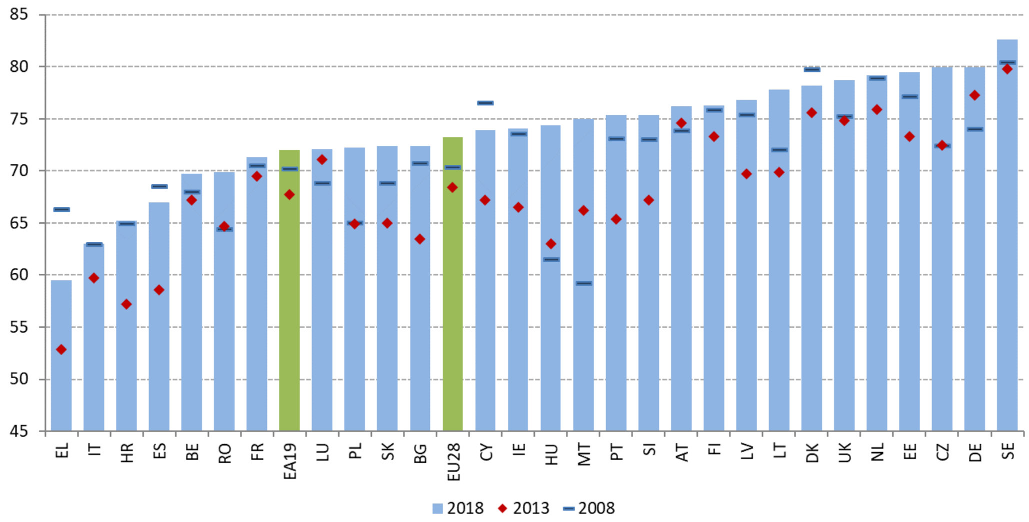
Employment rate (20-64) and yearly change (Social Scoreboard headline indicator)



Source: Eurostat, LFS. Period: 2018 levels and yearly changes with respect to 2017. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.

Figure 8: Employment rate is at historical peaks in almost all Member States

Employment rate (20-64), multiannual comparison



Source: Eurostat, LFS.

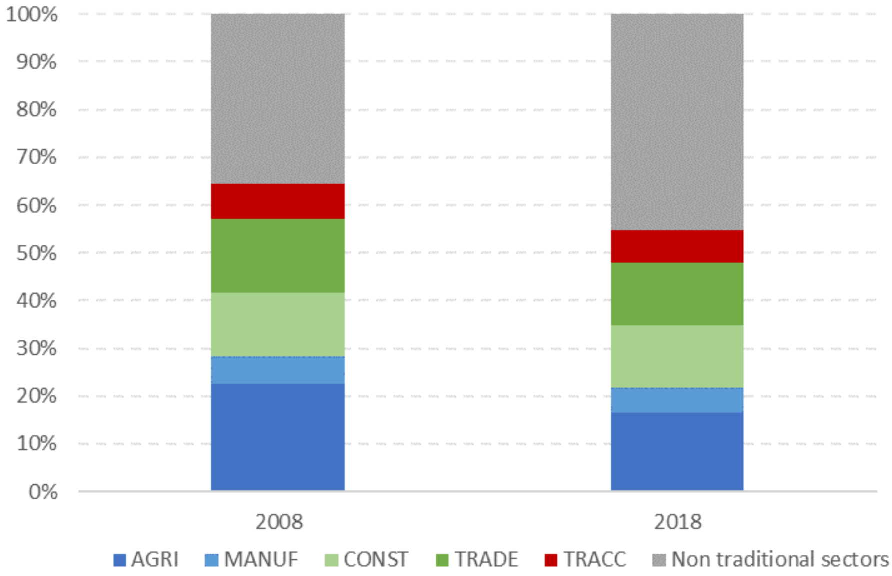
The number of self-employed was broadly unchanged in 2018, but continued its medium-term decline as a share of employment. Over the long term, the total number of self-employed has been broadly stable since 2008, while the share of self-employed on total employment has been slowly declining, from 14.3% in 2008 to 13.5% in 2018[35]. However, in spite of this relative stability, the composition of self-employment has been undergoing a steady shift away from traditional activities towards higher value-added sectors. This shift is particularly marked for own-account workers (self-employed without employees), who make up more than 70% of self-employment. Since 2008, the number of own-account workers decreased by 25% in agriculture, 14% in trade and 5% in transportation. Over the same period, it rose by more than 30% in information and communication, professional, scientific and technical activities and by 40% in human health and social work activities. The share of non-traditional sectors among own-account workers rose from 36% in 2008 to 45% in 2018, with large differences between Member States. The increase was faster in rapidly growing economies such as Estonia, Latvia and Lithuania, while it was slower in countries where self-employment in non-traditional sectors was already widespread (e.g. Denmark, Germany, Italy). The change in the sectoral composition of self-employment at the EU level can be observed in Figure 9.

The shift towards higher value-added sectors is also reflected in the average education levels of the self-employed. The share of the high-skilled (with tertiary education) among the self-employed increased to 36.1% in 2018 (up from 35.2% in 2017 and 26.6% in 2008). This increase was faster than among employees, where the share of high-skilled stood at 35.3% in 2018, up from 27.2% in 2008. This trend was particularly impressive among self-employed women, where the share with a tertiary education degree reached 44.5% in 2018, up from 30.8% in 2008. This suggests that investment in skills and human capital will be increasingly important in a context of rapid technological change and changing world of work. More details on the challenges and opportunities related to these trends can be found in section 3.3.

[35] Eurostat LFS data, age group 15-64.

Figure 9: The composition of self-employment is shifting towards services and non-traditional sectors

Share of own-account workers by sector

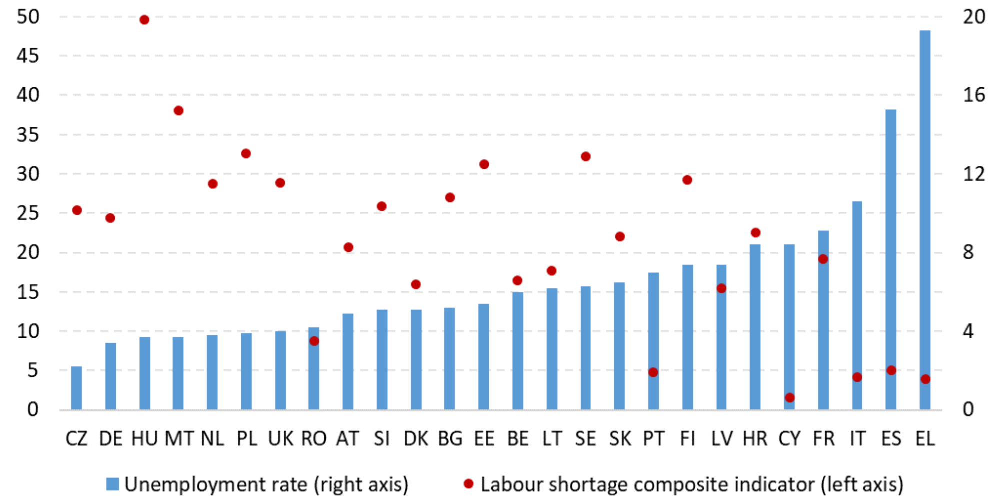


Source: Eurostat. AGRI: Agriculture, forestry and fishing (NACE A). MANUF: Manufacturing (NACE C). CONST: Construction (NACE F). TRADE: Wholesale and retail trade; repair of motor vehicles and motorcycles (NACE G). TRACC: Transportation and storage & Accommodation and food service activities (NACE H & I). Non traditional sectors: all other NACE activities, mostly services.

As labour markets become tighter, labour shortages can be identified in most Member States. Over recent years, an increasing share of employers is referring to labour as a factor limiting production. On average in the EU, this share has increased from 7.5% in 2013 to 21.8% in 2018 (see also Chapter 1). This constraint is in general more pronounced in Member States where the unemployment rate is at historically low levels, such as Hungary, Malta and Poland (see Figure 10). On the contrary, labour shortages are considered less as an impediment to production in the countries where the unemployment rate is the highest (Greece, Spain, Italy). Similarly, in countries with remaining labour market slack (e.g. Greece, Spain and Cyprus), a high share of workers appear to be over-qualified for their job, while this issue is generally less frequent in countries where the unemployment rate is low (see Figure 11). This suggests that upskilling and investment in skills, apart from being a driver of long-term growth, can be a powerful tool to promote employment in the short run, especially in those countries where the labour market conditions are already tight.

Figure 10: Labour shortages are more pronounced where unemployment is lower

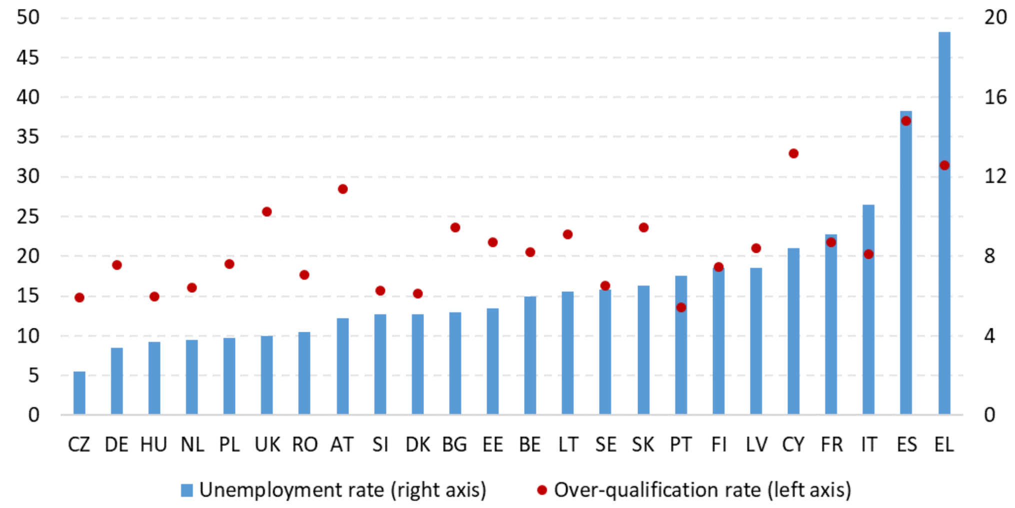
Labour shortage composite indicator (left) and unemployment rate (right) – 2018



Source: Eurostat, LFS and Business and Consumer Survey. The composite indicator includes all sectors (see LMWD 2019).

Figure 11: Over-qualification is highest in countries where unemployment is high

Over-qualification rate (left) and unemployment rate (right) – 2018



Source: Eurostat, LFS. Over-qualification rate is defined as the share of people aged 20-64 with tertiary education and working in occupations at ISCO levels 4-9.

Nominal wage growth slightly gained pace in several Member States, but remains overall moderate. For the first time since 2008, nominal compensation per employee increased in all Member States in 2018. The increases in 2018 ranged from 0.5% in Cyprus to 16.3% in Romania[36] (Figure 12). In 2018, nominal wage growth was comparatively faster in

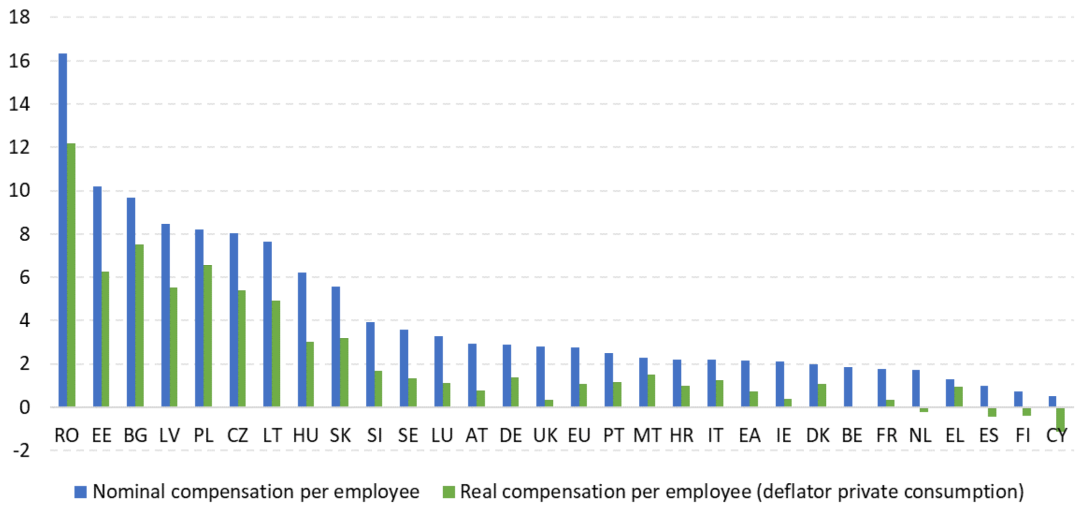
[36] In Romania, part of this considerable increase is explained by a shift of social security contributions from employers to employees, which was in turn compensated by an increase in gross wages.

most Central and Eastern European Member States. Member States with rapid nominal wage growth (above 7%) include Romania, Czechia, Estonia, Latvia, Lithuania and Poland. In contrast, nominal wage growth was lower – i.e. around or below 2% – in Southern Europe Member States, where unemployment levels tend to be comparatively higher.

In 2018, real wage growth was positive in most Member States. The average growth remained moderate, at 1.1% in the EU and 0.7% in the euro area. Real wage growth was particularly fast in Romania, followed by Bulgaria, Poland, Estonia, Latvia and Czechia (all above 5%), thus contributing to increasing employees' purchasing power and fostering upwards convergence in living conditions. At the other end of the spectrum, Cyprus, Spain, Finland and the Netherlands saw a decline in real wages. Real wage developments were close to zero also in Belgium, France, Ireland and the United Kingdom. The group of countries with low real wage growth is heterogeneous, including countries with high or relatively high unemployment rates (such as Spain, France and Cyprus) and countries with low rates (such as the Netherlands, the United Kingdom and Austria).

Figure 12: Wage growth remains moderate, with the exception of Central and Eastern Europe

Nominal and real wage developments – 2018 (yearly % change)

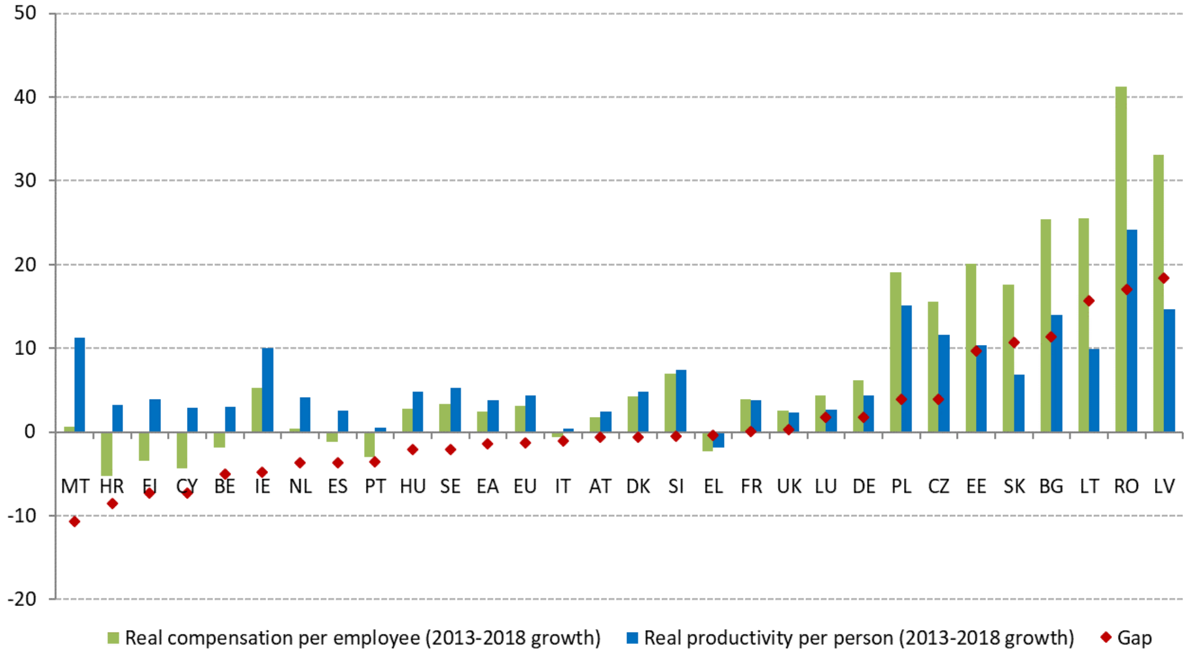


Source: European Commission, AMECO database.

In 2018, real wages grew faster than productivity in the majority of Member States, in particular in Central and Eastern Europe. A similar trend is expected in 2019. Over the medium term (2013-2018), real productivity and real wages have been both growing at a slow pace, with real wage growth trailing behind, especially in the first years of the recovery. As shown in Figure 13, over that period, real labour productivity per person employed has increased in the EU by 4.4%, slightly outpacing real wage growth (+3.1%). As a result of prolonged moderation, wages were in 2018 still below 2013 levels in 8 Member States (Italy, Spain, Cyprus, Greece, Finland, Croatia, Portugal, Belgium). In some countries, namely the Baltics, Romania, Bulgaria and Slovakia, wage growth largely outpaced productivity growth. This is consistent with low unemployment rates and emerging labour and skills shortages, and contributes to the catching-up process. At the same time it may have negative implications for cost competitiveness if the misalignment with productivity developments is protracted.

Figure 13: Over the last five years, real wages grew slightly below productivity

Real wage and real productivity developments (percentage change between 2013 and 2018)

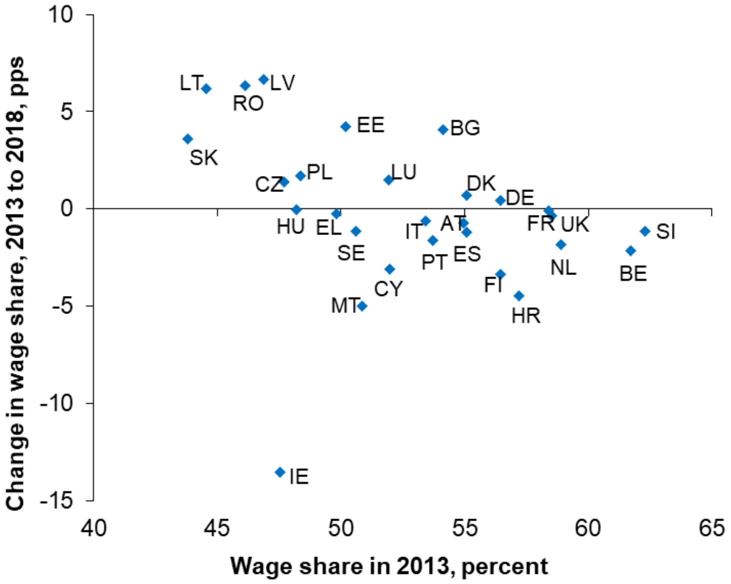


Source: Eurostat, AMECO database of the European Commission (Real compensation per employee, deflator GDP; Real labour productivity per person). Countries are ordered by the gap between growth of real compensation and growth of real productivity (i.e. on the left of the graph, real productivity developments have outpaced real compensation). Data for Ireland refer to the period 2015-2018.

While over the last five years the wage share has slightly decreased in the EU, a general trend towards convergence can be identified. Compared to 2013, the wage share decreased by 0.4 pp in the EU and by 0.7 pp in the euro area. However, it has increased in the majority of Central and Eastern Member States, where its level was comparatively low (including Latvia, Lithuania, Romania and Slovakia). At the same time, the wage share has receded in countries, such as Belgium and Slovenia, where its level was comparatively high. Among the largest EU countries, the wage share slightly decreased in France, Spain, Italy, United Kingdom and slightly increased in Germany and Poland (see Figure 14).

Figure 14: Over the last five years, some convergence in the wage share can be identified.

Change in the wage share 2013-2018



Source: AMECO database of the European Commission; Adjusted wage share; total economy; as percentage of GDP at current prices. In Ireland, the wage share declined by 9.4 pps in 2015 compared to 2014, due to statistical revisions.

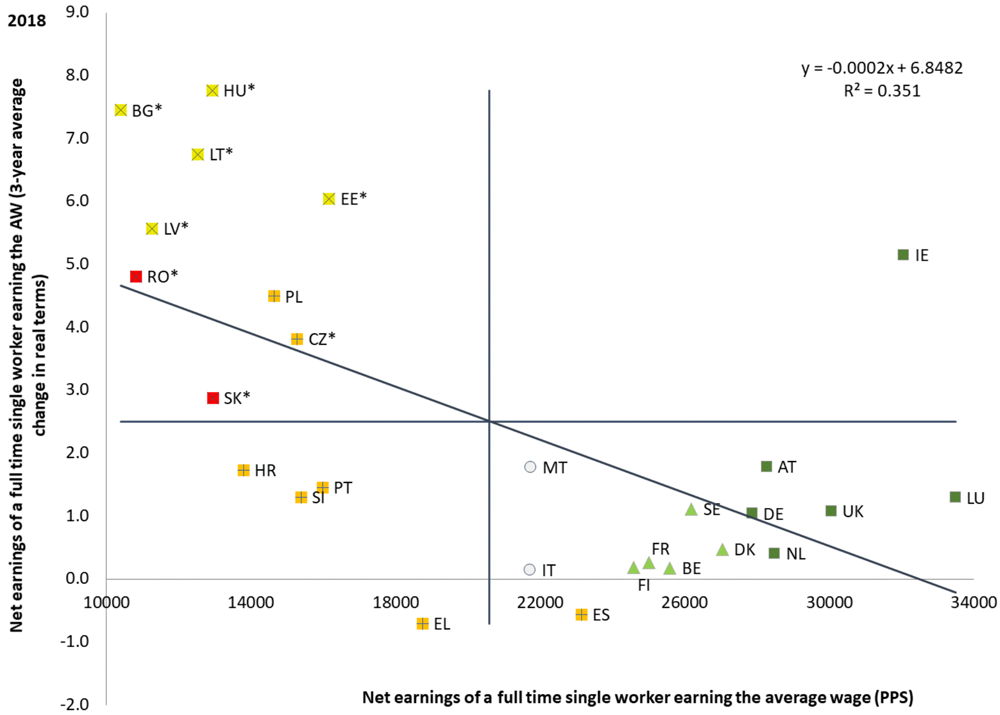
Net earnings continue to grow faster in Central and Eastern Europe, contributing to convergence in labour income levels. This trend is in line with the principles of the European Pillar of Social Rights, which sets upwards convergence in living standards as one of its main goals. At the same time, those countries experiencing higher than average net earnings growth also highlight a fast increase in unit labour cost[37], whose implications for competitiveness need to be monitored. A diverging trend can be identified between Southern and Western Europe: labour income stagnated or declined in Spain, Greece and Italy, despite relatively lower levels in absolute terms (but consistently with higher unemployment rates), while developments were more dynamic in countries with higher starting levels. This trend appears clearly from the u-shaped distribution of countries in Figure 15, which takes as a reference a single earner without children earning the average wage level, over a three-year period (2015-2018)[38]. On the lower end of the spectrum, Bulgaria, Lithuania and Hungary are classified as "weak but improving", while Latvia, Romania and Slovakia, where net earnings have been growing less rapidly, are classified as "critical situations". Among the "best performers", net earnings in purchasing power standards are above 30 000 EUR in Luxembourg, Ireland and the United Kingdom. In these Member States, net earnings have been growing faster than in peer countries.

[37] As shown in Figure 15, BG, CZ, EE, HU, LT, LV, RO and SK are flagged in the 2019 Alert Mechanism Report as having nominal unit labour cost above the threshold set by the Macroeconomic Imbalances Procedure.

[38] Net earnings levels are measured in purchasing power standards (PPS) to allow a meaningful comparison across Member States. The changes are measured in national currency and in real terms. This indicator should be read and interpreted in conjunction with other indicators, such as the in-work poverty risk rate, the ratio between the fifth and the first decile of the wage distribution (D5/D1) and other relevant EPM/SPPM and JAF indicators.

Figure 15: Net earnings have been increasing rapidly in Central and Eastern Europe, thus supporting upwards convergence

Net earnings and yearly change – average over three years (Social Scoreboard headline indicator)



Source: Tax and benefits database (own calculations). Period: 2018 levels (3-year average) and average yearly changes 2015-2018. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Member States marked with an asterisk are those where nominal unit labour cost (NULC) exceeded the threshold set by the Macroeconomic Imbalances Procedure (MIP). The MIP scoreboard indicator is the percentage change over three years of NULC. The threshold is 9% for the euro area countries and 12% for the non-euro area countries. Data not available for Cyprus.

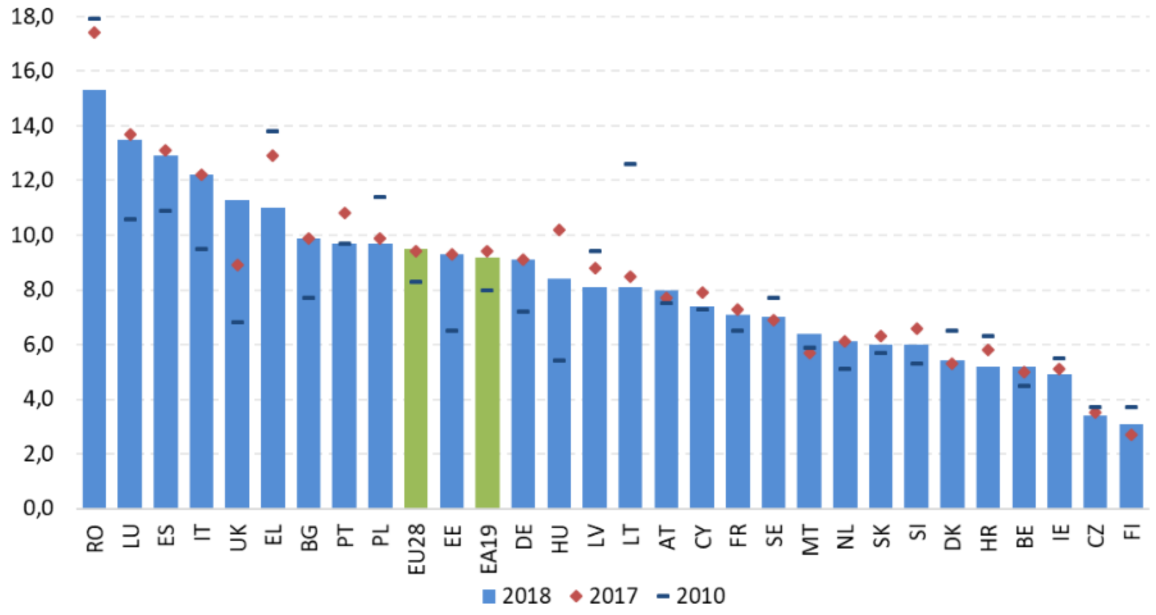
Wage inequalities have remained broadly stable over the medium term. Wage growth, especially at the bottom of the wage scale, plays an important role in sustaining demand, reducing income inequalities and in-work poverty risk. Dispersion of gross earnings, measured as the ratio between the fifth and first decile (D5/D1), ranged in 2017 from 1.33 in Sweden to 2.02 in Ireland (based on OECD data). Wage setting institutions can have an impact on wage dispersion. In particular, stronger collective bargaining tends to be associated with a lower earnings inequality (European Commission, 2018[39]). Collective bargaining coverage varies widely across Europe, reflecting different national traditions and institutions. In 2016, the share of employees covered by any form of collective wage agreement, as computed by OECD, ranged from 98% in Austria to 7.1% in Lithuania.

Wage dynamics have also an impact on the risk of in-work poverty, which remains at historically high levels in most Member States. The share of persons who, while being at work, have an equivalised household disposable income below the risk-of-poverty threshold rose in the EU from 8.3% in 2010, to 9.6% in 2016. Since then, it remained broadly stable and stood at 9.5% on average in 2018. The highest level was recorded in Romania (15.3%),

39 European Commission (2018). Labour Market and Wage Developments in Europe. Annual review 2018. Luxembourg: Publications Office of the European Union.

followed by Luxembourg, Spain, Italy, the United Kingdom and Greece – all above 11%. At the other end of the spectrum, the in-work poverty risk rate is below 4% in Finland and Czechia. The fastest decline compared to 2017 was registered in Romania, Greece and Hungary (around 2 pp). The in-work poverty risk is strongly associated with the type of contract: in 2018, 16.2% of the employees with a temporary contract were at risk of poverty, against 6.1% of those with a permanent contract.

Figure 16: In-work poverty remains above 2010 levels in the majority of Member States.
In-work at-risk-of-poverty rate, multiannual comparison



Source: Eurostat, SILC.

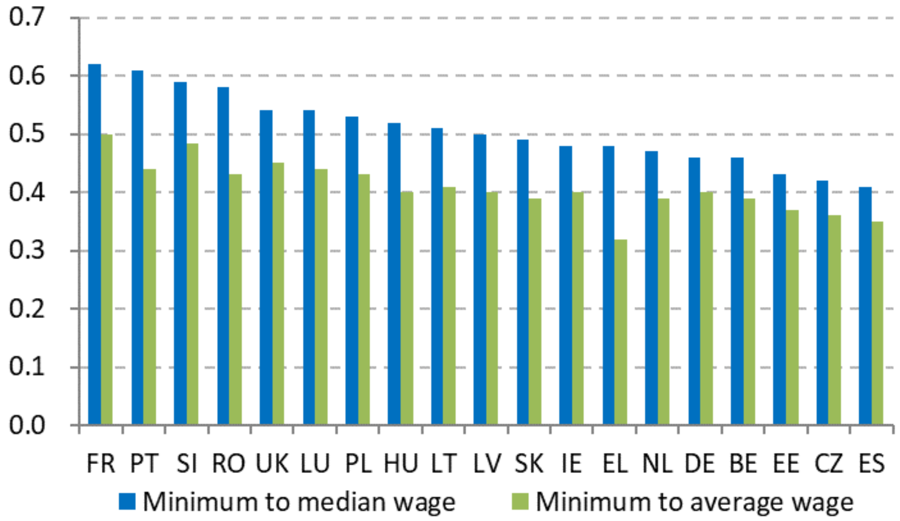
In most Member States, wage floors set a lower bound to the wage distribution. This is usually set by national statutory minimum wages (with the exception of Austria, Cyprus, Denmark, Finland, Italy and Sweden). Adequate minimum wages, whether statutory or collectively bargained at sectoral level, serve to multiple purposes: they reduce wage inequality, they represent an incentive to work, they may help reduce in-work poverty and they support aggregate demand by increasing the income of low-wage earning families, which have a higher propensity to consume. Transparent and predictable minimum wages also contribute to a business environment that supports investment and job creation, while avoiding unfair competition. At the same time, minimum wages increase the cost of hiring low-wage workers, which, depending on the structure of the economy and the macroeconomic situation, may have an impact on the employment opportunities of some groups. To take all these factors into account, in most Member States social partners are involved in minimum wage setting. In some countries, expert commissions are also involved in the process. For instance, this happens in all countries that introduced a statutory minimum wage (Germany, Ireland and the United Kingdom) in the recent past. Figure 17 shows the minimum wage as a percentage of the median and average wage[40] across the EU in 2018. The highest minimum wages, as a ratio to the median, are recorded in France, Portugal, Slovenia and Romania,

[40] For international comparison, the absolute level of the minimum wage is not a very useful measure because it does not take into account cross-country differences in labour productivity and prices.

while the lowest are observed in Spain, Czechia and Estonia. As the potential impact of the minimum wage on both employment and living conditions is higher when a large share of the workforce is covered, this indicator should also be taken into account. In 2016, the proportion of those earning the statutory minimum wage or less stood at 7.2% in the median EU Member State (see Figure 18), with large differences across countries (from around 2% in Czechia and Malta to more than 12% in Poland and the United Kingdom).

Figure 17: Minimum wages in Europe range between one-third and half the average wage.

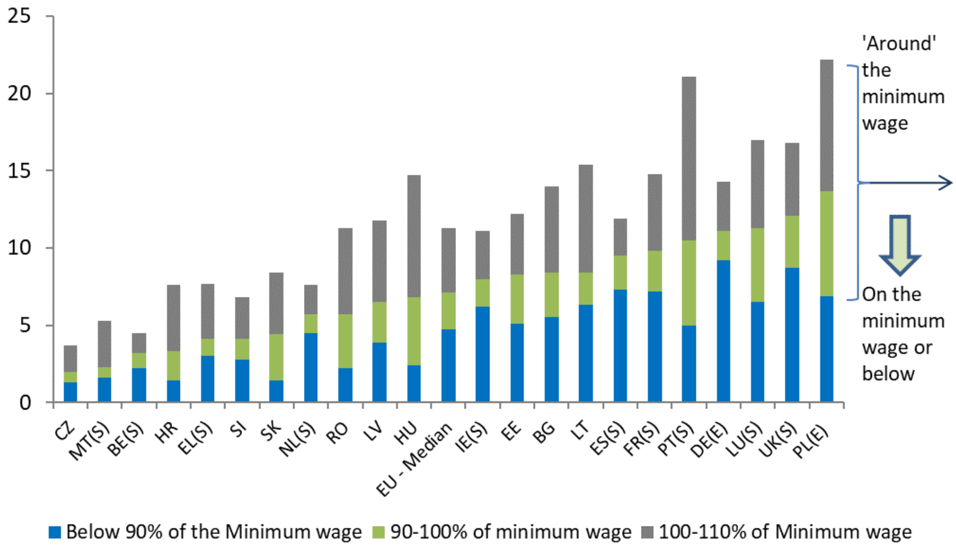
Minimum wages as proportion of the median and average earnings of full-time workers (2018)



Source: OECD. Notes: AT, CY, DK, FI, IT and SE do not have a statutory national minimum wage. For BG, HR and MT no information is provided by the OECD.

Figure 18: The share of workers earning the minimum wage varies widely across Member States.

Proportion of workers earning a certain share of the national minimum wages

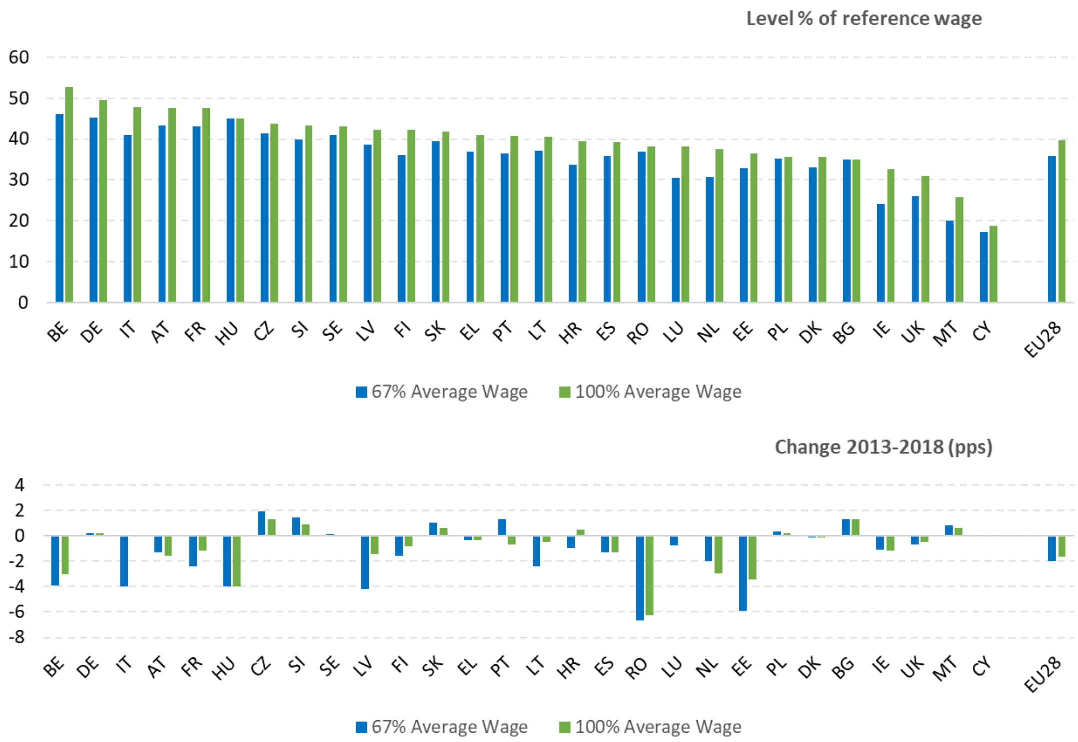


Source: Eurofound, Minimum wages in 2019: Annual review.

In Central and Eastern Europe, increasing pressures on wages have been affecting all levels of wage setting, including minimum wages[41] [42]. Minimum wage earners saw an increase in their pay in almost all EU countries in 2019. On average, higher increases were registered in Central and Eastern Europe, where labour shortages have been emerging in recent years. However, the highest increases in nominal terms were recorded in Spain (22.3%) and Greece (10.9%), even if in the latter country, the minimum wage is still well below the pre-crisis level. Women continue to be significantly overrepresented among minimum wage earners in almost all EU countries – with the exception of Estonia and Bulgaria, where there is a relative gender balance. In 2017, the highest degrees of female overrepresentation among the minimum wage earners were found in Malta, the Netherlands, Czechia, Slovakia, Croatia and Belgium[43].

Figure 19: The tax wedge has been generally declining, especially for low-wage earners.

Tax wedge on labour, level in 2018 and change 2013/2018



Source: Tax and benefits database, European Commission/OECD. Note: Data are for single earners without children. Data updated on 17 June 2019. EU 28 is a non-weighted average.

The tax burden on labour continues an overall gradual downward trend. In 2018, reductions in the tax wedge for single workers earning the average wage were most significant in Romania (-4.7 pps), Estonia (-2.5 pps) and Hungary (-1.1 pps). The tax wedge

[41] Eurofound (2019) Annual review of working life 2018, Publications Office of the European Union, Luxembourg.

[42] Eurofound (2019) Minimum wages in 2019: Annual review, Publications Office of the European Union, Luxembourg.

[43] Eurofound calculations based on Eurostat SILC data.

increased in more than half of the EU Member States but generally to a very limited extent – the highest increases were registered in Bulgaria (0.6 pps) and Malta (0.4 pps). Overall, differences across countries remain sizeable (see Figure 19). The tax wedge ranges from less than 30% in Cyprus and Malta to around 50% in Belgium, Germany, Italy, France and Austria. A similar dispersion can be observed for low wage workers (defined as those earning 67% of the average wage), though different country patterns emerge as concerns the progressivity of tax rates. The long-term reduction trend in the tax wedge is particularly marked for low-income earners. Between 2013 and 2018, the non-weighted average tax wedge decreased in the EU on average by 1.7 pps (and by 2.0 pps for low-wage workers), with large reductions for both income groups in Romania, Hungary, Estonia and Belgium. Substantial reductions for low-income workers were recorded for Italy and France, as well as in Lithuania and Latvia. For the latter two countries, this reflects the introduction of progressive personal income tax schedules. Over the long term, some convergence in tax rates can be observed, even if the tax wedge increased in some countries where it was comparatively high (e.g. Germany, Slovenia, Czechia), while it was reduced in some countries where it was relatively low (e.g. Ireland and the United Kingdom) [44]. In September 2015, the Eurogroup agreed on a benchmarking of euro area Member States' tax burden on labour compared to the GDP-weighted average. The aim is to further inform and support reforms in the area of labour taxation. As part of this exercise, the Eurogroup looks at the tax wedge on labour for a single worker at the average wage and a single worker at a low wage[45].

3.1.2 Policy response

As the labour market conditions improve, employment subsidies tend to be scaled down. Nonetheless, in many Member States, financial incentives remain in place to promote labour market integration of specific groups. For instance, in Belgium, under certain circumstances, employers of young employees (less than 21 years) can reduce their gross wage, the difference being compensated by a premium paid from the government to the employee. In Flanders (Belgium), the government strengthened targeted measures for older workers, for low-educated young people and for persons with disabilities. In France, the experimental subsidies for enterprises hiring residents of the most deprived urban areas are being gradually extended, including in Outermost regions. In Germany, under the *Teilhabechancengesetz* programme, in case of hiring of long-term unemployed, the State pays 75% of their wage in the first year and 50% in the second year. In Cyprus, under the apprenticeship programme for new graduates, apprentice lawyers, architects or engineers will be provided a monthly training allowance of EUR 650. Incentives are also provided for the employment of persons with disabilities. In Portugal, as part of the "Action Programme to tackle precariousness and foster collective bargaining", support is provided to companies that hire simultaneously a young unemployed (or looking for a first job) and a long-term unemployed older person under a permanent contract. Support includes partial or total exemptions of payments to social security. Subsidies are also in place if professional traineeships are converted into permanent contracts for young people and long-term unemployed (changes were introduced in 2019 to streamline the application process). In Romania, employers who hire graduates with a

[44] More information on recent trends including on different income groups can be found in: Tax Policies in the European Union – 2019 Survey, European Commission, DG TAXUD.

[45] Low wage is measured at 50% of the average wage in the Eurogroup exercise and at 67% of the average in the Joint Assessment Framework, as agreed by the EMCO and SPC Committees. While both indicators are acceptable, the latter is used in the 2020 JER.

permanent contract receive for each employee a monthly amount of RON 2250 lei (about EUR 475), for a period of 12 months (18 months for graduates with disabilities). The same amount is also granted for hiring unemployed aged over 45 years, unemployed single parents, long-term unemployed or young NEETs. Finally, the same amount can be granted (from the unemployment insurance budget) to employers who conclude an apprenticeship or traineeship contract. In Sweden, a new measure aimed at newly arrived and long-term unemployed is under discussion, where the State would subsidise a bit more than half of the wage cost. More details on measures targeted at specific groups can be found in section 3.2.

Some Member States supported employment and labour income by reducing the tax wedge. In some cases, policy measures can also include changes in social security contributions. In Spain, several tax reliefs were adopted in 2018, including a full tax exemption of the maternity and paternity allowances, a deduction of expenses in early childhood education and childcare and deductions for taxpayers living with a dependent partner. In France, the former *CICE* (tax credit for employment and competitiveness) was transformed into a direct reduction of social security contributions of 6 pps on wages up to 2.5 times the minimum wage. In addition, a decrease by 3.9 pps of employers' social security contributions will be applied for low wages. In Italy, a 15% flat tax was introduced for small businesses, professionals and artisans who declare revenues up to EUR 65 000. In Lithuania, in the frame of a major reform introducing a progressive personal income tax, the tax wedge on low and middle income earners will be reduced over a 3-year horizon. The labour taxation system is also being simplified, with an exemption of social security contributions for low-wage earners, including for the main pension scheme, coupled with an increase of the general social security contribution (CSG). In Hungary, employers' social security contributions were cut in 2019 from 19.5% to 17.5%. Moreover, no contributions have to be paid on labour income of pensioners, so to promote their participation to the labour market. Poland adopted a tax relief for young people under 26 years of age. In Malta, as part of the Making Work Pay initiative, the 2019 budget confirmed the cheque of EUR 40 to 68 for all individuals in employment earning less than EUR 60 000. The minimum contribution for the self-employed was raised by 1.9% in 2019, to finance an increase in protection, in terms of both coverage and duration. In Slovenia, the holiday allowance was exempted from income taxes and social security contributions up to the amount of the average wage.

Several Member States are taking steps to improve the strength and transparency of the frameworks for wage setting and collective bargaining. In Greece, the principles of extension of collective agreements and of favourability (i.e. the possibility to depart from agreements only in favour of the employee) were restored. This has resulted so far in the extension of fifteen collective arrangements, covering more than 220 000 workers. In Croatia, legislation is under discussion to better harmonise wage setting across the state administration through the introduction of common wage grids and job complexity coefficients. The new legislation would also cover areas of the employment relationship of civil servants that are currently negotiated through collective bargaining, conditional upon the implementation of a new performance evaluation system. Latvia amended its labour law to facilitate sectoral bipartite agreements, by allowing them to derogate, under certain conditions, from the 100% supplement for overtime. In Lithuania, a draft bill aims to clarify the legal environment for social dialogue and collective bargaining at national, sectoral or administrative levels. Moreover, in order to strengthen the financial capacity of social partners, tax payers will have the possibility to devote 1 percent of their personal income tax to trade unions. In Slovakia, following an amendment to the labour code, employees are now allowed to share publicly their salary levels, which cannot be concealed by contract.

In 2019, minimum wages increased in almost all Member States that have national statutory levels. An overview of the updates occurred in 2019 can be found in Table 2. For instance, in Estonia, the gross minimum wage was increased to EUR 540 in January 2019 from EUR 500 in 2018. The social partners agreed that until 2022 increases in the minimum wage would be calculated annually on the basis of labour productivity and economic growth. In Greece, the government increased the statutory minimum wage by 10.9% and abolished the sub-minimum wage for persons aged under 25. This is the first increase since 2012. In Spain, the statutory minimum wage was raised up to 12 600 EUR per year, as a result of a political agreement (without the social partners). In parallel, the Government announced the increase of the public wages by at least 2.25% in 2019, to be further increased by maximum 0.5 pp depending on the GDP growth. In Croatia, the minimum gross salary increased from KN 3440 to KN 3750 (approximately EUR 460 to EUR 505) – the highest increase since 2008. In Lithuania, the minimum salary was increased from monthly EUR 400 to 430, but following the personal income tax reform, this amounts to EUR 555. Slovakia's minimum wage increased from EUR 480 to 520. In Latvia, while the national minimum wage was not increased, minimum wages were updated upwards in the building sector and in the teaching sector. In Poland, the government announced major increases in the minimum wage, which would almost double in nominal terms over the next five years (from 2250 PLN in 2019 to 4000 in 2024, i.e. from around EUR 525 to EUR 930). Finally, Italy and Cyprus are discussing proposals to introduce a statutory minimum wage by law. In Italy, a draft law proposes the introduction of a gross minimum hourly wage of EUR 9. In Cyprus, the government announced its intention to introduce a flat minimum wage once the economy reaches a stage of full employment, with an unemployment rate of 5%. According to forecasts, this is expected by 2020-2021.

Table 2: Monthly minimum wage updates in 2019 (in EUR)

Country	2018	2019	Nominal increase	Real increase
Belgium	1 562.59	1 593.76	2.0%	0.2%
Bulgaria	260.76	286.33	9.8%	7.4%
Croatia	462.10	505.90	9.5%	8.4%
Czechia	477.78	518.97	8.6%	7.2%
Estonia	500.00	540.00	8.0%	5.0%
France	1 498.47	1 521.22	1.5%	0.1%
Germany	1 497.79	1 557.09	4.0%	2.2%
Greece	683.76	758.33	10.9%	10.4%
Hungary	444.69	464.20	4.4%	5.0%
Ireland	1 613.95	1 656.20	2.6%	1.8%
Latvia	430.00	430.00	0.0%	-2.9%
Lithuania	400.00	555.00 (430.00)	7.5%	5.0%
Luxembourg	1 998.59	2 071.10	3.6%	2.0%
Malta	747.54	761.97	1.9%	0.9%
Netherlands	1 578.00	1 615.80	2.4%	0.4%
Poland	502.75	523.09	4.1%	6.4%
Portugal	676.67	700.00	3.5%	2.8%
Romania	407.86	446.02	9.4%	6.0%
Slovakia	480.00	520.00	8.3%	6.0%
Slovenia	842.79	886.63	5.2%	3.9%
Spain	858.55	1 050.00	22.3%	21.1%
United Kingdom	1 638.36	1 746.73	4.9%	2.4%

Source: Eurofound calculations. Harmonised figures on gross monthly wages in euro applicable to full-time working employees at the full adult rate. When converted in euro, real changes in the minimum wage in HU and PL are higher than nominal changes due to devaluations of the Hungarian forint and Polish złoty.

3.2. 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 conditions to promote labour supply, skills and competences. It presents indicators about educational and training attainment, outcomes and impact on skills development and the employability of the workforce. It then looks at labour market outcomes for various groups underrepresented in the labour market (e.g. young people, older workers, women, people with a migrant background and people with disabilities). Section 3.2.2 reports on policy measures of Member States in these areas and measures targeted at those groups.

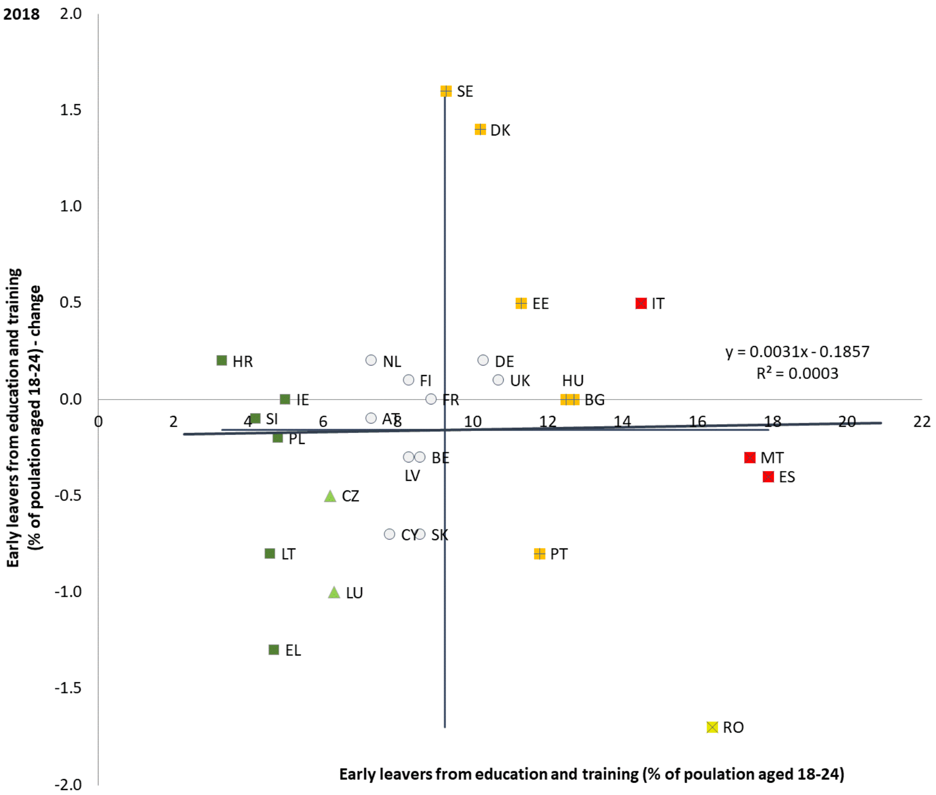
3.2.1 Key indicators

After a long period of uninterrupted progress, the share of early leavers from education and training[46] has stagnated over the past two years. Reducing the early school-leaving rate is part of the education headline targets in the Europe 2020 strategy. Member States agreed to reduce the EU average early school-leaving rate to below 10% by 2020, starting from 14.7% in 2008. This share constantly declined until 2016, when it reached 10.7%. Since then, no major improvements have been recorded, with this indicator being stable at 10.6% both in 2017 and in 2018. As Figure 20 shows, the situation has remained almost unchanged in around half of the Member States, with annual fluctuations ranging between +0.2 and -0.2 percentage points. Major improvements were nonetheless registered in Romania (-1.7 pps), Greece (-1.3 pps) and Luxembourg (-1 pp), while Sweden and Denmark have seen their share of early school leavers increasing by 1.6 and 1.4 percentage points respectively. Looking at the evolution in Member States that are flagged as "critical" (according to the Social Scoreboard classification), that is Malta, Spain and Italy, two different pictures arise. While the first two countries show a positive trend between 2017 and 2018, with a reduction of their early school leaving rate by -0.3 and -0.4 pps respectively, the percentage of early leavers in Italy has further increased, reaching 14.5% (+0.5 pps). In 2018, 17 Member States recorded early school leaving rates below 10%. The rate was still much higher than the EU target (and above the respective national targets) in Spain (17.9%), Malta (17.4%) and Romania (16.4%), while it was equal or below 5% in Ireland, Poland, Greece, Lithuania, Slovenia and Croatia. Over a decade (Figure 21), the early school-leaving rate dropped most in Portugal, Spain, Greece, Ireland and Malta, while it went considerably up in Slovakia and Sweden, although it remains below the Europe 2020 benchmark in these two countries. A number of Member States show large regional disparities in early school leaving rates (see Annex 3).

[46] The share of early leavers from education and training is defined as the share of 18- to 24-year-olds with at most lower secondary education and not in further education and training.

Figure 20: Early school leaving rates differ considerably amongst Member States

Early leavers from education and training (% of population aged 18-24) and yearly change (Social Scoreboard headline indicator)



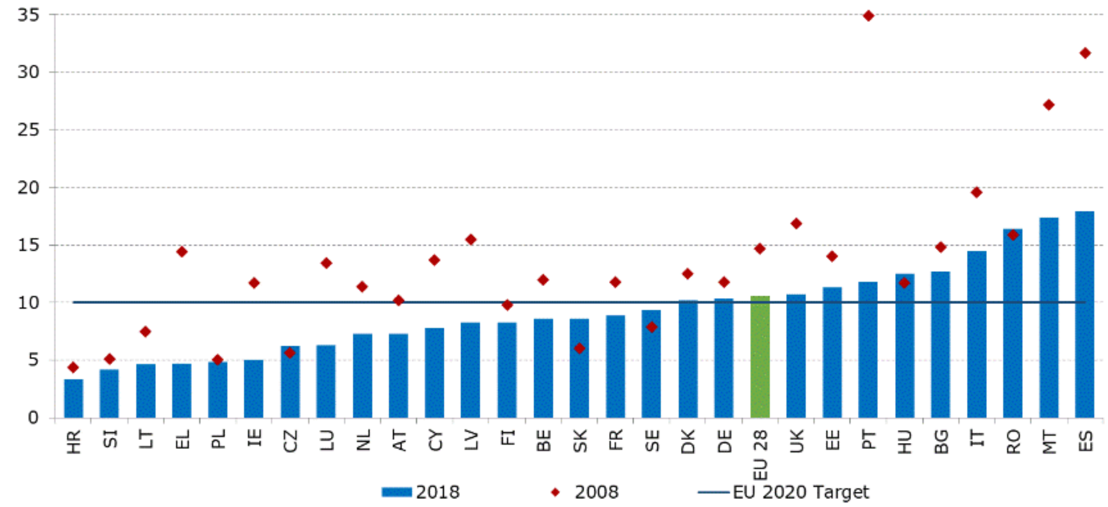
Source: Eurostat. Period: 2018 levels and yearly changes with respect to 2017. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Breaks in series for BE, DK, IE and MT.

Early school leaving rates diverge significantly between different population groups. On average, fewer women leave education and training prematurely than their male counterparts (8.9% compared to 12.2%). This gender gap of 3.3 pps has remained broadly constant over the last decade (closing by only 0.7 pps since 2008). Country of birth significantly influences early school leaving patterns: native-born people show lower early leaving rates than those born in another EU country (9.5% compared to 19.2%); the gap is even broader for those born outside the EU, who record a 20.7% early school leaving rate. However, for the latter group the gap decreased by 8.9 pps since 2008.

Early school leaving is an obstacle to economic growth and employment. Young people who leave education and training prematurely are bound to lack knowledge, competences and qualifications, and to face serious, persistent problems on the labour market. In 2018, 53.8% of early leavers from education and training were either unemployed or inactive. Consequently, they are also more at risk of poverty or social exclusion.

Figure 21: Despite substantial progress, the Europe 2020 early school-leaving target has not been reached yet

Early leavers from education and training, 2009-2018 and EU 2020 target (%)



Source: Eurostat, LFS, online data code: [edat_lfse_14].
Note: All countries: break in time series in 2014 (switch from ISCED 1997 to ISCED 2011); the change of ISCED has no impact on the comparability over time of this indicator for all Member States, except Estonia.

More than one in five pupils does not have the minimum basic skills required at their age, highlighting the urgent need to improve education systems. The 2018 OECD Programme for International Student Assessments (PISA) shows that on average in the EU performance has further decreased across all domains since 2015[47]. In 2018, 21.7% of European students were low achievers[48] in reading, 22.4% in mathematics and 21.6% in science. However, there are striking differences among Member States. Whereas Estonia, Ireland, Finland and Poland featured less than 15% of low achievers in reading, Bulgaria, Cyprus, Romania, Malta, Slovakia and Greece struggled with more than 30% of students who failed to reach basic proficiency levels in reading. Educational outcomes remain strongly influenced by students' socio-economic status and migrant background indicating that education is not sufficiently working as a force for social mobility. Students with lower socio-economic status or with a migrant background are overrepresented among the group of low achievers and struggle to obtain baseline proficiency in all three domains. In all Member States, students who are at the bottom socio-economic quarter are less likely to attain the minimum level of proficiency in reading than their peers who are in the top socio-economic quarter. Bulgaria, Romania, Hungary, Slovakia and Luxembourg show the biggest gaps between these two groups, while the socio economic background of pupils affects students' outcomes less in Estonia, Finland and Ireland.

Roma inclusion in education remains a challenge, due to several factors, including school segregation, non-inclusive teaching and barriers induced by severe poverty or housing segregation. Despite efforts to increase participation rates and reduce drop-out, less than one Roma child out of five transits to higher levels of education. Absenteeism and early-school

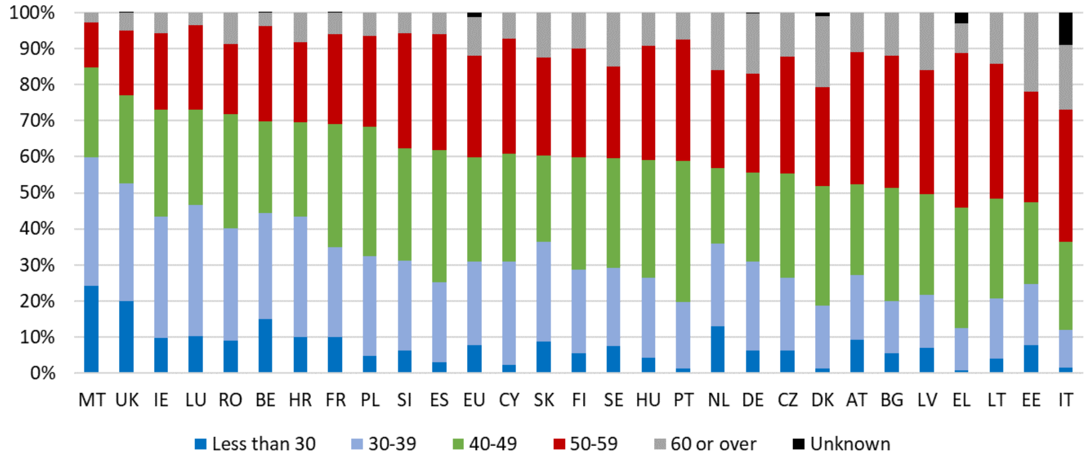
[47] The OECD's Programme for International Student Assessment (PISA) survey of basic competences of 15 year-old is conducted every three years.

[48] PISA defines "low achievers" as those 15-year-old students who in basic skills score below the baseline level of proficiency that is required to participate fully in modern society (i.e. level 2).

leaving rates of Roma are with 70% significantly higher than for other categories of pupils and the Europe 2020 early school leavers target of 10%[49].

Figure 22: Member States' teaching workforce is ageing

Secondary education classroom teachers by age groups (ISCED 2-3), 2017



Source: Eurostat, UOE, online data code: [educ_uoe_perp01]. Ranked from the lowest to the highest share of teachers aged 50 or over. IE only includes data on upper secondary classroom teachers. DK only on lower secondary teachers.

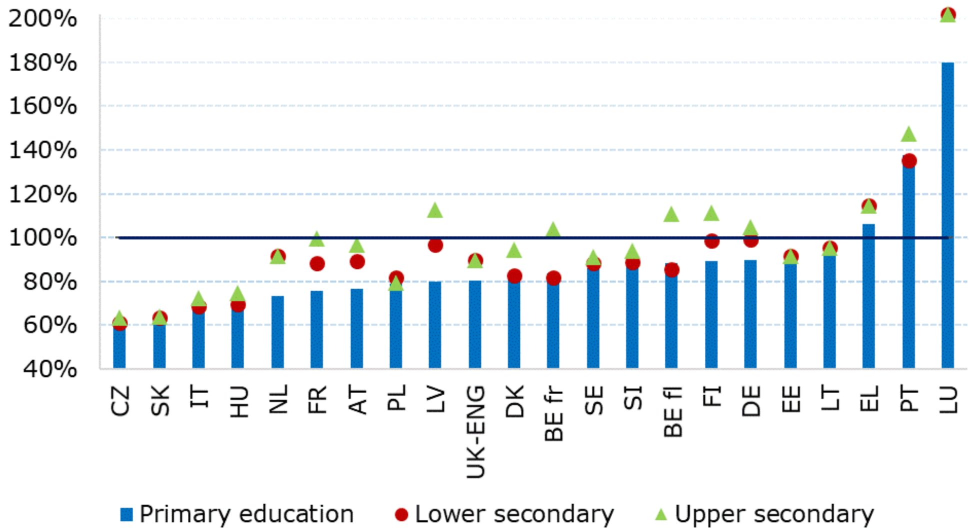
Several Member States lack an adequate number of high-qualified teachers and the teaching population is ageing. In 2017, there were about 8.8 million teachers and academic staff in all education levels in the EU. According to the 2018 OECD Teaching and Learning International Survey (TALIS)[50], 34% of lower-secondary teachers work in schools with at least 10% of special-needs students, 19% in schools with more than 30% of students from socio-economically disadvantaged homes; and 32% in schools with at least 1% of refugee students. Nevertheless, 23.5% of school principals report a shortage of teachers with competences in teaching in a multicultural or multilingual setting, and 37.8% report a shortage of teachers with competences in teaching students with special needs. In addition, the supply of high-qualified teachers in each subject matter as well as an increasing ageing teaching population represent major challenges in many Member States. On average, 32.8% of primary school teachers and 39% of secondary school teachers were at least 50 years old. When looking specifically at secondary school, Italy, Greece, Estonia, Lithuania, and Latvia are the countries most affected by ageing, and they will have to replace about half of their teaching workforce in the next decade or so (Figure 22).

[49] FRA EU MIDIS II survey (2016).

[50] OECD (2018), Teaching and Learning International Survey (TALIS) http://www.oecd.org/education/talis/.

Figure 23: Teachers often earn less than average tertiary-educated workers

Salaries of teachers, relative to average earnings for workers with tertiary education, 2016*



Source: OECD (2018), Education at a Glance 2018. *Reference year 2015 for Czechia and Finland; 2014 for France, Italy, Lithuania, the Netherlands. Data not available for BE, BG, CY, IE, ES, MT, HR and RO.

The teaching profession is often not particularly attractive. Teachers often earn significantly less than the average for tertiary-educated workers (Figure 23). In particular, in Czechia, Slovakia, Italy and Hungary, teachers at all education levels earn on average less than 80% of what other tertiary-educated workers do. Only in Luxembourg, Portugal and Greece, teacher salaries at all levels of education exceed those of other tertiary graduates, while in Latvia, Finland and Germany this happens exclusively at upper secondary level. A sizable number of employees in education also experience challenging working conditions. According to a classification based on the sixth European Working Conditions Survey[51,52], one in five of them (19%) falls under the 'under pressure' job quality profile, 4% are in the 'poor quality' bracket. Furthermore, the teaching profession seems to be unattractive to men. Teachers in Europe are predominantly women: they represent 95.7% of pre-primary, 85.5% of primary and 64.7% of secondary school teachers. Finally, induction and mentoring programmes at the early stages of teachers' career as well as continuing professional development opportunities could be further improved to enhance the attractiveness of the teaching profession. Although, according to the OECD TALIS 2018 survey, over 92% of teachers across the EU regularly participate in continuing professional development, they also report that conflict with work schedules, lack of incentives, cost of training or mismatch between offer and real needs represent important barriers to their active participation in this kind of activities.

The EU as a whole has reached its 40% tertiary education attainment headline target two years before schedule. In 2018, the share of population aged 30-34 who successfully completed tertiary or equivalent education was 40.7% (Figure 24). While all Member States

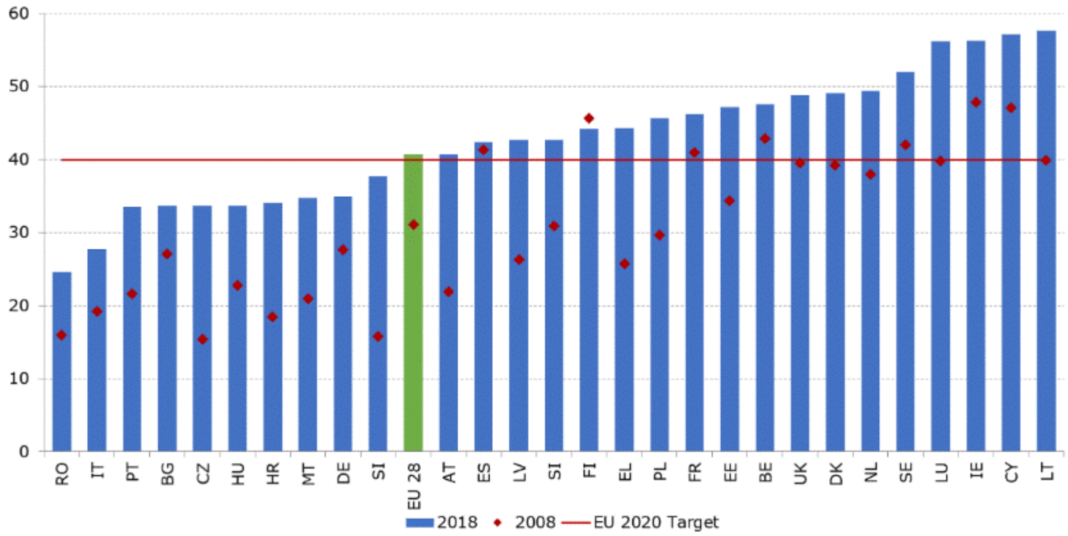
[51] Eurofound (2017), Social dialogue developments in the education sector in Europe, EurWORK topical update, 9 January 2017. Based on data from the 6th European Working Conditions Survey.

[52] Eurofound (2016), Sixth European Working Conditions Survey – Overview report, Publication Office of the EU, Luxembourg.

have improved over the last decade, ten of them still had tertiary attainment rates below the Europe 2020 target in 2018. Romania and Italy, the two Member States with the lowest shares of tertiary graduates (24.6% and 27.8% respectively), registered progress by respectively 53% and 45% since 2008, against an overall progress rate of 31% at EU level over the same period. In Slovakia and Czechia, the tertiary attainment rates have more than doubled since 2008. Moreover, in countries such as Sweden, Luxembourg, Ireland, Cyprus and Lithuania, more than 50% of the population aged 30-34 holds a tertiary degree. This is encouraging, as young recent graduates with tertiary education tend to have a considerably higher rate of employment than their peers that hold lower levels of qualification. Nevertheless, considerable disparities in attainment rates persist on average in the EU between men and women (35.7% versus 45.8% in 2018), and the gap has been continuously increasing over the past decade. Despite improvements, in 2018, country of birth still influences tertiary attainment, with people born outside the EU showing about 5 pps lower average tertiary attainment rates (35.8%) than EU-born people.

Figure 24: The Europe 2020 higher education target was met, though differences amongst Member States persist

Tertiary educational attainment, 2008, 2018 and EU 2020 target (%)



Source: Eurostat, LFS, online data code : [edat_lfse_03]. The indicators cover the share of the total population aged 30-34 having successfully completed tertiary education (ISCED 5-8). A break in series occurred in 2014 due to the introduction of the new ISCED classification; 2017 data for LU are unreliable because of the small sample size.

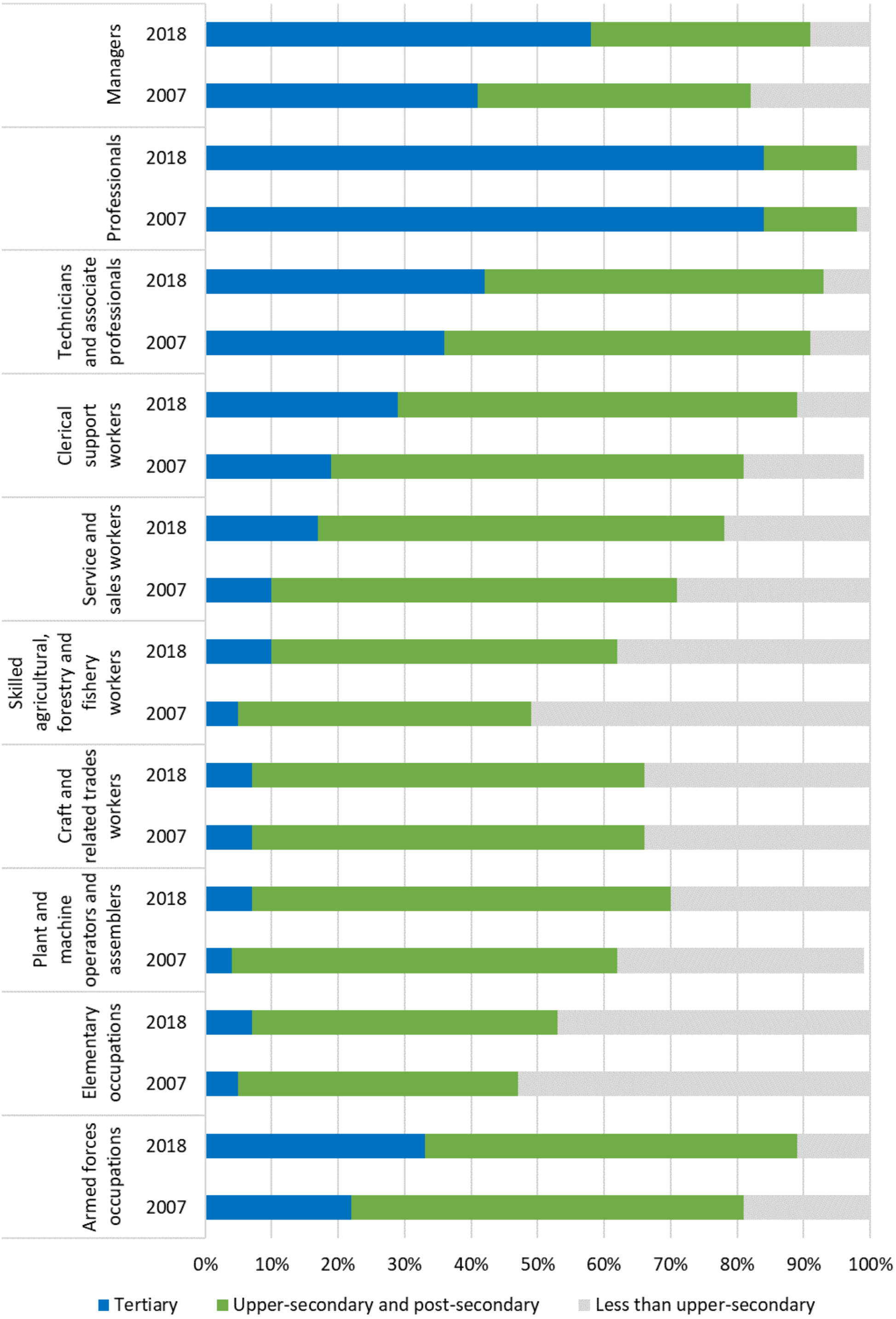
Investment needs in education and training are significant while spending in education has remained stable in recent years. Ensuring access to quality early education and care for all children, renovating schools to make them fit for new pedagogies and digital technologies, or attracting the best teachers with adequate salaries and professional development opportunities require appropriate investment in education and training systems. Nevertheless, in spite of increasing investment needs, spending in education has stagnated or even decreased in the last decade. In 2017, 4.6% of GDP was allocated to education and training on average in the EU. This ratio has been decreasing since 2009, when it was 5.2%. Moreover, considerable differences exist among Member States. While Sweden, Denmark and Belgium spend more than 6% of their GDP on education, Romania does not reach 3% of GDP. In addition, Ireland, Bulgaria, Slovakia, Greece, Italy and Spain spend between 3% and 4% of GDP. When measured as share of total public expenditure, spending on education in the EU in 2017 represented 10.2%, a figure that has remained stable since 2012, after falling by almost half a percentage point since the pre-crisis peak (10.6% in 2008). Only when looking at the real year-on-year change in terms of education expenditure, a slightly positive trend is registered at EU level (+ 0.5% between 2016 and 2017). Considering that the investment gap in terms of education infrastructure is projected to be at around EUR 500 billion by 2040[53], this stagnation in education expenditure represents an important issue. Mapping investment needs at Member State level in terms of education infrastructure and services, taking into consideration national specificities, may help to design smart and forward-looking investment strategies.

While medium-qualified workers still represent the largest share of total employment, the share of employment in medium level jobs is shrinking. Medium-qualified adults occupied the majority of jobs in all occupational groups, except for managers, professionals and jobs in elementary occupations (Figure 25). However, the share of employment in medium level occupations is declining as part of a long trend in the occupational composition of the labour market. In particular, between 2002 and 2018, on average, the share of medium level jobs declined in the EU by about 13 pps, while the shares of low- and high-level employment increased by 5 and 7 pps, respectively (European Commission, LMWD, 2019). In addition to changes in the demand for skills, a process of upskilling is also changing the skills supply. In particular, a significant expansion of tertiary educational attainment among the employed adult population took place, increasing the number of adults with such qualification level by nearly 23 million (an increase of almost 41%). As a result, there is a clear trend towards highly-educated labour in all level jobs, while workers with only low level education are getting less of the work available, not only in high level occupations but also in medium and (especially) low level occupations (European Commission, ESDE, 2018). The fast changing labour demand for more complex skills is contributing to more skill mismatches in many Member States (European Commission, LMWD, 2019).

[53] European Investment Bank (2018), EU Financing Policy in the Social Infrastructure Sectors. Implications for the EIB's sector and lending policy. Final report (https://institute.eib.org/wp-content/uploads/2018/11/EIB_Final-report.pdf).

Figure 25: Medium-qualified adults occupy the majority of jobs

Composition of labour and skills supply and demand, EU 28, 2007 and 2018

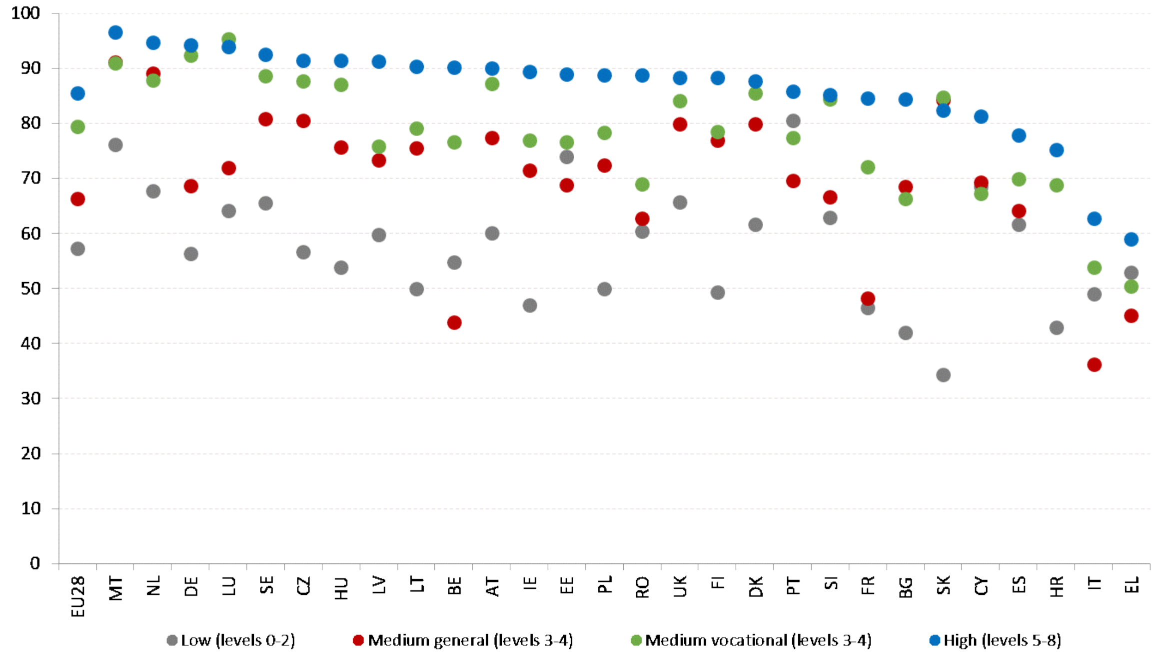


Source: Eurostat, EU LFS, online data code [lfsa_egised].

Higher education and vocational medium-level qualifications are correlated with higher employment rates. Low qualified adults are often at a disadvantage in the labour market compared to their peers who have stayed in education longer. In the EU, the ratio between low-qualified adults and the number of jobs requiring low levels of qualification is on average 3 to 1 (JER, 2019). In other words, there are three times more low-qualified adults compared to the jobs that require an only low level of qualification. This may eventually result for low-qualified people in weaker labour market attachment, higher incidence of precarious work and the risk to drift-away from the labour market altogether. On average, only 57% of those aged 20-34 with a low level of educational attainment (and not any longer in education or training) were employed in 2018. At the same time, the employment rate of recent graduates with a medium-level general qualification was 66.3%, of those with a medium-level vocational qualification 79.5% and of those with tertiary qualification 85.5%. The educational gaps in employment rates differ significantly across Member States and these gaps are generally larger when comparing people with low and medium education attainment (see Figure 26). In about half Member States, the employment rate for people with low education attainment is more than 20 pps lower than for people with medium education attainment.

Figure 26: Young graduates with higher education or vocational medium-level qualifications have better labour market perspectives

Employment rates of recent graduates aged 20-34 by educational attainment level, 2018 (%)

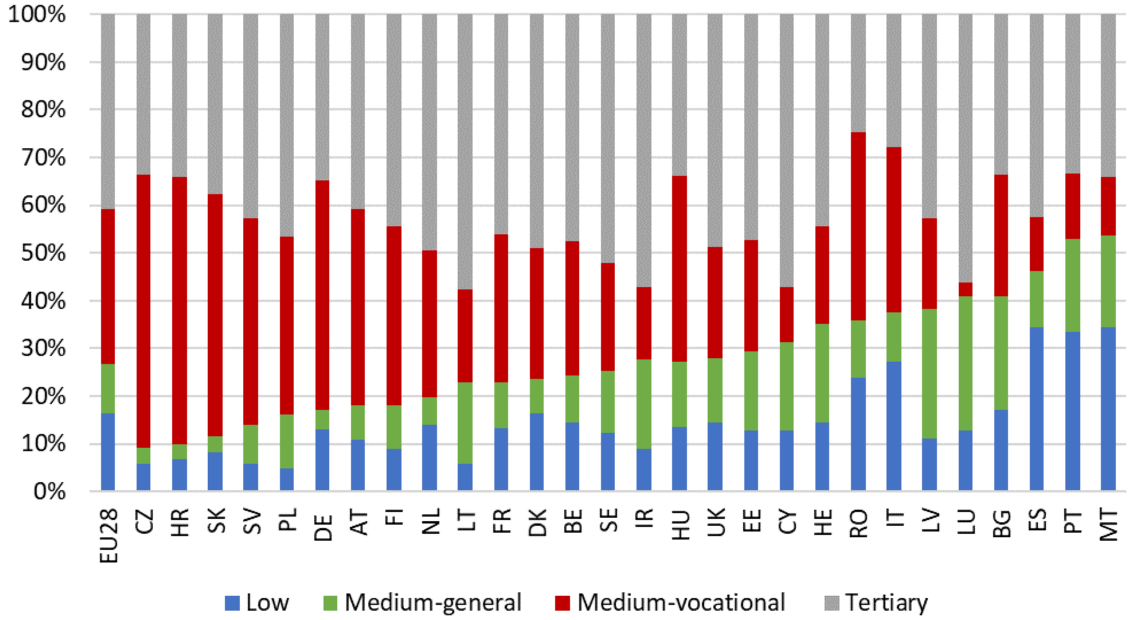


Source: Eurostat (EU-LFS, 2018, online data code [edat_lfse_24]). Reading notes: Data on the employment rate of low-qualified includes all young adults aged 20-34 not enrolled in education or training no matter how long ago they completed their education. Data for medium and highly qualified include only individuals who have graduated 1-3 years before the survey. The data exclude those still enrolled in education or training.

More than a quarter of young adults do not have a labour market relevant level of qualification. As shown in the previous paragraph, achieving a tertiary education degree or a medium-level qualification of vocational nature is correlated with a better employment rate performance. Nonetheless, 10.3% of people in the age group 30-34 (when the majority of young people have completed their initial education and training) have achieved a medium-level qualification of a general orientation, and 16.4% a qualification below an upper-secondary level diploma (i.e. low qualified). These figures suggest than more than a quarter of young adults in the EU do not attain a qualification with a direct labour market relevance. There are, nonetheless, significant differences among countries – for example, in Czechia or Croatia this share is less than 10%, whereas in Malta and Portugal, it is above 50% (Figure 27).

Figure 27: More than a quarter of young adults do not acquire a labour market relevant qualification level

Educational attainment level and orientation of young adults aged 30-34, 2018



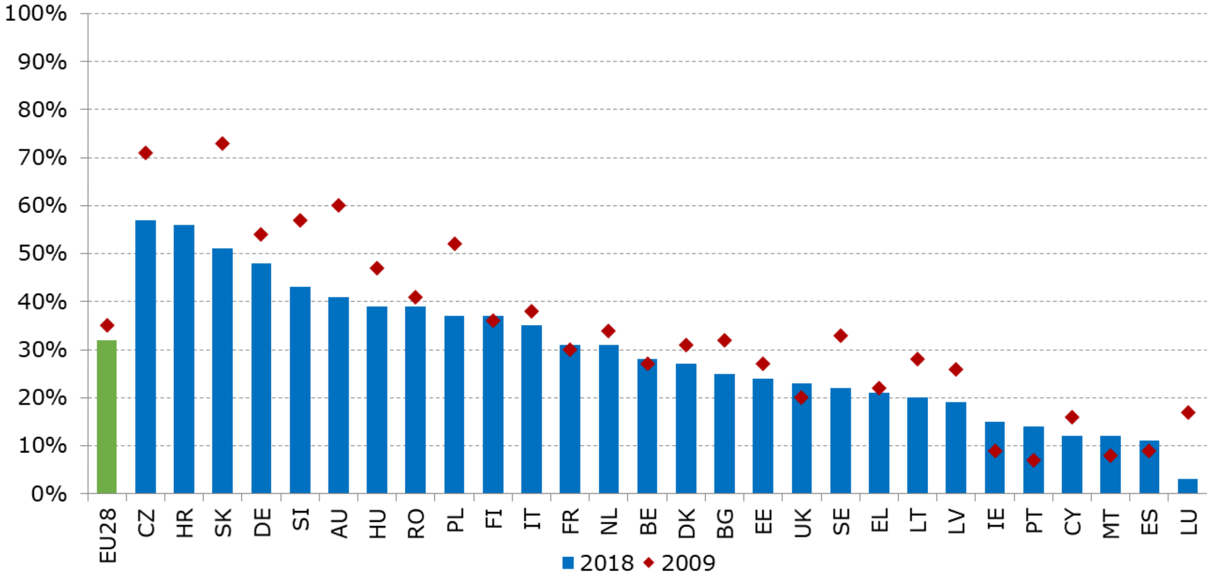
Source: Eurostat, LFS, online data source [edat_lfs_9914].

While medium-level vocational education and training (VET) has a great potential to adapt the provision of skills to labour market transformations, the share of young adults with this type of qualification is on the decline. Following a vocational education and training pathway opens up good employability perspectives on the labour market: 80% of VET graduates find their first long-term job within six month of finishing their studies[54]. However, the share of young adults with a medium-level VET qualification among 30-34 year olds has been declining in the EU from 35% in 2009 to 32.4% in 2018. This was a result of a combination of forces – including, on the one hand, the decline of early leavers from education and training and, on the other hand, increasing tertiary attainment. In many Member States, there is a persistent lack of attractiveness of VET careers – partly due to widespread misconceptions about VET, partly to real gaps in the quality and labour market relevance of vocational education and training programmes.

[54] CEDEFOP, 2012, From Education to working life. Labour market outcomes of vocational education and training. https://www.cedefop.europa.eu/files/3063_en.pdf

Figure 28: The share of young adults with a medium VET qualification is on the decline

Number of young adults aged 30-34 with a VET qualification and their share out of total cohort of 30-34 year olds, 2009-2018



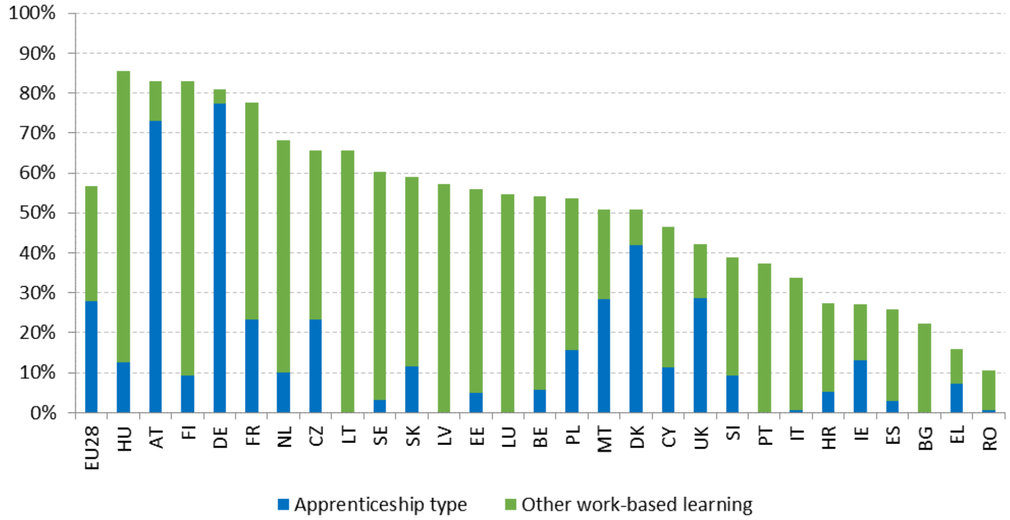
Source: Eurostat, LFS, online data code [edat_lfs_9914]. Reading notes: Data for 2009 is based on a LFS ad-hoc module on young people in the labour market. The definitions of VET in 2009 and 2018 might not be fully comparable, but both sources cover only VET at medium level (i.e. upper-secondary or post-secondary non-tertiary). Data for 2009 were provided by Eurostat as a special extraction for DG EMPL.

Apprenticeships and other forms of work-based learning considerably facilitate the transition of young adults into the labour market. In 2016, in the EU only 63.2% of young adults who were not exposed to work-based learning were employed, compared to 69.1% for those with mandatory traineeship experience and 83.7% for those with an apprenticeship experience. However, only 56.7% of young adults graduating from vocational education and training reported to have been exposed to work-based learning in 2016, with 27.8% being part of an apprenticeship-type programme and 28.9% having profited from other types of work-based learning. This evidence suggests that, in order to enhance work-based learning and thus the quality and labour market relevance of VET, vocational education and training provision could embed stable core elements and flexible elements in order to provide learners with the job-specific skills and key competences that are needed on the labour market. This could be achieved through a learning outcomes-based approach, practical and on-the-job training.[55]

[55] Opinion of the Advisory Committee on Vocational Training on the future of VET, 2019

Figure 29: Only about half of VET students are exposed to work-based learning

Exposure of young adults (aged 15-34) with a medium-level vocational education and training qualifications to work-based learning, 2016



Source; Eurostat, LFS ad-hoc module on young people in the labour market, 2016, online data code [lfso_16feduc]. Reading note: VET at medium level includes upper-secondary or post-secondary non-tertiary education and training.

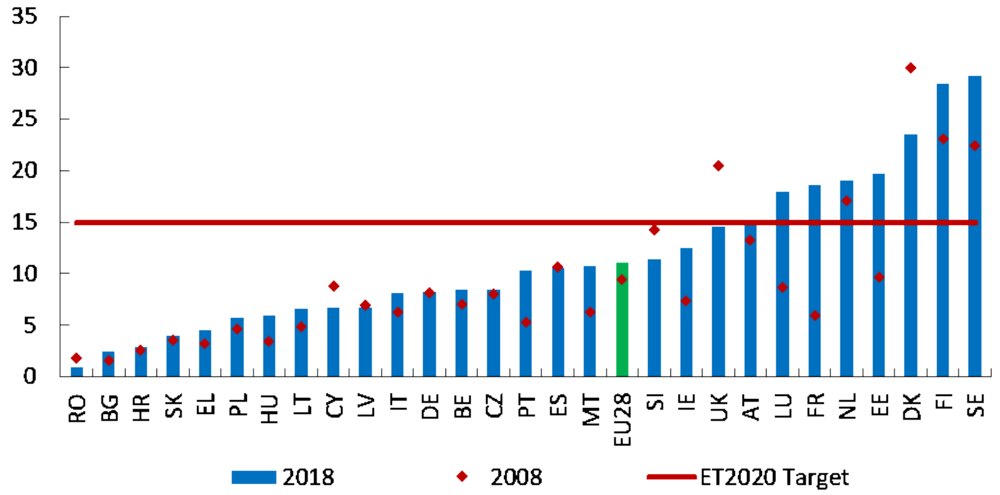
There is significant scope for enhancing access and stimulating learning among the adult population.[56] The Council set a benchmark as part of the Education and Training Strategy 2020 aiming to make sure that at least 15% of the adult population (aged 25-64) have undertaken education or training in the last four weeks before the survey. There was little progress on this indicator in the EU between 2008 and 2018: participation in adult learning increased only by 1.7 pps from 9.4% to 11.1%, falling short of the ET 2020 target (Figure 30). These figures may represent a significant barrier for the effectiveness of ALMPs (also see section 3.3). The lowest adult learning rates are observed in Romania, Bulgaria, Croatia, Slovakia, Greece and Poland (below 5% of adult population), while the highest rates are observed in Sweden, Finland and Denmark (above 20%). Nine Member States (including, the United Kingdom and, to a lower extent, Slovenia and Denmark) saw a deterioration in this area during the last decade, while countries with the most remarkable improvements included France, Sweden, Estonia, Luxembourg, Ireland and Portugal (with the increase exceeding 5 pps). A recent study by the Joint Research Centre suggests that online education innovations, such as massive open online courses (MOOCs), are being increasingly used as a lifelong

[56] DG EMPL worked with Member States (in consultation with DG EAC) to develop a comprehensive framework for benchmarking adult skills and adult learning systems in the EU, from a cross-country perspective. The benchmarking framework has been endorsed by EMCO and SPC at the end of 2018 and is based on a three-step approach. In a first step, broad key challenges in the field of adult skills and learning are discussed and a set of high-level outcome indicators is identified (employment rates, productivity and skills mismatch). In a second step, a set of performance indicators is identified, including the share of adults with medium and high skills, participation of adults in learning, digital skills, and the share of jobs requiring medium and high skills. For the third step, a thematic approach is followed to identify key policy levers that are effective in improving the performance of adult skills and learning systems, notably: i) the provision of guidance on learning opportunities; ii) initiatives aimed to engage disadvantaged groups to learning, such as the unemployed and the low-qualified; and iii) measures to support/incentivise enterprises in training their staff. Indicators related to the different domains mentioned above are presented in this section.

learning tool to reskill and upskill individuals.[57] Data from worldwide MOOCs providers say that in 2018, 20 million new learners enrolled in at least one online education course and the total number of learners surpassed 100 million. Workers see MOOCs as a useful tool for acquiring new skills needed in the labour market and for keeping them updated in their field. However, not all individuals have the digital skills needed for participating in massive open online education courses. Indeed, MOOC learners are typically well educated and have already acquired a good level of digital competence[58].

Figure 30: Participation of adults in learning is low and varies significantly amongst Member States

Share of adults (aged 25-64) participating in education and training, 2008 and 2018



Source: Eurostat, LFS, 2018, online data code [trng_lfs_01].

The level of digital skills grows slowly and there remain huge gaps between countries. On average in the EU 57% of the population aged 16-74 had at least basic digital skills in 2017 (1 pp more than in 2016). Low digital skills may have an impact on productivity and growth potential, but also on social exclusion for a significant part of the population, in view of the changing modalities for fruition of services and the impact of technology on the world of work. The level is particularly low in Bulgaria, Romania and Croatia ("critical situations"). In six other countries (Greece, Poland, Portugal, Latvia, Ireland, and Hungary, all flagged "to watch") it is comparatively higher (around 50%) but still low in comparison to the average. The best performances can be found in Luxembourg, the Netherlands, Sweden and Finland with rates above 75%. Apart from basic digital skills, about half of the EU population does not have a reasonable level of skills as an internet user, and only about one in five individuals have skills at an advanced level[59]. Internet users are above 70% of the population in three countries (Finland, Sweden, and Luxembourg). In one Member State out of four (Poland, Portugal, Cyprus, Greece, Italy, Romania and Bulgaria) the share of population with internet

[57] Gonzalez Vazquez, I., Milasi, S., Carretero Gomez, S., Napierala, J., Robledo Bottcher, N., Jonkers, K. and Goenaga Beldarrain, X. et al. (2019). The changing nature of work and skills in the digital age. Publications Office of the European Union, Luxembourg

[58] Castaño-Muñoz, J., Kreijns, K., Kalz, M., and Punie, Y., Does digital competence and occupational setting.

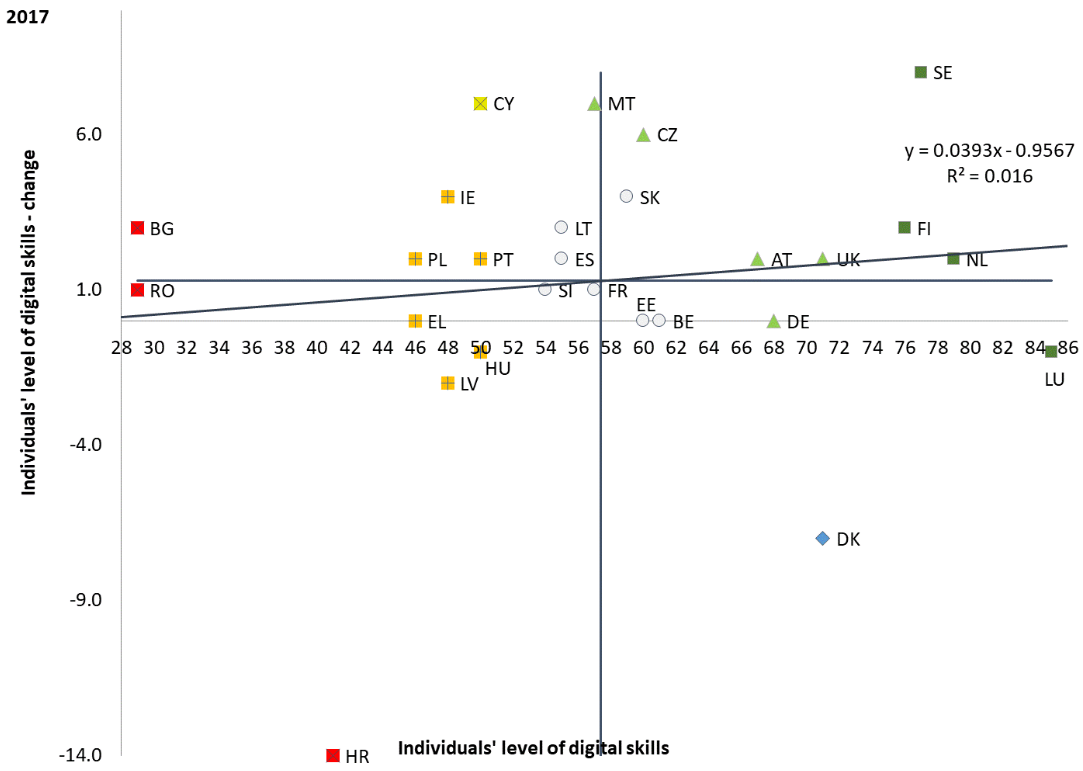
influence MOOC participation? Evidence from cross-course survey. Journal of Computing in Higher Education, 29(1), 2017, pp. 28–46.

[59] The Digital Economy and Society Index 2019, European Commission.

use skills remains below 40%. One in three people able to use the internet do not practice any active content manipulation, such as basic text processing.

Figure 31: Significant gaps between Member States are observed regarding basic digital skills

Share of population with basic overall digital skills or above and yearly change (Social Scoreboard headline indicator)

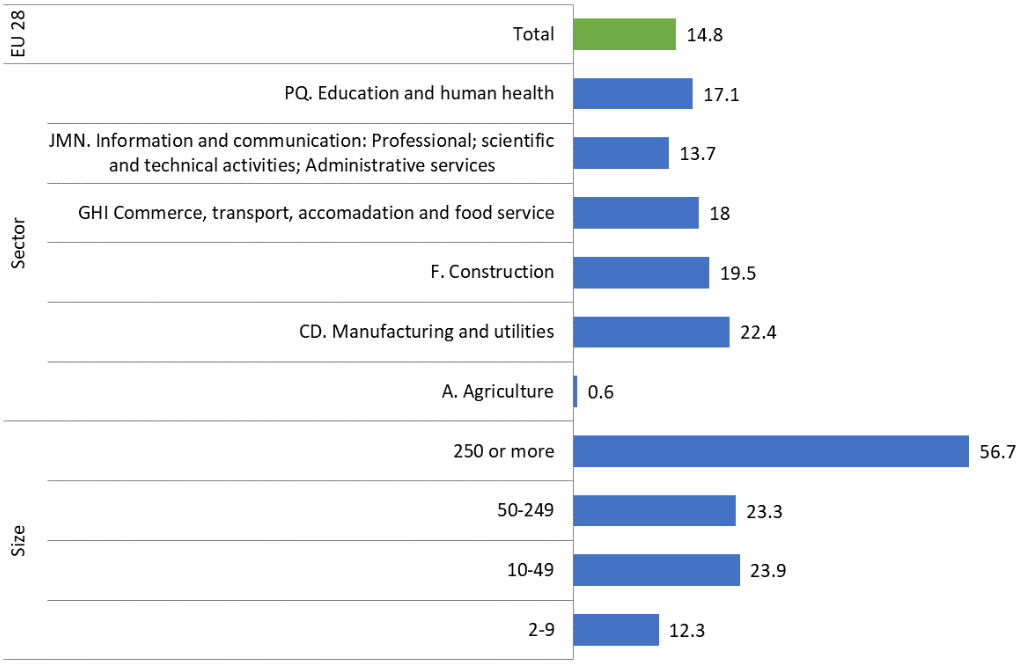


Source: Eurostat. Period: 2017 levels and yearly changes with respect to 2016. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data for IT not available.

A large share of workers does not seem ready to respond to the rising demand for digital skills[60]. According to a recent JRC study, around one in seven employers in the EU (15%) consider that some of their staff are not fully proficient when carrying out tasks using digital technologies at work, and therefore report digital skills gaps in their workforce. This is problematic given the increasing digitalisation of different areas of life and work, and the expected automation of a number of work-related tasks. Indeed, around 90% of occupations now require digital skills. Digital skills can compensate for a lack of formal higher qualifications, while the opposite does not hold and the lack of digital literacy may severely impair wage prospects. As seen in Figure 32, larger employers are more likely than smaller employers to report digital skills gaps. At the same time, large employers are also more likely to have financial resources to invest in new digital technologies than small employers, which directly translates into a higher demand for employees equipped with digital skills.

[60] Gonzalez Vazquez, I., Milasi, S., Carretero Gomez, S., Napierala, J., Robledo Bottcher, N., Jonkers, K. and Goenaga Beldarrain, X. et al. (2019). The changing nature of work and skills in the digital age. Publications Office of the European Union, Luxembourg.

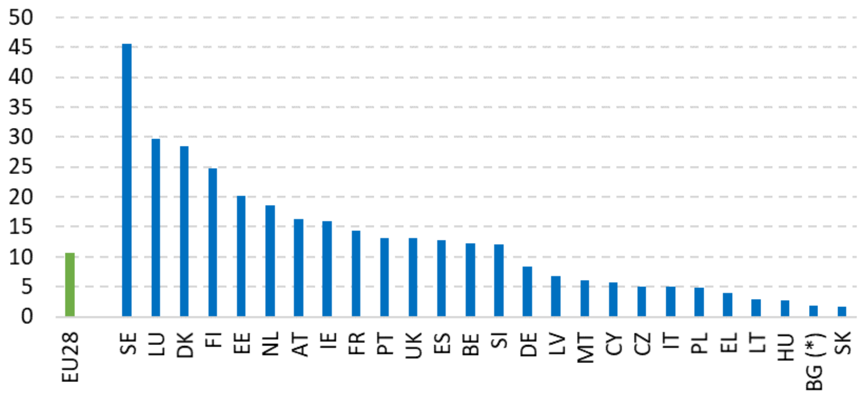
Figure 32: Rising demand for digital skills does not match with workers' skills supply
Workplaces reporting digital skill gaps by sector and size, EU28 (% of workplaces)



Source: European Commission, JRC, 2019.
Reading note: From the responses to the following request: 'Please provide your best estimate of the approximate number or share of employees carrying out such tasks and indicate how many of them are fully proficient in carrying out the tasks. Please note that a proficient employee is someone who is able to do the job/carrying out the task to the required level.' Number of valid responses: 4 569; N = 5 634 045.
Source: European Digital Skills Survey (weighted values), extracted from Curtarelli et al. (2017)

Figure 33: Participation in education and training is less frequent for unemployed adults and strong differences amongst Member States remain

Share of unemployed adults (aged 25-64) participating in learning (as a share of all unemployed adults), 2018



Source: Eurostat, LFS, 2018, online data code [trng_lfse_02]. Reading note: Data not available for HR and RO. Data for BG is of 2017.

Training measures to engage disadvantaged persons are particularly relevant. They may take various forms, including for example formal or non-formal vocational training or basic skills development programmes.[61] Low-qualified and unemployed adults face particular challenges in terms of accessing learning. According to LFS data, in 2018 the share of unemployed adults who participated in any training activity during the last four weeks before the survey (as part of all unemployed adults) ranges from almost 1.5% in Slovakia to over 45% in Sweden (EU average: 10.7%) (Figure 33). Apart from Slovakia, in countries like Bulgaria, Hungary, Lithuania, Greece, Poland, Italy, Czechia, Cyprus, Malta Latvia and Germany, less than 10% of unemployed adults participate in learning. On the other hand, in Luxembourg, Denmark, Finland and Estonia the share of participants is around or exceeds 20%. Looking at the share of low-qualified[62] adults who participated in any training activity during the last four weeks before the survey (as a share of all low-qualified adults) significant discrepancies across Member States also emerge (Figure 34). Less than 1% of low-qualified adults participate in learning in Cyprus, Greece and Croatia, while more than 10% do so in Sweden, Finland and Denmark (EU average: 4.3%). As regards non-EU born persons (aged 25-64), on EU average they were slightly more likely to participate in education and training (in the last 4 weeks) (12.0%) in 2018 than native-born (11.1%). However, the situation differs across countries. For instance, in France, Italy, Greece and Austria, native-born people are substantially more likely than non-EU born to have access to adult education[63]. Moreover, the more specific Adult Education Survey (2016) showed a different trend: migrant adults were slightly less likely to participate in formal and non-formal education and training than their native peers (42% at EU level against 45%)[64]. Migrants are in any case more frequently associated with a lack of guidance and counselling on learning opportunities, since across the EU, only about a quarter of the foreign-born enjoy such support, against one-third of the native-born.

[61] See, for example, ESRI (2012) 'Literacy, Numeracy and Activation among the Unemployed'; Shaw, N., Armistead, C. (2002) 'Evaluation of the Union Learning Fund Year 4', London: Department for Education and Skills; Casey, H. et al (2006) 'You wouldn't expect a maths teacher to teach plastering: Embedding literacy, language and numeracy in post-16 vocational programmes – the impact on learning and achievement', NRDC.

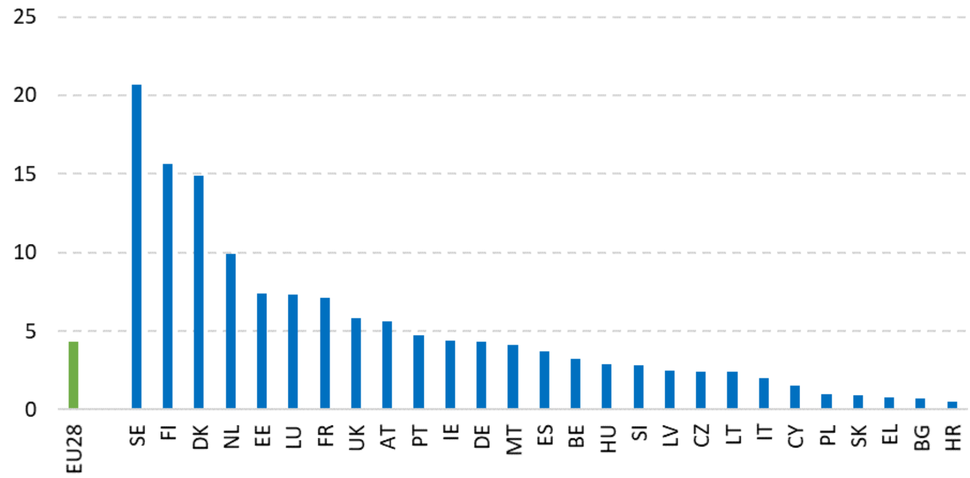
[62] Low-qualified are defined here as persons with at most lower secondary educational attainment (ISCED levels 0-2).

[63] Eurostat, online data code: [trng_lfs_13].

[64] OECD-EU 2018, *Settling In 2018, Indicators of immigrant integration*, indicator "Participation in adult education and training among the foreign- and native-born". Indicator provided for all foreign-born (and not specifically for non-EU-born).

Figure 34: Despite significant differences amongst Member States, low-qualified adults face challenges in terms of participation in learning activities

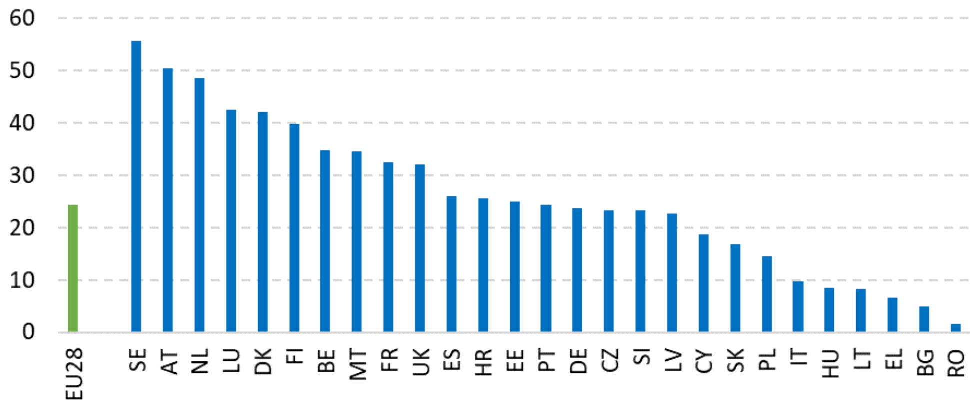
Share of low-qualified adults (aged 25-64) participating in learning (as part of all low-qualified adults), 2018



Source: Eurostat, LFS, 2018, online data code [trng_lfse_03].Reading note: Data for RO not available.

Figure 35: While public guidance services are in place in most Member States, their coverage in terms of outreach varies considerably

Share of adults receiving guidance on adult learning opportunities, 2016



Source**:** Eurostat, Adult Education Survey, 2016, special data extraction for DG EMPL. Reading note: Data for IE not available.

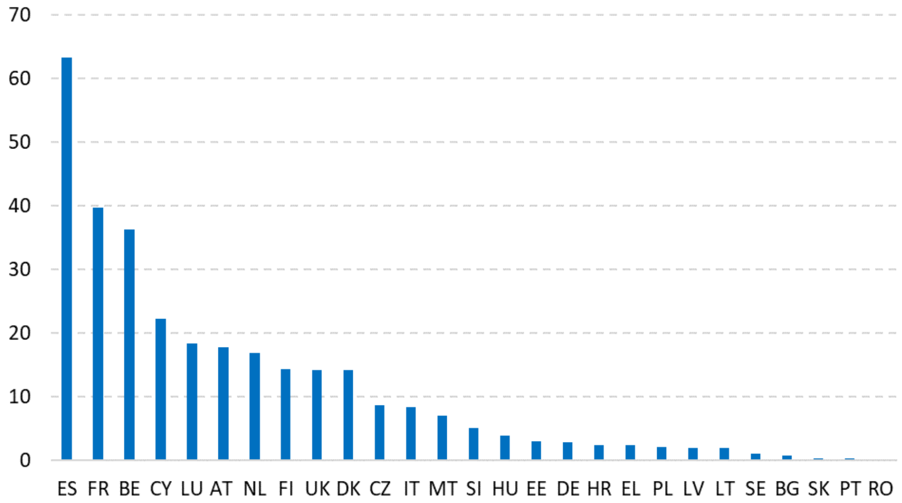
The provision of guidance about learning opportunities can effectively stimulate individual demand for and participation in learning. The benchmarking framework on adult skills and learning has identified the provision of guidance on learning opportunities as a key policy lever to encourage participation of adults in learning. According to the latest (2016) data on access to guidance services for learning, as provided by the Adult Education Survey,[65] there is a strong positive relationship between the share of adults (aged 25-64)

[65] Data cover the range of services (such as the provision of information, assessment, career management skills, orientation and advice) to assist learners and/or potential learners to make choices relating to education and training possibilities.

receiving guidance and the share of those eventually participating in learning.[66] While public guidance services represent a common policy tool in most Member States, their coverage in terms of outreach varies considerably from one country to the other. Notably, as shown in Figure 35, in 2016 the share of adults who received free of charge information or advice on learning opportunities from institutions or organisations during the last 12 months ranged from 1.5% in Romania to nearly 56% in Sweden (EU average: 24.3%). Finally, in the majority of countries only a very small minority of companies (and for that matter – among those mostly large enterprises) do receive any public incentives to provide training for their employees (see Figure 36). The only exceptions are Spain, France and Belgium, where at least one third of all enterprises receive such incentives (also see JER 2019).

Figure 36: In a majority of countries only a small minority of companies receives any public incentives to provide training for their employees

Financial support for training provided to companies, 2015 (%)



Source: Eurostat, Continuous Vocational Training Survey, 2015, special data extraction for DG EMPL. Reading note: Data show the share of enterprises with 10 and more persons employed that report to have received public financial support for training provision during the reference year (2015). Data for IE not available.

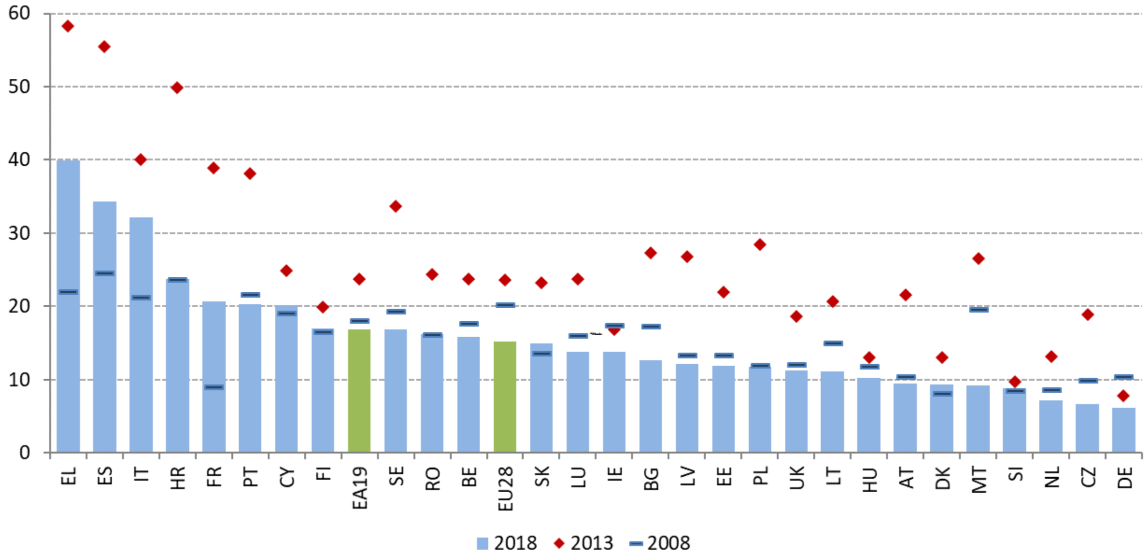
The labour market situation of young people continues to improve, in line with the strengthening of the macroeconomic environment. In the EU, the youth unemployment rate decreased from a peak of 23.8% in 2013 to 15.2% in 2018. This is 0.7pp lower than the pre-crisis level of 2008, however it is still around double the overall unemployment rate (6.8% in 2018). Dispersion in youth unemployment rates – although decreasing over time – remains high (see Figure 37) and youth unemployment is still above 30% in some Member States (Italy, Spain and Greece). At the other end of the spectrum, remarkable reductions have been achieved in Bulgaria, Latvia, Poland, Austria, Malta and Czechia, where rates were well below the EU average in 2018. Young men and women experience similar levels and trends in unemployment rates (14.5% for women and 15.7% for men in 2018), with a slight difference in favour of women that has been roughly constant over the last eight years (the gender gap reverses among higher age brackets). The employment recovery does not always lead to quality job creation for young people, as 12.8% of employees aged 15 to 24 were

[66] European Commission (2015), An in-depth analysis of adult learning policies and their effectiveness in Europe.

involuntarily employed on temporary contracts in 2018 (compared to 6.8% of workers aged 25-64); the proportion was more than 1 out of 3 in Spain, Portugal, Croatia and Italy.

Figure 37: Dispersion in youth unemployment rates, although decreasing over time, remains high

Youth unemployment rate (15-24), multiannual comparison

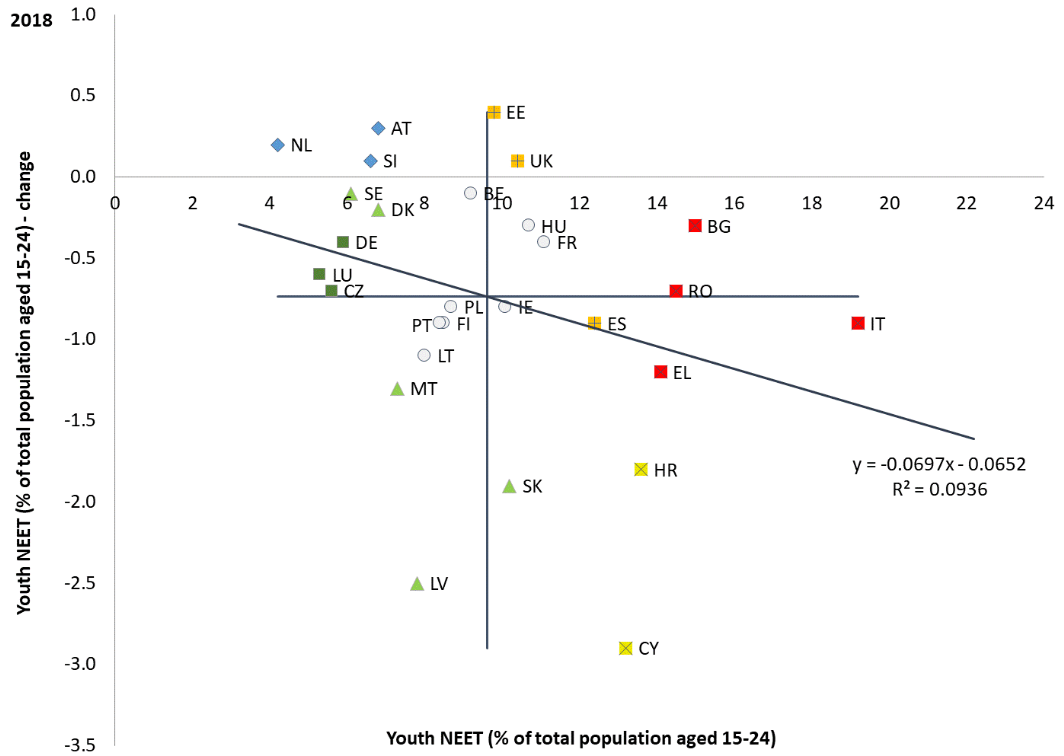


Source: Eurostat, LFS, online data code: [une_rt_a].

In addition to those working or seeking a job, a considerable part of young people aged 15-24 remains economically inactive. In total in the EU, in 2018 5.5 million people aged 15-24 were neither in employment, education or training (NEET). This amounted to 10.4% of the population in that age class, down from a peak of 13.2% in 2012 and below the level of 2008 (10.9%), but still sizeable. This reduction was due mostly to unemployed NEETs moving into work. As shown in Figure 38, NEET rates above 14% are still recorded in several countries (Italy, Bulgaria, Romania and Greece, all “critical situations”). NEET rates increased, although they remain very low, in Austria, the Netherlands and Slovenia. More worryingly, rates have increased in Estonia and the UK (“to watch”). On a more positive tone, remarkable reductions were observed in Cyprus and Croatia ("weak but improving"), starting from high levels. Convergence is occurring to a limited extent, as suggested by the slightly negative slope of the regression line.

Figure 38: High NEET rates are still recorded in several countries

NEET rate (15-24) and yearly change (Social Scoreboard headline indicator).



Source: Eurostat. Period: 2018 levels and yearly changes with respect to 2017. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.

Following the reduction in youth unemployment, the majority of NEETs continues to be inactive, but with substantial differences among Member States and population groups. In 2018 in the EU 6.1% of young people aged 15-24 were in this situation. Inactivity rates among NEETs are particularly high in Italy, Bulgaria and Romania, while unemployment is predominant in Spain, Croatia and Greece (see Figure 39). Having only low-level education has been identified as the main risk factor for being NEET.[67] Among female NEETs, inactivity is more frequent than unemployment, while both rates are almost on a par for men.

Young people with a migrant background were more likely to be 'neither in employment nor in education and training'. The NEET rate of non-EU born young people (aged 18-24) was 20.6% in 2018 compared to 13.1% among native-born[68]. The gap was higher than 10 pps in several Member States such as Greece, Malta, Slovenia, Germany, Italy and Spain. Moreover, the situation was on average more adverse for young migrant women (NEET rate of 23.8%, 10.3 pps higher than among their native peers). In addition to non-EU born persons, native-born with a migrant background are also likely to be affected: in the majority of EU Member States, they were more likely to be 'neither in employment nor in education and training' than those with native-born parents. The gap was especially large (rate

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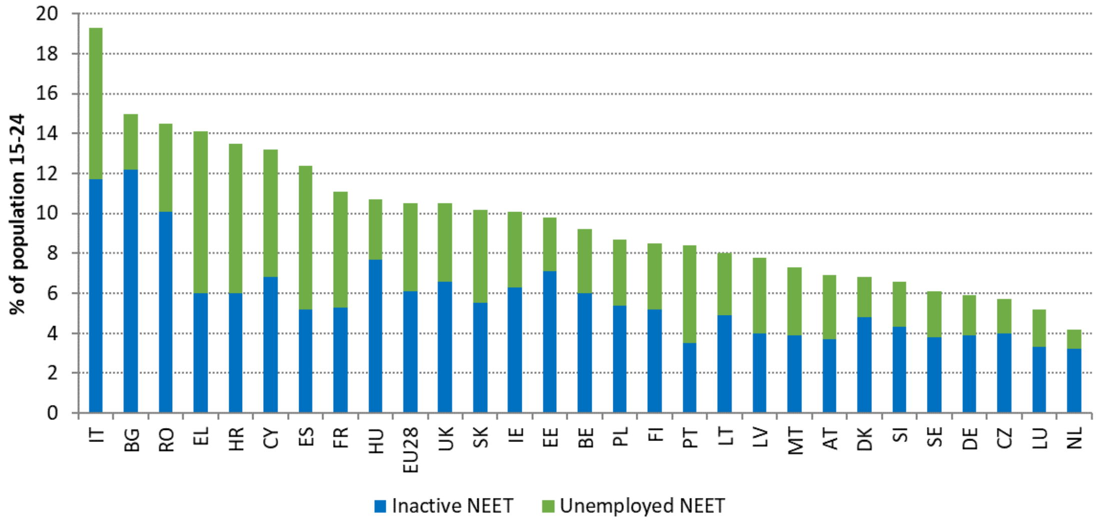
[67] Eurofound (2016), 'Exploring the Diversity of NEETs'. Luxembourg: Publications Office of the European Union.

[68] Eurostat, [edat_lfse_28]

more than 8 pps higher) in Slovenia, France, Belgium, Czechia and Luxembourg.[69] Young people combining migrant background and low level of education were particularly at risk.

Figure 39: The majority of NEETs are inactive, but with substantial differences among Member States

Profile of NEETS (15-24 years old° in EU Member States in 2018 (%)



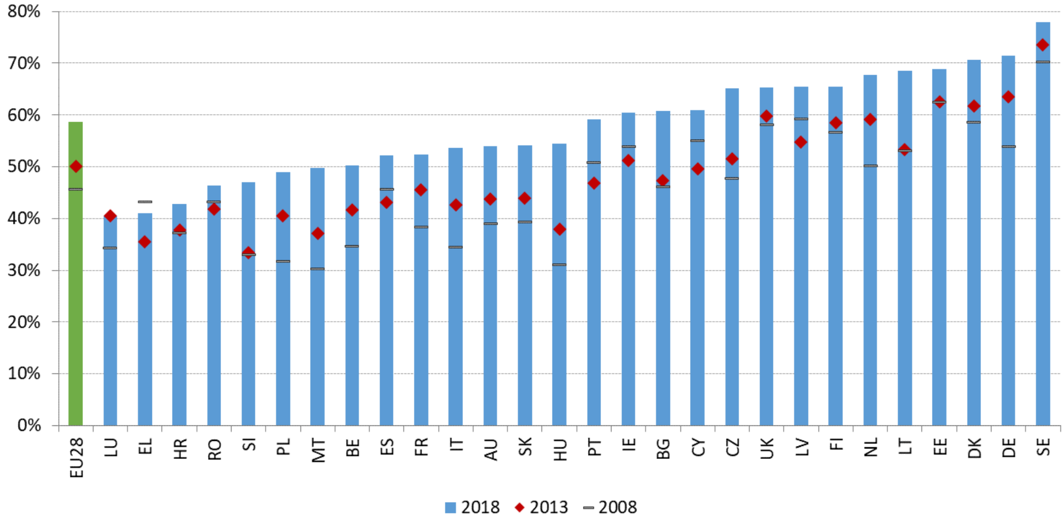
Source: Eurostat, LFS, online data code : [edat_lfse_20].

Older workers (aged 55-64) accounted for a substantial share of total employment increase between 2008 and 2018. The number of employed people in this age group increased by 12.3 million. This increase partly reflects an increase in the older population, by 7.4 million, but mostly owes to an increase in labour market participation as the 55-64 employment rate increased by 13.3 pps to reach 58.7% in 2018. Over the last decade the largest increases in the number of older workers occurred in Germany (+3.3 million or +63%), followed by Italy, France, Poland and the UK. Employment rates increased at particularly fast rate in Hungary (+23.3 pps), followed by Italy, Malta, the Netherlands, Germany, Czechia and Poland, all increasing by more than 17 pps. Increased participation was also recorded among the "oldest workers": employed people aged 65-74 rose by almost 1.5 million since 2008. While both population and employment rates contributed, the latter had a larger impact.

[69] OECD-EU 2018, Settling In 2018, Indicators of immigrant integration, Figure 7.19. NEET rates.

Figure 40: Older workers accounted for a substantial share of total employment increase between 2008 and 2018

Employment rate, age 55-64, multiannual comparison %

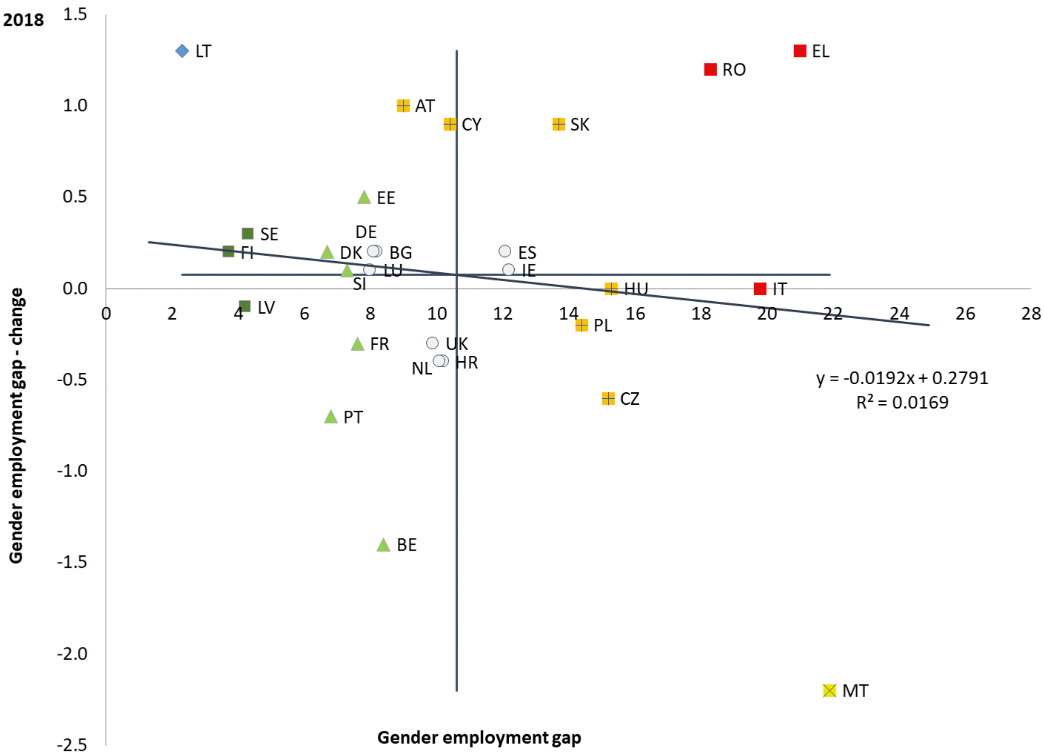


Source, Eurostat,2018, 2013, 2008, online data code: [lfsa_pganws].

In 2018, the employment rate of women continued its steady increase, although progress in closing the gender gap in employment has slowed down. Compared to 2017, the employment rate of women (aged 20-64) increased by 0.9 pps to 67.4% and increased in all Member States. Notable increases over 2 pps were registered in Cyprus, Portugal, Finland and Slovenia (in descending order). Italy (53.1%), Greece (49%), Croatia (60.1%) and Romania (60.6%) also saw improvements but their female employment rates remain low. On the contrary, Sweden, Lithuania, Germany and Estonia remain top performers with above 75% female employment rates. In all Member States, the proportion of men at work is greater than the proportion of women. In 2018, the EU average of the gender employment gap stood at 11.6 pps, almost unchanged since 2013 (11.7 pps). The gender employment gap measured in full-time equivalents (FTE) is considerably higher (18 pps), reflecting a higher incidence of part-time work among women (see below). The lowest gender employment gaps can be found in Lithuania (2.3 pps), Finland (3.7 pps), Latvia (4.2 pps) and Sweden (4.3 pps). At the other side of the spectrum stand Malta (21.9 pps), Greece (21 pps), Italy (19 pps) and Romania (18.3 pps). All the latter countries are assessed as “critical situations” with the exception of Malta, which is “weak but improving” thanks to a sharp decrease by 2.2 pps in the last year. From Figure 41 it emerges that convergence is not occurring on this indicator, as several Member States with high – or close to average – gender employment gaps recorded a deterioration in 2018.

Figure 41: The gender employment gap remains large, with significant differences amongst Member States

Gender employment gap and yearly change (Social Scoreboard headline indicator)



Source: Eurostat, LFS. Period: 2018 levels and yearly changes with respect to 2017. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.

Less than half (46.6%) of women (20-64) in the EU worked full-time in 2018 compared to 71.5% of men. This wide gender difference is also evident in the share of part-time workers. Of those employed, 30.8% of women worked part-time compared to 8% of men in 2018. However, involuntary part-time was for women at 22.1% in the EU compared to 33.4% for men. In most of the Eastern European Member States, the share of women working part-time is traditionally below 10% (Bulgaria, Croatia, Latvia, Lithuania, Hungary, Poland, Romania and Slovakia). By contrast, it was 73.8% in the Netherlands (though decreasing for the third consecutive year) 47.6% in Austria and 46.7% in Germany. Higher than average female employment rates in Member States with particularly large shares of women working part-time (e.g. Netherlands, Austria and Germany) highlights the positive impact of flexible work-life balance policies on parents' and carers' labour market attachment. However, smaller gender gaps and higher employment rates are also found in Member States where women are less likely to work part time (Lithuania, Latvia, Estonia and Finland). This suggests that additional underlying barriers, such as inadequate childcare provision and cultural expectations, and lack of incentives such as flexible working, locations and hours or pay and tax structures, may be at play. In addition, part-timers face disadvantages in working conditions: for instance, as shown in a Eurofound study[70], the gap between part-timers and full-timers has significantly widened between 2005 and 2015 as concerns training paid by the employer. Part-timers also report poorer social environments at work (Eurofound, 2018).

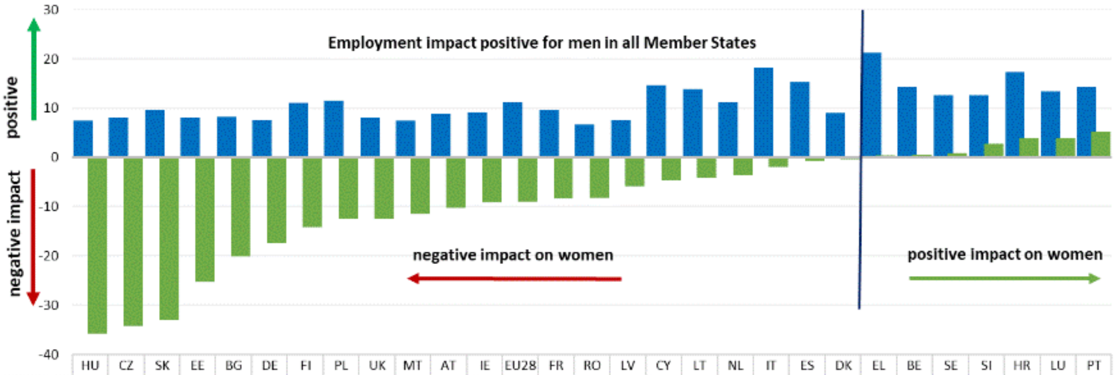
[70] Eurofound (2019), European Working Conditions Survey 2015

The gender employment gap increases among older workers, amounting to 13 pps among those aged 55-64. This is due to women carrying the brunt of caring responsibilities, to early retirement patterns and partly to their low skill attainment levels in that age group. The proportion of women (55-64) who were inactive due to family or caring responsibilities was 7.5% at EU-level in 2018, against just 1% for men in this age group. The employment rate of low skilled (0-2 ISCED) older women is 36.5% vs. 53% among men (and 69.3% for tertiary level educated older women). Whilst, in general women (20-64) have higher tertiary attainment levels than men and fewer women are low skilled compared to men, the reverse is true for this older age group. Further, 31.3% of older women are low skilled vs. 27.5% among older men. This all contributes to lower hourly earnings for those working and lower social security contributions in general.

Employment gaps are wider for women with caring responsibilities. Parenthood is a major barrier to women's full labour market participation. In all Member States, the gender employment gap widens substantially when parenthood is factored. In 2018, the employment rate of women (aged 20 to 49) with a child under 6 years was 9 pps lower than for women without children. In Czechia, Hungary and Slovakia, the negative impact of parenthood is particularly high (over 13 pps). Conversely, parenthood has a positive (11.3 pps at EU level) impact on the employment rate of men.

Figure 42: Employment impacts for men and women with a child under 6 diverge

Employment impact of parenthood for men and women (age 20-49) in 2018, difference in employment rates (pps)



	HU	CZ	SK	EE	BG	DE	FI	PL	UK	MT	AT	IE	EU28	FR	RO	LV	CY	LT	NL	IT	ES	DK	EL	BE	SE	SI	HR	LU	PT
Men	7.5	8.1	9.6	8.1	8.3	7.6	11.1	11.5	8.1	7.4	8.8	9.2	11.3	9.6	6.7	7.6	14.7	13.9	11.3	18.3	15.3	9.1	21.2	14.3	12.6	12.7	17.3	13.4	14.3
Women	-36	-34	-33	-25	-20	-18	-14	-13	-12	-12	-10	-9.1	-9	-8.4	-8.2	-5.9	-4.6	-4.1	-3.6	-1.9	-0.7	-0.4	0.4	0.6	0.9	2.7	3.9	3.9	5.3

Source: Eurostat. Note: the employment impact of parenthood is the pps difference in the employment rate for mothers and fathers with at least one child under the age of six.

In addition to lower employment rates, there is still a significant gender pay gap. In unadjusted terms, it remained stable at 16%[71] in 2017 with an only small decline compared to 2013 (16.8%). This is despite an increasing education attainment gap in favour of women in the EU, as women's (30-34 years) tertiary level attainment rate (45.8%) is 10 pps higher than men's (35.7%) in 2017. One of the main reasons for the persistence of the gender pay gap is

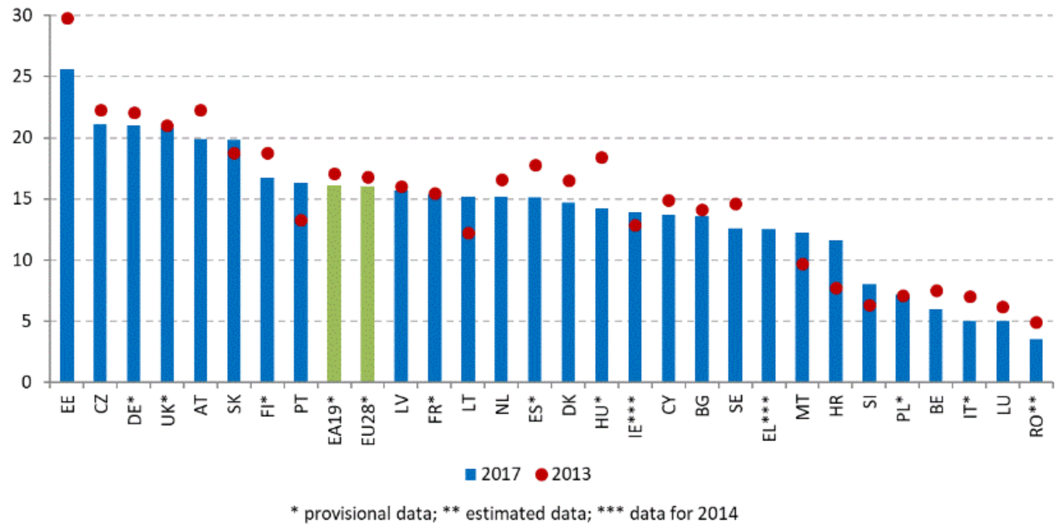
[71] The reference Social Scoreboard indicator is the unadjusted gender pay gap (i.e. not adjusted according to individual characteristics that may explain part of the earnings difference), which should give an overall picture of gender inequalities in terms of pay. Research shows that most of the gap persists even when differences in educational attainment, occupational choice, working hours and other observable attributes are taken into account (e.g. http://ec.europa.eu/justice/gender-equality/files/gender_pay_gap/2016_factors_gpg_en.pdf).

that women tend to be overrepresented among the minimum wage earners[72] as well as in lower paid sectors and occupations in general. Moreover, they are likely to face constrains in their professional choices (linked to care obligations) more often than men. A pay gap remains even if netting out factors such as differences in experience, level of education and type of contract.

Differences across countries in the unadjusted gender pay gap are considerable. It remains above 20% in Estonia, Czechia, Germany and the United Kingdom, while the smallest values (around 5%) are registered in Romania, Italy and Luxembourg. Since 2013, the situation has considerably improved in Estonia, Hungary and Spain, while the gender pay gap has increased by more than 2 pps in Portugal, Lithuania and Croatia. The gender pay gap frequently translates into a pension gap in favour of men, which stood at 35.7% on average for pensioners aged 65-79 in 2017 (decreasing by 1 pps compared to 2016). The gender pension gap was the highest in Malta, the Netherlands, Luxembourg, Austria and Cyprus (above 40%), while the smallest gaps (below 10%) were registered in Estonia, Denmark and Slovakia (see Chapter 3.4 for more details).

Figure 43: There is still a significant gender pay gap between women and men

Unadjusted gender pay gap in 2013 and 2017



Source: Eurostat, online data code: [SDG_05_20]. Note: 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.

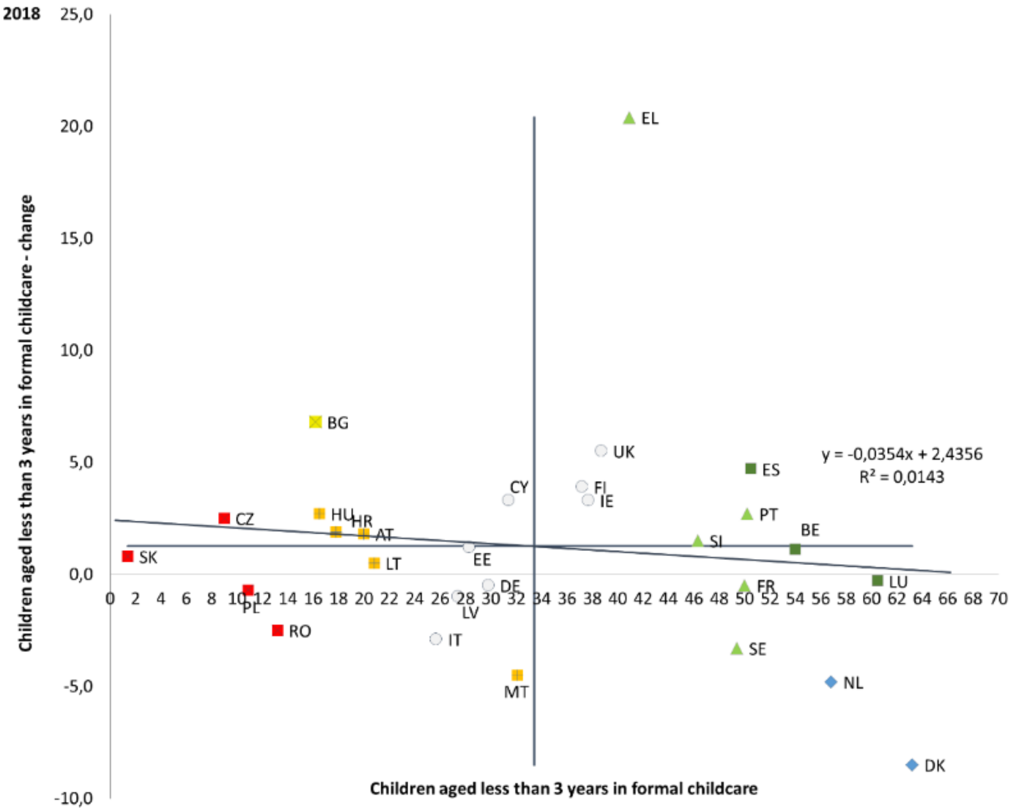
Lack of access to quality and affordable child and long-term care services often represents a barrier to women's employment. The Social Scoreboard headline indicator on childcare shows the participation of children below the age of 3 in formal childcare to be 35.1% at EU level in 2018, and thereby exceeding the 33% Barcelona target on participation to childcare to be achieved for this age group. However, differences persist among countries and about half of the Member States are yet to reach the Barcelona target. While the participation rate in formal childcare for children under age 3 surpasses 60% in Denmark and Luxembourg, it is around or below 10% in Poland and Czechia and extremely low at 1.4% in Slovakia (Figure 44). In these Member States, the lack of formal childcare arrangements is

[72] Eurofound (2019), Minimum wages in 2019: Annual review, Publications Office of the European Union, Luxembourg, p. 32.

associated with lower labour market outcomes for women and in most cases whith a negative parenthood impact that is above EU average.

Figure 44: Large differences in terms of participation in childcare services persist among Member States

Children less than 3 years in formal childcare and yearly change (Social Scoreboard headline indicator)



Source: Eurostat, EU-SILC. Period: 2018 levels and yearly changes with respect to 2016. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.

Significant differences in terms of quality, accessibility and affordability of early childhood education and care services still exist among Member States. High quality early childhood education and care, with clear education content delivered by qualified staff, is not yet available in many EU countries, in particular for children under age 3. Moreover, in the first years of a child's life, the availability of free of charge early childhood education and care services is rather limited. In the EU, Denmark, Germany, Estonia, Slovenia, Finland and Sweden are the only countries that ensure access to publicly funded early childhood education and care services for each child aged 6 to 18 months. Accessibility improves with the age, with almost half of the Member States that are able to provide a place in early childhood education and care from age 3 onwards. Finally, children at risk of poverty or social exclusion show much lower participation rates than their peers from not disadvantaged families. In 2016, there was a difference of 11 percentage points for the group aged 3 or more, and almost 15 percentage points for children aged 0-2. Moreover, uptake of childcare differs across population sub-groups. Across the EU, 77% of all children (aged 2 to 5) in migrant households attend some type of early childhood education and care against 81% among children in native households.[73] Gaps are much wider in Croatia, France, Slovenia and the United Kingdom where the children of immigrants are at least 10 points less likely to attend early education. This is problematic given children of immigrants is a group that benefits more than average from attending formal childcare and pre-school services (according to analysis based on PISA score of 15-year-old students with immigrant parents).

Financial disincentives exacerbates women's barriers to work or working more. This occurs for a number of reasons. For example, non-working partners and second earners are often women and face financial labour market disincentives particularly when there are also caring responsibilities for children[74] or family. In addition, if income tax is levied on household income rather than on individual income it may create a disincentive for the second earner. Costly care facilities also increase inactivity traps particularly for second earners and low-income families. Other features of the tax and benefit system may also discourage labour supply, including family-based, dependent spouse and transferable deductions. In 2017, the highest second earner inactivity trap was seen in Denmark, Germany, Belgium and France. The low wage trap was high in Belgium, Germany, Italy and the Netherlands[75].

Despite some improvements, non-EU born people continue to face challenges on the labour market. This occurs in a context where their share in the overall working-age population (20-64) has been increasing from 6.6% in 2014 to 9.4% in 2018. In 2018, 64.5% of non-EU born people of working-age (20-64) were in employment, a rate 3.2 pps higher than two years before (2016). However, it remains 9.4 pps lower than the employment rates among native-born persons (73.8%). In some Member States (Sweden, the Netherlands, Belgium, Finland, Denmark, Germany and France) the gap was higher than 15 pps in 2018. Moreover, the situation remains more unfavorable for non-EU born women with an employment rate around 55.3% in 2018, 13.3 pp below the level recorded among native-born women (68.6%). The gap among men (i.e. between non-EU born and native-born men) was both lower (4.8 pps in 2018) and closing more quickly over the last few years. The slight improvement in recent years is due notably to higher employment rates among the subgroup of "recent arrivals" (non-EU born resident since less than 5 years). While their employment rate remains lower than among those established since a long time, it has increased by 3.1 pps in one year (from 46.4% in 2017 to 49.5% in 2018), due in particular to quick improvements (increase higher than 5 pp) in Belgium, Austria, Germany and France[76]. While the gap between native and non-EU born employment rates has increased over the time period of 2008-2018 in most Member States (20 out of 28) – notably due to the impact of economic recession and its labour market repercussions – it has reduced recently (from 2016 onwards) in 17 Member States. This was particularly the case for the top host countries of third-country immigrants (see Figure 45 below).

[73] OECD-EU 2018, Settling In 2018, Indicators of immigrant integration, indicator "7.3. Early childhood education and care".

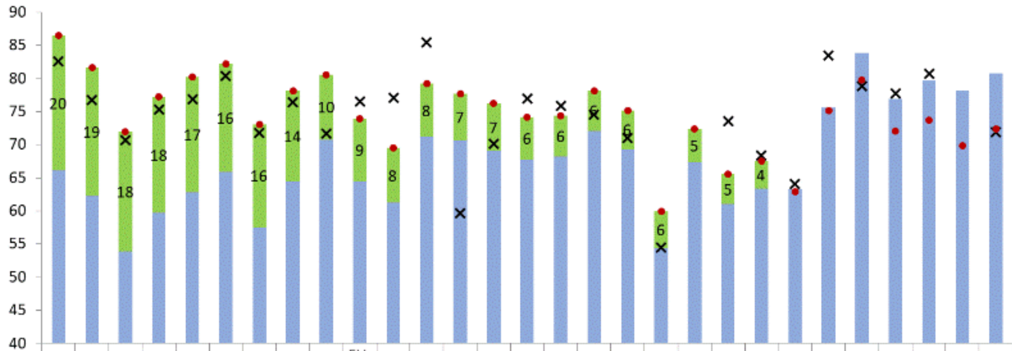
[74] https://www.eurofound.europa.eu/publications/article/2009/impact-of-parenthood-on-careers-of-young-men-and-women

[75] The inactivity trap for the second earner measures the marginal effective tax rate on labour income from a second member of a couple moving from social assistance to work. The low wage trap is calculated for couple without children where a second earner increases earnings from 33% to 67% of the average wage and where the principal earner earns 100% of the average wage (European Commission Tax and Benefits Database).

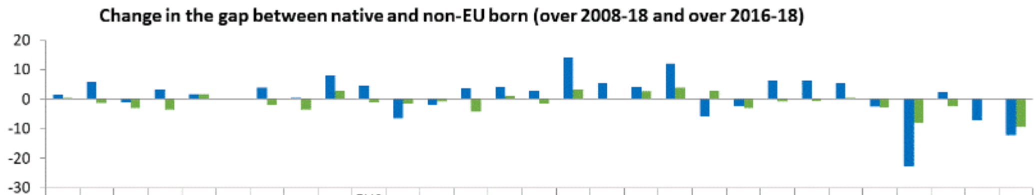
[76] Eurostat, [lfst_rimgecga]

Figure 45: Non-EU born people continue to face employability challenges

Employment rate by country of birth, ages 20-64, 2018 and change since 2008 and 2016



	SE	NL	BE	FI	DK	DE	FR	AT	EE	EU-28	LU	UK	LV	SI	IE	HU	LT	CY	EL	BG	HR	ES	IT	PT	CZ	PL	MT	RO	SK
Gap non-EU to native	20.4	19.3	18.1	17.5	17.4	16.3	15.6	13.6	9.9	9.4	8.3	8	7.1	7.1	6.4	6.2	6	5.9	5.5	5.1	4.5	4.1	-0.3	-0.5	-4.1	-4.8	-6	-8.2	-8.4
Non-EU born	66.1	62.3	53.9	59.7	62.8	65.9	57.5	64.5	70.7	64.5	61.2	71.2	70.6	69.1	67.8	68.2	72.1	69.3	54.4	67.3	61	63.4	63.2	75.6	83.9	76.9	79.7	78.1	80.8
Other EU-28 born	82.6	76.7	70.7	75.3	76.8	80.4	71.8	76.4	71.7	76.5	77.1	85.5	59.6	70.1	77	75.9	74.5	71	54.5		73.5	68.4	64.1	83.5	78.8	77.7	80.7		71.9
Native born	86.5	81.6	72	77.2	80.2	82.2	73.1	78.1	80.6	73.9	69.5	79.2	77.7	76.2	74.2	74.4	78.1	75.2	59.9	72.4	65.5	67.5	62.9	75.1	79.8	72.1	73.7	69.9	72.4



	SE	NL	BE	FI	DK	DE	FR	AT	EE	EU28	LU	UK	LV	SI	IE	HU	LT	CY	EL	BG	HR	ES	IT	PT	CZ	PL	MT	RO	SK
since 2008	1.4	5.9	-1.1	3.3	1.8		4	0.4	8.2	4.7	-6.5	-1.9	3.6	4.2	2.9	14.2	5.5	4.3	12.2	-5.7	-2.3	6.4	6.5	5.4	-2.4	-23	2.5	-7.2	-12
since 2016	0.5	-1.3	-3	-3.4	1.7		-1.9	-3.5	3	-1.1	-1.5	-0.7	-4.1	1.2	-1.6	3.2	0.2	2.7	4	3	-2.9	-0.7	-0.5	0.4	-2.6	-7.8	-2.3		-9.5

Source: Eurostat [lfsa_ergacob]. Note: no value for change in the gap for DE due to lack of data on employment rate of non-EU born for the reference years before 2017.

The overall employment rate of non-EU born persons reflects various factors. In particular, the larger share of low-educated among non-EU-born versus native-born (respectively 35.7% and 20.3% at EU level among those aged 25-64[77]) explains partly the lower employment rate among immigrants. However, even those immigrants with high level of education do not reach the same level as native-born (as evidenced by large employment gap and higher over-qualification rate) and there remains a significant under-use of migrants' skills and qualifications. This is confirmed by data from the European Working Conditions Survey (EWCS) which show that first generation migrant workers are more likely to be found in lower skilled occupations, even when holding tertiary education. Language barriers and a lack of recognition of skills and certifications are among the likely reasons behind the poor match between human capital and occupations.[78]

In addition to non-EU born persons, native-born with non-EU-born parents are also likely to be facing employment challenges. In 2017 (latest year available), the employment rate of those aged 15-34 was 68.5% in the EU, 5.7 pp below the level for those with native-born parents. Moreover, the gap was around or higher than 15 pps in Austria, Greece, France, Spain, Finland, Denmark, Belgium, the Netherlands and Italy[79]. Over the last decade, the

[77] Eurostat, [edat_lfs_9912]

[78] Eurofound (2019) How your birthplace affects your workplace, Publications Office of the European Union, Luxembourg

[79] OECD-EU 2018, *Settling In 2018, Indicators of immigrant integration*, Figure 7.21. Employment rates, by migrant background

greatest deterioration for children with a migrant background was observed in countries that suffered most from the economic downturn, such as Greece and Italy, as well as in France and the Netherlands. By contrast, Sweden, Czechia and Belgium have seen significant increases in the employment rates for young persons (15-34) with a migrant background.

Low employment and activity rates of persons with disabilities indicate an untapped potential to use their talents. In the EU in 2017, the employment rate of people with disabilities was 50.6% versus 74.8% for those without[80]. It has nonetheless slightly increased as compared to 2016 (48.1%). The gap varies substantially across Member States[81], from 13.7 pps in Italy to 42.1 pps in Ireland. In addition, only 61% of persons with disabilities in the EU were economically active, compared to 82.3% of those without disabilities, suggesting that significant barriers exist for persons with disabilities in accessing the labour market[82]. Countries with similar activity rates for persons without disabilities can have greatly different activity rates for persons with disabilities. In terms of gender, the employment rate of women with disabilities (48.3%) was only slightly lower than that of men with disabilities (53.3%). The quality of work is also an important issue: in 2018 persons with disabilities were more likely to face in-work poverty risk than those without disabilities (11% versus 9.1% on average in the EU).[83] A Eurofound[84] study confirms the crucial importance of employment as a primary inclusion factor. It shows that the extent to which people with disabilities feel left out of society varies considerably depending on whether they are employed or not. Those who have a job report far less often feeling left out of society than, for instance, the long-term unemployed or those who are unable to work because of their disability.

High level of early school leaving and low level of tertiary education attainment among people with disabilities negatively affect their employment. In the EU in 2017[85], early school leaving of young persons (age group 18-24) with disabilities was 19.6% compared to 9.5% of those without disabilities (that is a gap of about 10.1 percentage points). This gap was smallest in Slovenia (1.8 pps) and relatively high in Czechia (25.5 pps), Romania (23.5 pps), Bulgaria (21.9 pps) and Germany (21.1 pps). As concerns tertiary education, 32.4% of persons with disabilities completed a tertiary or equivalent education as compared to 42.5% for those without disabilities (it means a gap of about 10.2 percentage points).

3.2.2 Policy response

Integrated approaches tailored-made to the students' needs are most effective in reducing early school leaving. Since September 2018, many Member States have introduced measures in this domain. For instance, in Luxembourg, the government has established a *"School Mediation Service"* to better combat early school leaving by providing targeted support to pupils at particular risk of dropout. In Spain, the *"Orientation and Reinforcement Programme for the Advancement and Support in Education"* helps Spanish regions to reduce

[80] Data come from EU-SILC 2017 analysed by the Academic Network of European Disability Experts (ANED).

[81] The prevalence of disability also differs among Member States to a considerable extent.

[82] ibid

[83] EU-SILC (2018) In-work at-risk-of-poverty rate [hlth_dpe050]

[84] Eurofound (2018), Quality of life. Social and employment situation of people with disabilities, Publications Office of the European Union, Luxembourg,

https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef18023en.pdf

[85] Data come from EU-SILC 2017 analysed by the Academic Network of European Disability Experts (ANED).

the number of early leavers from education and training, in particular by supporting educational centres located in vulnerable areas and students with lower socio-economic background, and by strengthening the competences of teaching staff to address students' diversity in the classroom. In Bulgaria, the *Support for success* project, which is co-financed by the European Structural Fund (ESF), targets 1 500 schools and 120 000 students with learning gaps or at risk of dropping out, and provides career guidance for students from fifth to seventh grade.

Attracting good teachers by providing adequate salaries and supporting their continuing professional development is instrumental for achieving quality of outcomes and inclusive education. Several Member States have recently put in place policies aiming at increasing the attractiveness of the teaching profession, and improving teachers' working conditions. For example, Bulgaria's *national programmes to modernise the education system* aims to motivate teachers, implement innovative teaching methods and organise the learning process, early career guidance, and opening schools to other institutions. Slovakia is gradually increasing teachers' salaries and the *New Act on Educational Staff and Professional Employees* reinforces the ties between remuneration and teaching performance, by amending the attestation process and modifying the professional development process. Sweden has recently allocated additional funding to employing more teaching assistants in order to reduce teachers' administrative workload and give them more time for teaching. Finally, Lithuania developed in 2018 a pilot tool that provides short and midterm forecasts of teacher demand to ensure the continued entry of new talents into the profession while maintaining control over the overall size of the teaching workforce. Moreover, *the Teachers Training Regulation* sets quality requirements for initial education programmes and for the new induction programme that covers the first year at school. It also indicates opportunities for continuing training and professional development and sets criteria for the three newly set-up national teacher training centres.

Enhancing the quality and relevance of tertiary education is key to tackle future skills mismatches, promoting excellence in skills development provision, and ensure a successful transition to the labour market. The Commission Communication on a renewed EU agenda for higher education of 2017[86] stresses the importance of measures aimed to broaden participation in higher education, increase completion rates, equip students with skills and competences relevant to the world of work or improve the efficiency of the higher education funding system. Many Member States are considering this aspect in their policy decisions. For instance, Ireland's *Springboard +*, an upskilling initiative in higher education, offers free courses at certificate, degree and master level leading to qualifications in areas where there are employment opportunities in the economy. Denmark is trying to make higher education more flexible and link it closer to the labour market. One-year full-time professionally oriented master studies have been introduced in 25 study areas; better opportunities to combine study and work through two-year part time master studies are now in place; and the eligibility period for grants at Master level can be prolonged for three years after graduation to allow for work experience. In Italy, a new type of non-academic tertiary degree (*lauree professionalizzanti*) aims to train tertiary-educated highly specialised professionals in engineering, construction and environment, and energy and transport, in close co-operation with the relevant professional associations.

[86] COM(2017) 247 final.

Fighting educational inequalities is fundamental to give every student the chance to participate actively in the economy and the society and to better integrate pupils with a migrant background or specific needs in mainstream education. In many EU countries, schools tend to reproduce existing patterns of socio-economic (dis)advantage, rather than contribute to a more equitable distribution of learning opportunities and outcomes. Without a major shift in the pedagogical approaches, education and training systems will not be able to become a genuine vehicle for social integration and will keep on reproducing exclusion. Some Member States are trying to break this vicious circle. Czechia adopted an *Action Plan for Inclusive Education II for 2019-2020*, which aims to implement desegregation measures for schools with more than 50% Roma pupils, and introduces anti-bullying measures. In Sweden, the *Read-write-count guarantee* ensures that all pupils who need support measures in preschool class and primary school receive it early in Swedish, Swedish as a second language and mathematics. The *National Plan for Enhancing the Social Dimension of Higher Education 2019-2021* adopted in Croatia in January 2019 targets students who face challenges to access higher education or are at risk of dropout, and it aims to improve access and increase retention, completion and employment rates.

Effective enforcement of legislative changes for Roma inclusion in education remains important. Education is the area with the highest number of policy interventions. Although affirmative action has helped to improve Roma participation in education, it is important to avoid dedicating specific places for Roma who would have qualified for regular admittance. Active desegregation measures, which are needed to fight school and class segregation, should be accompanied by additional financial and professional support to promote the integration of Roma children in mainstream schools. In Bulgaria, the measures currently in place beneficial to Roma students include educational mediators, scholarships, extracurricular activities, additional Bulgarian language courses and free transportation in some localities. Since 2018, the Bulgarian Ministry of Education has started allocating additional funding to schools[87] working with vulnerable children and/or in rural areas. An inter-institutional mechanism to enrol children in compulsory school age was put in place. Following the 2017 amendment of the Hungarian Equal Treatment and Public Education Acts, in 2018 anti-segregation officers and working groups have been set up in educational districts. However, significant differences remain in the composition of the students between state and church schools.

Differential rules, freedoms, autonomy, size of school districts combined with the free choice of schools limit the potential impact of measures on effective desegregation in education. Although several programmes, projects and measures have been implemented to improve the education system in Romania, Roma students still face numerous problems, with significant differences between rural and urban areas. In 2016, the National Education Ministry issued a Framework Order banning segregation in pre-university schools but in 2019 the implementation of the plan is still pending. In Slovakia, where a disproportionate share of Roma children are still placed in special schools or classes for children with mental disabilities, the revised *Action Plan for integrating Roma* approved in February 2017 is being implemented but results remain to be seen. In addition, Slovakia adopted a 10 year National Education Development Plan which should also try to address the aspects of inclusiveness and quality of education, also for Roma children. The planned introduction of compulsory kindergarten from age 5, accompanied by an abolishment of the zero-grade mostly attended

[87] The additional funding is allocated for primary and lower-secondary degree students.

by Roma children, may have some positive impact in this regard, but active desegregation measures remain lacking.

Member States need to focus on skills development to make qualifications more relevant to the changing society and labour market. Designing qualifications and defining their level in terms of learning outcomes has become the standard approach throughout the Union. All Member States have a national qualification framework and almost all (27) have referenced their levels to the European Qualifications Framework (EQF). In addition, 20 indicate the EQF level on their qualifications, making them clearer and better comparable (Belgium, Czechia, Denmark, Germany, Estonia, Greece, Finland, France, Ireland, Italy, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Portugal, Slovenia and the United Kingdom). Besides, and crucially, the focus on learning outcomes makes it easier to link formal qualifications with validation of skills acquired outside formal programmes as well as with emerging innovative forms of skills recognition, such as micro-credentials, which may have a significant impact in the employability of their holders.

In line with the 2012 Council Recommendation[88], Member States increasingly provide people with opportunities to validate skills acquired outside institutional education and training. The 2018 European Inventory of validation shows that almost all Member States have validation arrangements in place, though with different degrees of coverage. Through validation, it is possible to obtain any qualification included in the national framework in 12 countries (Finland, France, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Romania, Sweden and the United Kingdom) or in a significant subset of the whole framework (Austria, Belgium, Bulgaria, Denmark, Germany, Malta, Portugal, Slovenia, Spain). In most Member States, validation can grant access to formal programmes and exemption from parts of them. However, arrangements are not yet available in Croatia, where a national validation framework is still in the making, in coordination with the national qualification framework, and in Slovakia, where some form of validation is only available for very specific labour market purposes. While the link to the national qualification framework and institutional education and training is a standard feature in all countries, validation opportunities are also being provided in connection with labour market interventions, often implemented by public employment services. Latter is the case in 13 countries (Belgium, Croatia, Cyprus, Czechia, Denmark, Ireland, Italy, Malta, Netherlands, Poland, Slovakia, Sweden, United Kingdom. A skills profiling or skills audit is made available to all unemployed in 13 Member States (Austria, Belgium, Finland and Italy within three months of unemployment, Croatia and Czechia within six months of unemployment, Greece, Ireland, Latvia, Luxembourg, Malta, the Netherlands and Poland with other timeframes).

Member States are working towards effective lifelong learning guidance services. There is growing awareness of the need to help workers keep learning throughout the entirety of their career, well beyond initial education and training and during the first job. A number of innovative practices are being applied, with an increasing role of public employment services (PES) and social partners. In the United Kingdom and Denmark, union representatives have engaged in workplace guidance activities. Businesses play a major role in mid-career skills reviews. This is already a common practice in France and currently also tested in other countries. Italian regions manage the Active Employment Network, a partnership of PES and private actors, which accompanies unemployed and low skilled people towards reengagement in the labour market. The Dutch Learning and Working Desks bring together actors at local

[88] Council Recommendation of 22.12.2012 on the validation of non-formal and informal learning.

and regional level to provide personalised guidance to low qualified adults, NEET and employed people, linking them to validation processes, as well providing follow up services.

More and more Member States are aware that skills challenges require a whole-of-government strategy to promote adult learning. In 2016, as part of the Skills Agenda package, the Council adopted a Recommendation on Upskilling Pathways aiming to help responding to skills gaps, inequality and emerging labour market needs among the adult population. Through Upskilling Pathways, policy makers would design and implement policies specifically tailored to the needs of low-skilled adults. Several Member states have been working towards national skills strategies, supported by the Commission in cooperation with the OECD (Spain, Italy, Portugal, Slovenia, Belgium/Flanders and more recently Latvia and Poland). Furthermore, several Member States like Austria, the Netherlands and currently Slovakia, have financed Skills Strategies with their own funding. In France, the 2018 vocational training reform established a new body ("France Competences"), to ensure a comprehensive approach on skills needs, quality of training and costs.

Work-based learning and apprenticeship schemes ensure the closest links between education and the world of work: at the Member State level, a number of reforms targeted at vocational education and training (VET) were adopted since mid-2018. The Commission together with Member States continues to cooperate on modernisation of vocational education and training in line with the policy priorities defined in the 2015 Riga Conclusions.[89]. Further, through the *Youth Employment Initiative*[90] and the *European Alliance for Apprenticeships*[91], the Commission has been encouraging and supporting the Member States in their efforts to increase quality, supply and attractiveness of work-based learning, thereby improving the labour market relevance of VET in the Member States. For instance, Bulgaria, through a pilot project initiated in May 2019, aims to expand the scope of dual training, in order to improve the quality of vocational education in Bulgaria and to strengthen its link with the needs of the labour market. In December 2018 Estonia adopted a modification of VET act, aiming to make studying more flexible, testing also innovative study formats in collaboration with local government as well as introducing result-based financing. In France, during 2019 and in parallel to the work-based apprenticeship reform, a gradual reform of the school-based VET is being rolled out, with opening of new sectoral *Campus des Metiers et Qualifications*, and gradual pathways of specialisation of enrolled pupils, together with vocational guidance. In Croatia, in 2018, a national Network of Regional Centres of Competences in VET was established with the objective to designate places of excellence that will offer regular VET programmes and other forms of formal and non-formal education. Malta is planning to launch a quality assurance framework for work-based learning, to be based on the 20 guiding principles for high quality apprenticeships. In Poland, changes to the law of education aim at improving the cooperation between the VET system and employers, changing the system of professional exams, and creating an analytical tool of forecasting the national as well as regional labour market needs.

[89] The 2015 Riga Conclusions defined five objectives for the period until 2020: 1) promotion of work-based learning, 2) development of quality assurance in VET and information and feedback loops, 3) access to VET and qualifications for all, 4) strengthening of key competences and 5) professional development of teachers and trainers in VET. Available at https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7915&furtherPubs=yes

[90] See http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1829

[91] See http://ec.europa.eu/education/policy/vocational-policy/alliance_en.htm

Member States, recognising challenges faced by their adult learning systems, also undertook a number of initiatives during second half of 2018 and 2019. The accelerating changes on the labour market, the demand for higher skills and the penetration of digital technologies in all aspects of daily life, give added urgency to the need to upskill people to ensure their employability. The European Pillar of Social Rights acknowledges their right to lifelong learning, as a way to acquire the skills necessary to participate fully in society and successfully manage work transitions. In this context, Flanders (Belgium) improved the incentives for employees to participate in lifelong learning: since September 2019, every employee in the private sector has the right to take 125 hours of paid leave per year for this purpose. In Wallonia (Belgium) a new financial incentive of EUR 350 for training in professions with a labour shortage (Incentive+) is offered to any jobseeker who successfully completes training in a profession with a labour shortage. In Croatia, since September 2019 the newly adopted Adult Education Act should address the disadvantages of the existing adult education system and align it with the Croatian Qualifications Framework (CROQF). Latvia has increased support for learning to persons employed in the enterprises dedicated EUR 18 million of ERDF financing for that purpose. Portugal in February 2019 adopted a measure to address specific needs regarding human resources in Public Administration, aiming to create a life-long learning model that allows public servants to have access to educational and professional certification. The new "*Skills to Advance*" programme approved in Ireland aims to support vulnerable groups, including the low skilled. This new measure will enable targeted support for vulnerable groups in the Irish workforce, particularly those who have lower skills levels and who need more opportunities for upward career progression, to support people to stay in work and to avoid displacement, or to seize emerging job opportunities.

Further reducing youth unemployment and supporting young people's transition from education and training to the labour market remain important priorities. Each year since 2014 more than 5 million young people registered in the Youth Guarantee and 3.5 million took up an offer of employment, continued education, a traineeship or an apprenticeship. However, in many Member States the estimated proportion of NEETs registered with the scheme throughout the year is still below 50%. Although limited coverage in many countries is likely to be linked to the shifting composition of the NEET population (lower share of unemployed NEETs in the total) and reductions in the overall number of NEETs (see Chapter 3.2.1 for details). In a context where young people's labour market performance has significantly improved, policy measures underpinning the Youth Guarantee's delivery are becoming more targeted.

Member States are stepping up their outreach efforts, making services more accessible to young people and ensuring a better identification of those in need. In Spain, the *Action Plan for Youth Employment 2019-2021* will increase the number of counsellors for young jobseekers and long-term unemployed by 3 000 new staff. In Cyprus, an outreach project aims to reach out to 4 000 inactive NEETs and provide activation support through counselling and tailor made training according to their needs. Also in Cyprus, a communications campaign wants to attract young people to the Public Employment Service (PES) so that they can register in the Youth Guarantee. The campaign intends to involve youth stakeholders with the capacity to reach out to NEETs of diverse backgrounds (poverty, disability, low educational attainment or ethnic minority and migrants).

New measures were also introduced to better support young people facing multiple disadvantages. In Ireland, the Youth Employment Support Scheme (YESS) offers work placements to young jobseekers who are long-term unemployed or face barriers to employment. Participants learn basic work and social skills in a supportive environment while on a work placement. In France, a voluntary scheme for companies to train and hire youngsters wants to commit at least 10 000 firms to offer a traineeship, apprenticeship or a job. The objective is to develop public/private cooperation in addressing high unemployment rates for young people in urban deprived areas. Portugal adopted professional traineeships measures that can eventually be transformed into permanent hiring through direct hiring subsidies targeted at young and long-term unemployed. Subsequently in 2019, changes were introduced to improve the efficiency and effectiveness of these measures, streamlining the process of analysis of applications and ensuring adequate response timings by the PES.

Box 2. Making full use of the European Social Fund (ESF)

The European Social Fund (ESF) is one of the key EU instruments to support addressing the challenges identified in the country-specific recommendations (CSRs). It contributes to sustainable and quality employment, promoting social inclusion, investing in education and training and enhancing institutional capacity building. Together with the Youth Employment Initiative (YEI), which supports young people not in employment, education or training, they invest near EUR 93 billion in human capital, helping people in Europe to develop their skills and secure their future.

Over 26 million participants have benefitted from ESF and YEI support between 2014 and end 2018, including almost 4 million long-term unemployed (15%). Young people below 25 years of age (43% of total participants) and low-skilled people with primary or lower secondary education (48% of total participants) are key target groups of these interventions. Implementation, which showed sharp acceleration in 2017 - 2018, should continue steadily until the end of the programming period. Out of the 26 million participants until the end of 2018,

→ 2.7 million participants had found a job
→ 3.6 million participants had gained a qualification
→ 1.4 million participants were in education or training following EU supported activities

Furthermore, 2.7 million young people have benefitted from YEI-supported measures by the end of 2018, out of which over a million were offered a job, gained a qualification or continued education or training following this support.

The negotiations between the European Parliament and the Council on the European Commission's proposal for the 2021-2027 European Social Fund Plus (ESF+) are ongoing. Based on the proposal, the ESF+ would allow within the broader framework of the European Structural Funds to focus support on challenges identified in the European Semester. To that end, the 2019 Country Reports (in particular their new Annexes D) identified priority areas for public and private investment in the Member States to serve as a basis for the programming of the future Structural Funds.

In addition, Member States have taken steps to increase targeted incentives to hire and being hired for groups facing disadvantages in the labour market. Romania has provided additional incentives for employers to hire people in vulnerable situations. The changes imply that employers who hire under a permanent contract unemployed persons aged over 45 years, unemployed single parents, long-term unemployed or young NEETs, benefit from a monthly amount of RON 2250 (approximately EUR 475) for each person employed from these groups for a period of 12 months. They are obliged to maintain employment for at least 18 months. Sweden has also adopted measures to target new entrants into the labour market. In 2020, entry deductions will be introduced, meaning that the employer's contribution will be removed in the first two years when hiring people who are employed for the first time. For young people under the age of 18, the employer's contribution was lowered in August 2019 and completely removed in 2020. Slovenia has discarded the “activity supplement” in the cash social assistance legislation. The aim is to speed up the activation of the beneficiaries of social assistance and to ensure higher social security of individuals. They also seek to provide comprehensive assistance to individuals, helping them to get through in case of social vulnerability.

Several Member States continue their efforts to promote labour market participation of older workers while ensuring adequate pensions to those that cannot work any longer. In a context of an ageing society, working longer is key to maintaining and improving pension adequacy. Pension (and tax) policies can provide the right incentives for people to extend their working lives. Such incentives can include balancing implicit tax/benefit related to retirement, bonuses and penalties for retiring after or before the retirement age, and allowing combining pensions and work. The Pension Adequacy Report 2018 (European Commission, 2019) indicated that such policies are a more important factor than earlier-career policies in driving towards higher retirement ages. In this perspective, Flanders (Belgium) has taken targeted measures to improve the employability of older workers; in particular by increasing the maximum subsidy for the employment of an older worker, fully exempting the employer contributions during two years when hiring an unemployed older worker (55+) and by increasing the wage ceiling for which the targeted measures apply.

Germany has taken steps to activate older long-term unemployed through a five years’ job subsidy reducing the labour costs. The condition is that the long-term unemployed have received the unemployment benefit “*Hartz IV*” for at least six out of the last seven years. As part of the Action Programme to tackle precariousness and foster collective bargaining, included in *Resolução do Conselho de Ministros n.º 72/2018, de 6 de Junho*, Portugal has adopted measures providing hiring support to companies that hire simultaneously a young unemployed person (or a young person looking for a first job) and a long-term unemployed older person (with more than 45 years old). Support is granted, as a general rule, only to permanent contracts. This also includes partial or total exemptions of payments to social security by the employer. However, career-end policies aiming to encourage longer working lives should be accompanied by measures that ensure adequate pensions for those who cannot work longer. Therefore, Austria reformed its existing part-time scheme for older workers (*Altersteilzeit*). In order to keep employees longer in working life, Austria increased the entry age for this scheme in two steps. For men, the entry age was raised from 58 to 59 (in 2019) and to 60 (2020). For women, it was increased from 53 to 54 (2019) to 55 (2020). The Italian government has lowered the retirement age for certain categories of older workers summing up 100 years of combined age and contribution years (minimum requirement: being at least 62 years old and having at least 38 years of contribution years). Finally, in Spain, the long-term unemployment assistance for older workers has been adapted. Compared to the previous scheme in place, i) the long-term unemployed are eligible from age 52 instead of 55; ii) the maximum duration of the benefit is extended until the worker reaches the legal retirement age (65); iii) the basis to calculate the contribution to the pension scheme paid by the State increases by 53% (from 859 EUR per month in 2018 to 1,313 EUR per month in 2019) and iv) the means-test will be calculated at individual level instead of household level.

Participation in high quality early childhood education and care is a foundation for successful lifelong learning, personal development and higher employability later on in life. The *Council Recommendation of 22 May 2019 on High Quality Early Childhood Education and Care Systems* calls for accessible, affordable and inclusive early childhood education and care services and for enhancing the development of early years' curricula to meet the wellbeing and educational needs of children. In the last year, France decided to progressively guarantee universal access to childcare, from birth to 3-year olds, and provides in-kind social benefits and a guarantee of maintenance expense payments to single parents. In Sweden, the pre-school class is a mandatory part of the school cycle as from autumn 2018, and Swedish authorities have adopted a new curriculum that incorporates a strengthened focus on learning, in particular reading and digital skills. The Slovak Government has expanded free kindergarten places to all children from socio-economically deprived families (regardless of age) since September 2018, and it has lowered the compulsory school age to five (operational as from September 2020).

Member States continue efforts in the area of childcare services to remove women's employment obstacles. Ireland's early childhood education scheme for children was adopted in September 2018, entitling all children from 2 years and 8 months to compulsory school age to 2 years of subsidised pre-school childcare of three hours a day. The *Childcare Support Act 2018* is an essential element in the development of the Affordable Childcare Scheme, with a new approach to supporting affordable access to quality childcare places. It further puts the *Affordable Childcare Scheme* on a legislative footing, replacing four existing, non-statutory targeted childcare schemes. In January 2019, Italy increased the annual tuition fee support from 1000 EUR to 1500 EUR for nursery attendance and home support for children under three suffering from serious chronic diseases. Romania is investing ESF funds to support the consolidation of the network of foster parents. Additionally, Finland's *Early Childhood Education and Care Reform* entered into force in September 2018. This reform brings Finland's childhood education and care system up to date with societal and labour market developments through upskilling personnel, creating incentives for higher-education degree holders to work in early childhood education and care and focusing on multi-professional teams. Attention to children's well-being and interests is being increased and prioritised.

A balanced distribution of paid leave between women and men can be particularly beneficial in fostering women's employment after having children. In the past years, many Member States have improved their family leave entitlements and promoted particularly the uptake of fathers' entitlements[92]. At the beginning of 2018, Czechia made amendments to the law on social support to increase the flexibility of the parental allowance where parents can now select the monthly amount and time of drawing (up to four years). The total maximum amount is 220 000 CZK (around 8 617 EUR). Further, the allowance will not be dependent on formal childcare enrolment. Czechia also amended the *Health Insurance Act*, introducing a one-week long parental leave and paternity allowance for fathers. Whilst this is a step in the right direction, it falls short of the Work-life Balance Directive that offers two weeks paid paternity and two non-transferrable months of parental leave to fathers. In addition, in Spain a legislative change adopted in March 2019 set the replacement of the maternity /paternity leave by a parental leave of 16 weeks for each parent. The law provides for a gradual application. The parent different to the biological mother will be entitled to a leave of 8 weeks in 2019 (5 in 2018), 12 weeks in 2020 and finally 16 in 2021. Other measures contained in the same law also intend to reinforce gender equality, such as: i) The obligation to negotiate equality plans has been extended to companies with more than 50 employees (250 employees before) and ii) The regulation on equal remuneration has been modified to define when a job has equal value and to impose on the employer the obligation to keep a record of the average wages of men

[92] Eurofound (2019), Parental and paternity leave – Uptake by fathers, Publications Office of the European Union, Luxembourg.

and women. When the difference in average salary exceeds 25 per cent between the two genders, the reason must be justified and iii) Free social security contributions for informal caregivers.

In Ireland, since 1 September 2019, parents can take 22 weeks of unpaid parental leave for each new-born child. The leave must be taken before the child's 12th birthday. Before 1 September 2019, parental leave was 18 weeks and parents could only take parental leave before a child's 8th birthday. A further development in the area is a new paid *Parental Leave Scheme* that allows parents to take two weeks paid leave during their child's first year. This new scheme is in place since November 2019. In 2019, the Netherlands introduced a bill increasing paternity leave from 2 to 5 days and allowing for a further 5 weeks leave from July 2020 onwards, to be taken within the first 6 months of birth. In addition, adoption and foster care leaves were extended from 4 to 6 weeks. In December 2018, Portugal introduced four axes promoting a better balance between professional, personal and family life as a condition for effective equality between men and women and for full citizenship, enabling free choices to be made in all aspects of life based on the European Pillar of Social Rights. The first is a conciliation pact with measures to mobilise different employers to develop practices conducive to conciliation and dissemination. The second, "*Reconciliation in Public Administration*" pact, is about the commitment of the Central and Local Public Administration to promote conciliation. The third is about equipment, services and incentives for conciliation with instruments to facilitate conciliation, in care, education, transport and health. The fourth '*Knowing to reconcile*' adds measures that lead to the production of knowledge and its dissemination, which can support the development of new actions. Social partners in Austria agreed on 24 months of parental leave credited towards the calculation of entitlements based on length of service, such as automatic pay rises, annual leave entitlement, notice periods, or continued sick pay in sectors such as retail, which feature a high share of female workers.

Other anti-discrimination measures to promote female work participation were introduced in a few Member States. In France, a law introducing measures to fight against sex-related violence at workplace comprising 5 areas: 1) promote social dialogue; 2) training inspectors; 3) information campaigns; 4) support for victims within enterprises; and 5) tools to sanction discriminatory practices such as anti-discrimination brigade (BADI) was adopted in August 2018. Portugal also sought through the *National Strategy for Equality and Non-Discrimination 2018-2030* to define specific strategic goals in terms of non-discrimination on the grounds of gender and equality between men and women. These are to integrate the National Plan of Action for Equality between Women and Men; the National plan of action for the prevention and combating of violence against women and domestic violence; and the National plan of action to combat discrimination based on sexual orientation, gender identity and sexual characteristics. In the area of the *Agenda for Equality in the Labour Market and in Enterprises*, the Strategy reinforces the fight against gender segregation of professions, the promotion of equal pay and the reconciliation of professional, family and personal life, fostering dialogue with the social partners. For the first time, specific anti-discrimination planning based on sexual orientation, gender identity and sexual characteristics is outlined, with measures being defined in priority intervention areas such as information and training and sectoral policies.

A limited number of Member States took steps to address the gender pay gap. Most new initiatives were at least partially related to pay transparency measures, as recommended by the European Commission in 2014 (2014/124/EU). Germany and the UK have started their first rounds of gender pay reporting in 2018 and a UK parliamentary report recommended the extension of pay gap reporting requirements[93] [94]. Ireland has published a *Gender Pay Gap Information Bill* in 2019, which will oblige companies to publish information on gender pay differentials[95]. In September 2018, France introduced a "*equal wage equality index*" based on 5 different gender equality indicators. Companies have to make equal pay results transparent, the labour inspectorate controls were increased and there is a promotion campaign to combat gender stereotyping in hiring. The equal pay index is mandatory for companies with more than 50 employees. Companies reaching the 50-employee threshold will have a 3-year grace period before being subject to these obligations. Companies with 1,000+ employees had until 1 March 2019 to publish their gender equality results, companies with 251 to 999 employees, until 01 September; and those with 50 to 250 employees until March 1, 2020.

Portugal also introduced legislation to address the gender pay gap. Measures include an annual report about differences in remuneration between women and men and an assessment per company, profession and level of qualifications (for companies with 250+ employees in the first 2 years, then widened to companies with 50+). Specific actions from the labour inspectorate and sanctions against employers in case of discriminatory treatment are also envisaged. To combat vertical segregation the *Equality in working conditions: Equal pay; Parenting protection; Reconciliation of professional activity with family and personal life* plan aims to foster gender balanced participation in decision-making. It establishes minimum gender thresholds in public company boards from 2018 onwards (33.3%) as well as in listed companies (20% and from 2020 onwards, 33.3%). It further aims to foster gender balanced participation in Public Administration decision-making; to designate holders of positions in public bodies based on competences, skills, experience and training legally required, and to follow a minimum gender balance representation threshold as follows: 40% of positions in public bodies should be reserved to each gender.

Supporting labour market integration of third country nationals has been an area of actions in a number of Member States, often combined with language training. A number of Member States (notably Greece, France, the Netherlands, the United Kingdom and Luxembourg) made overarching changes in the form of new or revised action plans/strategies as a response to the need to intensify efforts on long-term integration and consolidate efforts of all stakeholders involved. Moreover, a number of Member States broadened their offer of integration measures while a few simultaneously increased mandatory participation in various language courses and integration training. For instance, the offer of language training to third country nationals was improved notably in Belgium (Wallonia, Flanders and German community), Finland, France, Malta, and Germany (job-related language training). In Sweden, a new regulatory framework for the Swedish PES served to strengthen the pathways into employment for newly arrived migrants. Sweden also reformed its system of subsidised employment and introduced in July 2019 a new supportive measure, so called "*introductory jobs*" and provided more funding for "*local job tracks*" (in place since 2017) consisting usually of labour market education, Swedish (language) for immigrants and internships. In December 2018, Finland funded in five cities so called "*immigrant competence centres*" in which municipalities and labour market and education institutions guide clients towards training and the labour market in a flexible manner. The Netherlands revised their approach to integration including a stronger focus on labour market integration. In 2019, the Dutch

[93] Eurofound (2019), Slow start for gender pay transparency in Germany, Eurofound blog, 4 February 2019.

[94] Eurofound (2018), United Kingdom: Latest working life developments Q3 2018, Claire Evans.

[95] Eurofound (2019), Ireland: Latest working life developments Q2 2019, Farrelly, R.

government launched eight experimental actions to improve the effectiveness of instruments to promote labour market participation and the labour market position of Dutch citizens with a migration background. They include notably: combined learning and working, intensive coaching for vulnerable groups, supporting work orientation for vocational students and measuring cultural diversity in companies. In Spain, the majority of the measures for improving employability were implemented as part of the *2017-2020 Spanish Activation Strategy for Employment* while the Secretary of State for Migration also provided financial support to social and labour inclusion of immigrants. In France, the reform of integration policy, adopted in June 2018 and implemented since 2019, entails a new section dedicated to professional integration and skills audit as part of the *republican integration contract* (CIR), additional language training after the CIR if needed and a more systematic use of public employment services.

In addition to measures addressing third-country nationals directly, Member States also took measures providing resources and tools to public employment services, local authorities or employers to support integration. France launched a structured collaboration between migration, training and employment authorities. In the United Kingdom, additional funding was provided to Jobcentre Plus to support more people from segregated communities into work. In Latvia, a manual on integration in the workplace was developed, gathering good practices regarding workplace integration of newcomers and diversity management. Estonia provided support to highly skilled through the International House of Estonia which offers services to local employers on how to hire foreign experts and to international newcomers as well as their spouse (life in Estonia, language programmes and career counselling)

Member States adopted measures to improve the educational attainment of third-country nationals and children with a migrant background. Finland, Estonia and Belgium aimed specifically at increasing the participation of early childhood education and care of children of third-country nationals and adopted policy changes to that effect. As such, in autumn 2018, the Finnish government launched a pilot project offering free part-time early childhood education and care for five-year old children. Flanders (Belgium) adopted a strategy to enhance participation to pre-school (2.5 to 5 years) with special attention to children with a migrant background while Belgium (federal level) reduced the age of compulsory schooling from 6 to 5. France provided for the doubling of workshops for parents of foreign pupils, to strengthen their integration and of French as a foreign language programmes for students wishing to pursue their studies in France. Lithuania introduced a new policy whereby a teaching assistant would be placed in every school that had children with an immigrant background among its students. In Spain, a new programme was adopted to support regions to reduce the number of early leavers from the education and training system. It intends to support educational centres and students in vulnerable socio-economic environments and backgrounds (migrants, Roma, special education needs) and to strengthen the competences of teaching staff to address student's diversity in the classroom. In Luxembourg, a mediation service was established including a mediator who is in charge of issues related to the schooling of children of immigrant background, related to specific schooling needs and school dropout.

Member States also undertook reforms aimed at recognition and/or validation of the qualifications or skills of third country nationals. For instance, in the frame of the new law on skilled immigration (*Fachkräftezuwanderungsgesetz*) adopted in June 2019, Germany made the recognition of vocational and professional qualifications issued in third countries easier. From June 2018 onwards for a three-year-period, Greece supports the European Qualifications Passport for Refugees (Council of Europe) aimed at providing a valid methodology for the assessment of qualifications of refugees having completed or partially completed studies at the level of upper secondary school and above (including qualifications for which there was insufficient or missing documentation). Finland published a guide to facilitate the recognition of qualifications of foreign teachers. The Flemish government (Belgium) approved a decree on the recognition of acquired competences in order to enable persons to get a qualification of their acquired competences i.e. work experience, voluntary work and training.

A number of Member States took measures to facilitate the admission of labour migrants from third countries, in particular highly skilled workers and those filling shortage occupations. Belgium streamlined the procedure by combining work and residence permit procedures. In Flanders, the list of shortage occupations was extended and the salary threshold was lowered for highly skilled persons below the age of 30 years as well as for nurses. Malta, Austria, Portugal, Slovakia, and Lithuania introduced simplifications for third country workers to apply for a work or residence permit while Germany adopted a wider reform facilitating immigration of skilled workers from third countries including changes in visa procedures, recognition of foreign qualifications and increased language support. France encouraged the arrival of highly qualified foreign nationals through simplified procedures and dedicated arrival facilities and extended its multi-year residence permit called the “Talent passport”. Foreign entrepreneurs and investors were also targeted by legislative and policy changes in Member States, opening up new paths to attract them or improving the monitoring of their entry and stay. For instance, Finland and Portugal introduced a new Start Up Visa programme for entrepreneurs.

A number of recent actions at Member States level were targeted specifically at refugees and/or asylum applicants. For instance, in Germany, a new law (*Foreign Nationals Employment Act*) adopted in June 2019 foresees better access to integration courses, occupation-specific German courses and training assistance for various groups of asylum seekers. It also reformed access to benefits in order to motivate asylum seekers to undertake training and allow refugees to engage in voluntary work[96]. In Denmark, the government and the social partners agreed to prolong the *Basic Integration Education* (IGU) programme (combines language classes, apprenticeships and vocational education for recently arrived migrants and refugees between 18-39 years) until 30 June 2022. In France, in the context of the national strategy for the reception and integration of refugees aiming notably at supporting the access to training and employment for refugees, the Public Employment Service (Pôle-Emploi) published in September 2018 a booklet with useful advice about job hunting, translated in different languages. In addition, several Member States focused recent efforts on integration of recently arrived migrant women. Ireland's Department of Justice and Equality funded 7 new projects in 2019 to support the labour market integration of female refugees while Sweden also provided additional government funding for relevant projects, for example for an initiative providing guidance about the Swedish labour market to female asylum applicants.

Several Member States are promoting the employment of persons with disabilities. In Flanders (Belgium), a reform of the individual professional training programmes introduced a new programme targeted to unemployed with a disability and long-term unemployed. It can

[96] The Asylum Seekers’ Benefits Act was reformed: the benefits of asylum seekers will no longer be discontinued after 15 months. This is to counteract the problem of refugees prematurely breaking off training and degree courses

take 52 weeks and is costless for employers. Moreover, the inter-professional trainings are costless for the participants and the costs for transport and childcare will be reimbursed. Bulgaria put in place obligatory quotas requiring employers to hire people with disabilities (1 employee with disability for employers with 50 to 99 employees, 2% of the average staff for employer with 100 or more employees); and specific subsidies for employers, special services at the labour offices and pilot centres for protected employment. Czechia introduced a long-term care benefit to provide people with healthcare insurance with adequate compensation for the loss of income from employment interrupted due to long-term care for a relative. Croatia adopted quotas for employment of persons with disabilities, i.e. employers who employ at least 20 employees need to employ workers with disabilities amounting to 3% of the total number of employees. Employers who fail to fulfil this obligation have to pay fines. In addition, salary subsidies are paid by the Institute for training, professional rehabilitation and the employment of persons with disabilities.

In Denmark, the government has earmarked DKK 128.4 million (approximately EUR 17 million) for the period 2019-2022 as part of the 2019 agreement on Rate Adjustment Funds (*Satspuljeaftale*) to strengthen the employment and educational opportunities of persons with disabilities. Finland is implementing a workability programme aimed at improving individual assessment of service needs for long-term unemployed and people with partial workability. It increased rehabilitation allowances to promote employment of people with partial work ability and the allocation for subsidised salaries. France adopted several measures concerning the scope of the law *"Liberté de choisir son Avenir Professionnel"*. These focused on: 1) simplification of employers' declarative obligations; 2) generalisation of accompanying schemes; 3) change of scope of the obligation of 6% target of having staff with disability; 4) compulsory declaration of actions taken by enterprise to promote employment of people with disabilities; 5) collective agreements on disability to be renewed every 3 years. Germany provides subsidies for 5 years jobs for the long-term unemployed older than 25 years including those with severe disability. In Romania, the employers get subsidies for hiring graduates of the educational institutions with a permanent employment contract for a period of 12 months and for 18 months in case of graduates with disabilities.

3.3. 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 Member States to enhance the functioning of the labour market and the effectiveness of social dialogue. This includes balancing flexibility and security in labour market policies, preventing labour market segmentation, fighting undeclared work and fostering the transition towards open-ended forms of employment, ensuring effective active labour market policies and public employment services, providing adequate unemployment benefits that minimise the disincentive to rapid re-employment, and promoting the mobility of workers and learners. The guideline recommends Member States to ensure the timely and meaningful involvement of the social partners in the design and implementation of policies and reforms, including through support for capacity building. It also envisages that Member States take into account the experience of relevant civil society organisations, building up on existing national practices. The chapter starts by presenting key indicators pointing at key challenges in these areas, while stressing the benefits associated to reducing the strictness of employment protection and promoting effective and well-coordinated labour market and social institutions and policies. Section 3.3.2 reports on policy measures from Member States in these areas.

3.3.1 Key indicators

The employment guidelines promote the prevention of labour market segmentation, which remains an issue in several Member States. In some Member States, differences in working conditions between individuals remain significant. Some individuals enjoy stable careers with good prospects while others are trapped in poor quality jobs with less access to training, social protection and generally worse working conditions and well-being. These differences cannot be attributed exclusively to differences in productivity levels ([97]). When entrenched, labour market segmentation may result in higher inequalities, lower social cohesion and lower rates of economic growth, as it is associated with weaker aggregate demand, lower productivity, human capital development and social mobility. Two principles of the European Pillar of Social Rights support efforts in addressing this challenge. In particular, Principle 5 ("*Secure and adaptable employment*") and Principle 7 ("*Information about employment conditions and protection in case of dismissals*") aim at ensuring equal treatment between workers irrespective of the type of employment relationship, while emphasising support for transitions towards open-ended forms of employment.

Labour market segmentation, as measured by the share of temporary employees, affects several Member States. At EU level (Figure 46), the share of temporary contracts over total employees has hovered around 14% on average over the last ten years (see also Chapter 1), though with significant differences across Member States. The gap between the Member States with the highest and the lowest share of temporary contracts over total employees has remained broadly stable around 26 pps since 2014. Albeit stable or slightly decreasing from 2017, Spain, Poland, Portugal and the Netherlands continue to record the highest levels in 2018, with rates above 20%, followed by other five Member States (Croatia, Italy, France, Finland and Slovenia) in the range between 15% and 20%. The lowest shares are recorded in

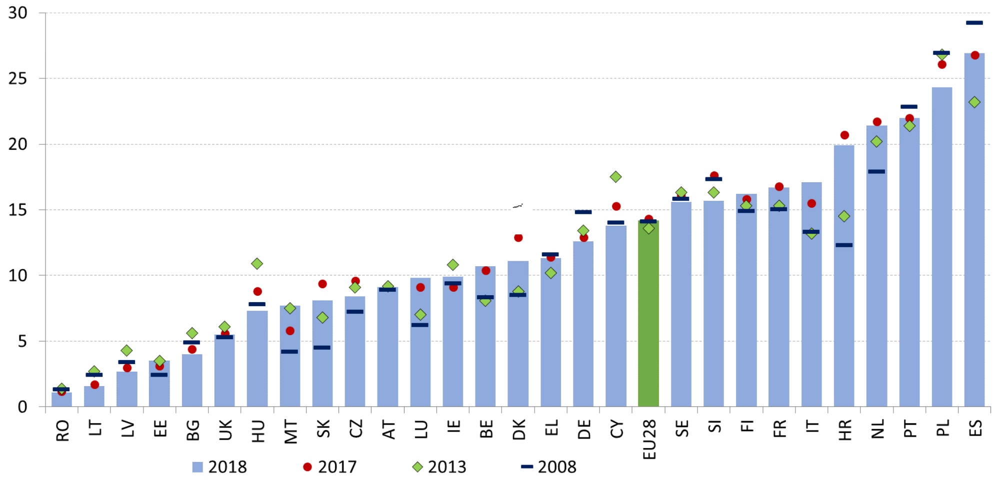
[97] Analysis from Eurofound (2019) and ILO (2016) on non-standard employment.

Romania, Lithuania, Latvia, Estonia, Bulgaria and the United Kingdom, with figures below 5% in 2018. The economic recovery starting in 2013 brought an uneven evolution in the share of temporary employment across Member States. Some countries have seen a steady increase between 2013 and 2018, in particular Italy (by 3.5 pps), Croatia (by 3 pps), Spain (by 2.9 pps) and Denmark (by 2.5 pps). In other Member States, the solid employment expansion was coupled with a sustained decrease in the share of fixed-term contracts. This is the case of Cyprus (by -5.2 pps), Poland (by -4 pps) and Hungary (by -3.5 pps).

The proportion of employees in temporary employment tends to be higher among women and younger employees. The share of female employees aged 15 to 64 in temporary employment in the EU in 2018 was 14.7%, compared to 13.6% for men. The largest shares of female temporary employment are observed in Spain (27.8%), Poland (25.1%), Netherlands (22.7%), Portugal (22%) and Croatia (20.5%). In all these Member States, the share is higher for women than for men. For those aged 15 to 24, the share was 43.3% in 2018, compared with 12.1% for those aged 25 to 54 and 6.6% for those aged 55 to 64.

Figure 46: Temporary employment remains a challenge in several Member States

Share of temporary employees over total number of employees (15-64).

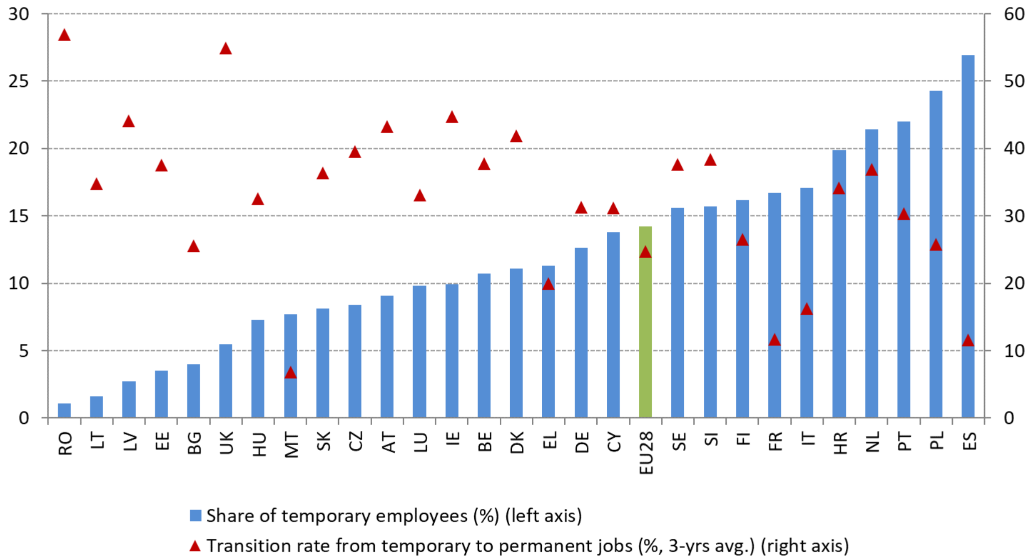


Source: Eurostat, LFS.

Challenges remain to ensure that temporary contracts are a "springboard" towards permanent jobs, avoiding "revolving doors" between unemployment and precarious jobs. Well-designed employment protection legislation should protect workers while not hampering job transitions, allowing the economy to smoothly respond to shocks requiring the reallocation of labour between sectors or occupations. A high share of temporary employees coupled with low transition rates from temporary to permanent jobs may be a sign of ill-designed employment protection legislation and impede the achievement of good labour market outcomes. Figure 47 shows the transition rates from temporary to permanent contracts (averaged over the period 2016-2018 to minimise the impact of short-term fluctuations), plotted against the share of temporary employees among the total number of employees aged 15-64. Four countries (France, Italy, Poland and Spain) show high rates of temporary employment (above the EU average of 14.2% in 2018) coupled with low transition rates from fixed-term to open-ended contracts (below 10%). Other countries such as the Netherlands or Portugal show sizeable rates of temporary employment, though with higher transition rates (above 15%).

Figure 47: Temporary contracts often are not "stepping stones" toward permanent ones

Share of temporary workers over total employees 15-64 (2018) and transition rate to permanent jobs, 3-years average (2017).



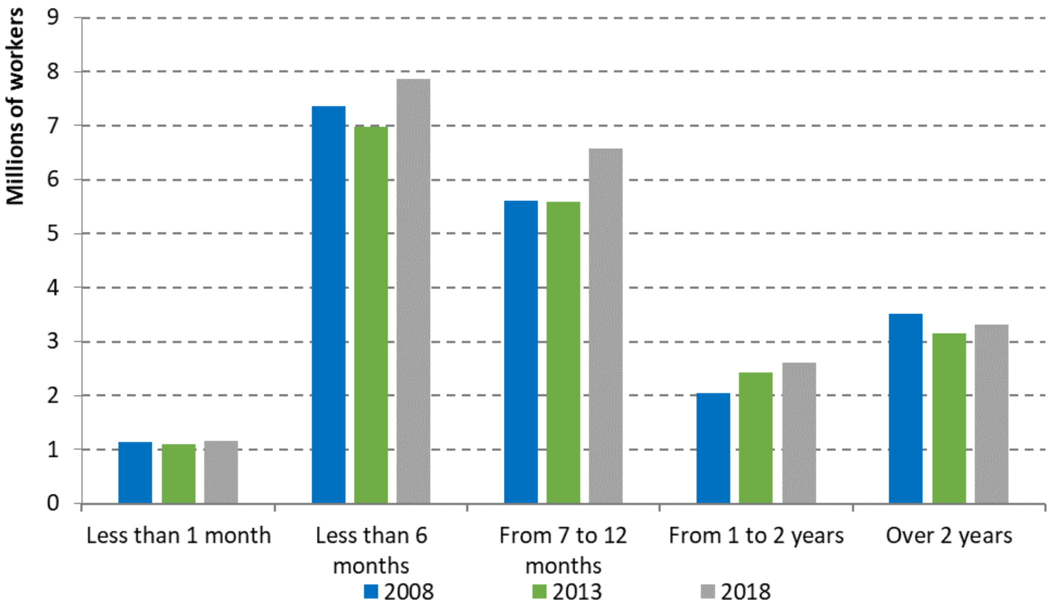
Source: Eurostat, LFS, SILC.

An extensive use of short-term contracts in the EU limits the capacity to address these challenges and foster sustainable integration in the labour market. In 2018, 27.2 million were under temporary working arrangements, accounting for some 20% of all dependent employment in the EU. Over 8 million of these had a work contract lasting less than 6 months and around 1.1 million of them shorter than one month. While short-term contracts of one year or less are on the rise (around 10% increase between 2018 and 2008), those with a longer duration (2 years or more) — which are more likely to represent a springboard towards stable working careers — have declined by almost 23% over the same period (see Section 3.3.2 for details on the policy actions taken by Member States; for a more detailed analysis, see European Commission, 2019[98]).

[98] Gonzalez Vazquez, I., Milasi, S., Carretero Gomez, S., Napierala, J., Robledo Bottcher, N., Jonkers, K. and Goenaga Beldarrain, X. *et al.* (2019). *The changing nature of work and skills in the digital age.* Publications Office of the European Union, Luxembourg.

Figure 48: The recovery has come with an overall shorter duration of the employment relationships

Number of workers aged 20-64 by duration of temporary contract in the EU-28 (2018)



Source: Eurostat, LFS, SILC.

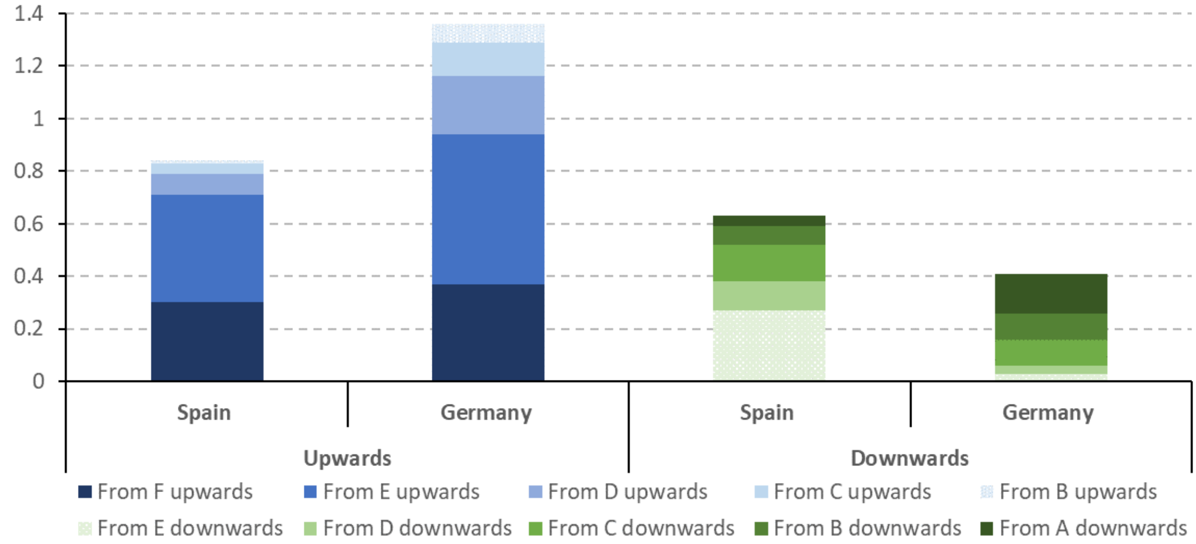
High prevalence of temporary contracts in all segments of the workforce have strong implications for job quality and job security. A Eurofound report adds to the analysis of labour market segmentation presented in the 2019 Joint Employment Report by monitoring the careers of individuals and exploring the extent to which their associated working conditions change over time.[99] The analysis captures the upwards and downwards transition rates experienced by individuals across different labour market states. These labour market states are ranked in different categories (from better off to worse-off, i.e. from A to F) depending on their associated working conditions. Sufficient evidence is only available for few Member States. While limited in scope, a comparison between two of them (Germany and Spain) provides useful insights to understand how the respective labour markets adjusted to the crisis, as shown in Figure 49. In this regard, while Germany shows relatively high upwards and low downwards mobility, Spain presents lower levels of upwards mobility and a relatively high risk of downwards mobility. The Spanish case reflects how those workers at the top of the labour market structure are more protected from downward transitions, while those workers having worse-off working conditions (many of them under temporary contracts) have limited options for upward mobility in their labour market careers, but are often more affected by a deterioration in their working conditions and transitions into unemployment. It is important to remember the issues with the coverage of statutory social protection for temporary employees (see Section 3.4), since many workers on temporary contracts in Europe often struggle to gain access and accumulate entitlements, as they fail to meet minimum contribution periods or earnings thresholds. ([100])

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

[100] OECD (2019). *Employment Outlook 2019.*

Figure 49: Differences in labour market transitions are strongly dependent on the labour market states and associated working conditions

Average year-to-year upwards (left) and downwards (right) transition rates

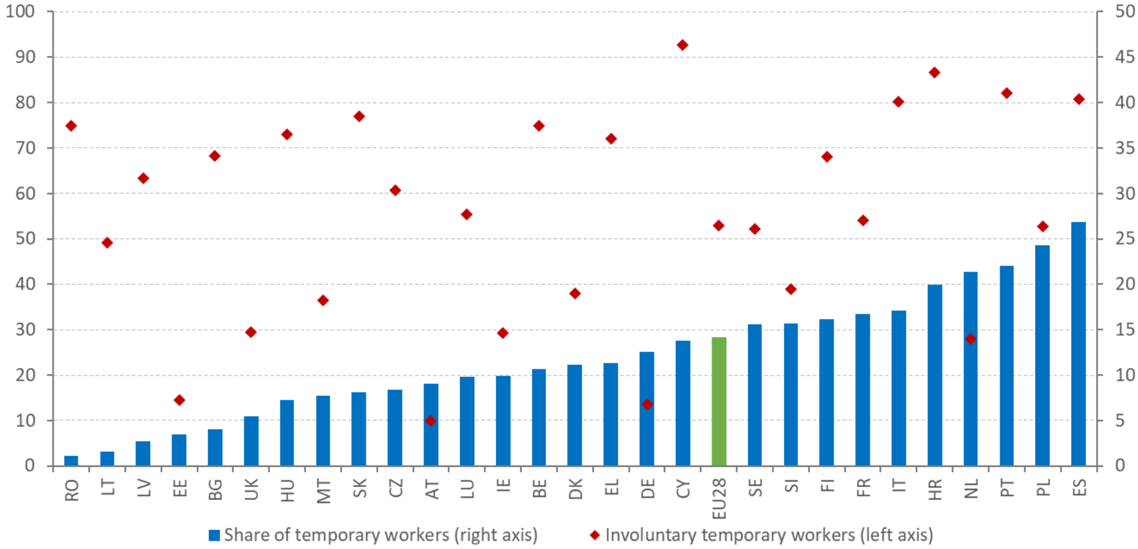


Note: Transitions rates have been added together. Each transition can reach a maximum value of 1 (meaning 100%). Labour market states are ranked by their associated working conditions (based on contractual arrangements, working time, pay and occupational category) and go from better (state A predominantly represent a permanent employee in full-time employment, relatively well-paid and in a high-skilled occupational status) to worse-off (state E represents a worker with the worst working conditions, while state F represents an unemployed person).
Source: MCVL (Spain 2009-2016), GSOEP (Germany 2009-2016).

In the EU, an important share of temporary workers are on a fixed-term contract because they cannot find a permanent job. In several Member States, the reason for having a temporary contract is that the worker could not find a permanent job. Such situation (i.e. "involuntary" temporary employment) is among the main indicators of segmentation in the labour market. Figure 50 analyses jointly the rates of temporary contract workers and the percentage of involuntary. In countries like Croatia, Portugal, Spain and Italy, above 80% of the temporary employees (aged 15-64) report being in this situation because they could not find a permanent job. The situation of Cyprus needs some monitoring: even if the share of temporary employees is close to the EU average, 92.8% of them are considered as involuntary, against 53% on average in the EU-28. The lowest rates of involuntary temporary workers are recorded in Austria, Germany and Estonia, with figures below 15%.

Figure 50: The share of people considered to be in temporary employment involuntarily remains significant in some Member States

Involuntary temporary workers as a share of total temporary employees and share of temporary workers in the total number of employees, 2018.

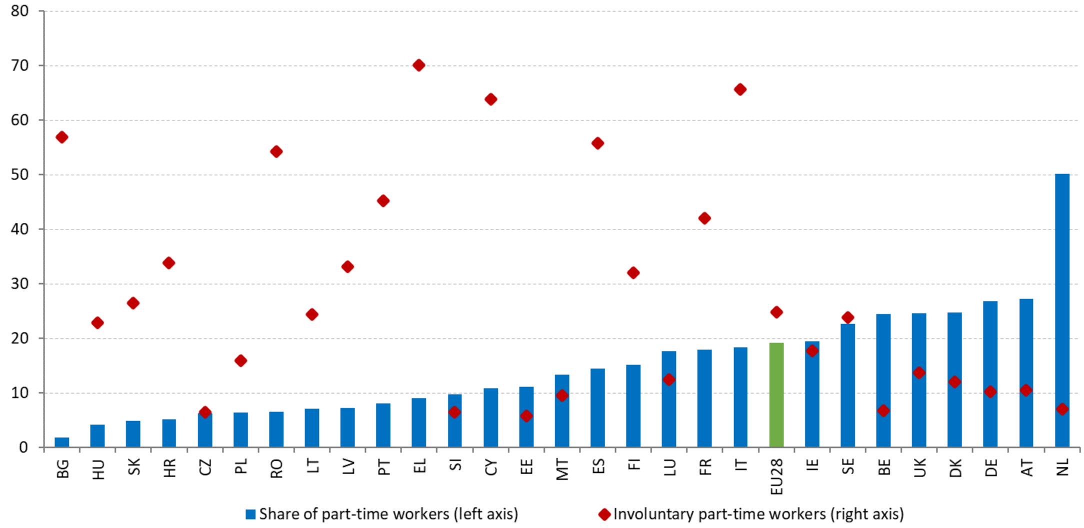


Source: Eurostat, LFS.

Involuntary part-time employment is still an issue for a significant number of workers, who struggle to get a full-time job. The proportion of involuntary part-time workers (15-64 years old) shows the difficulties of many employees to work full-time, despite wishing it. High rates of part-time employment along with significant shares of involuntary workers could show a potential underutilisation of the labour force, namely the degree of labour market slack in the economy. The share of involuntary part-time employment in the total part-time employment has decreased by 4.5 pps since 2013, from 29.3% in 2013 to 24.8% of all part-time workers (see also Chapter 1). While the overall figure ranks below the pre-crisis levels, there are strong disparities across Member States in the share of workers aged 15-64 in this situation. The share is below 10% in six Member States, while it ranks above 60% in other three of them. Member States like Greece, Italy, Cyprus, Bulgaria and Spain combine high shares of involuntary part-time and temporary employment, which creates challenges in terms of continuity of employment and job quality (see Figure 50 and Figure 51).

Figure 51: A high share of involuntary part-time work is also a sign of underutilised labour resources

Involuntary part-time employment as a share of total part-time employment and share of part-time employment in the total number of employees, 2018.



Source: Eurostat, LFS.

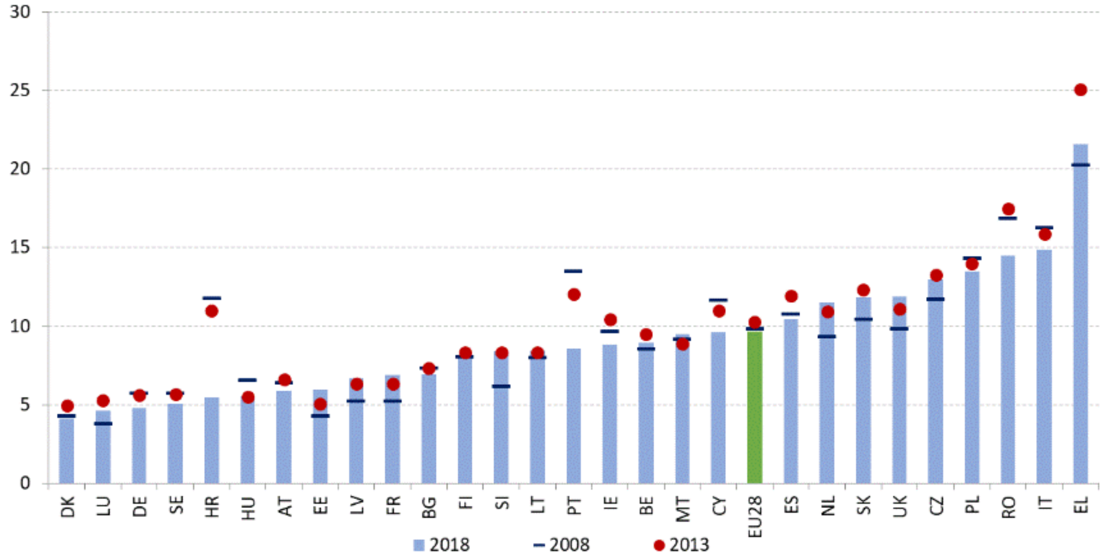
The widespread use of self-employment in some Member States may contribute to labour market segmentation. The share of self-employed workers aged 20-64 in total employment has been relatively stable for the past decade in the EU-28, with a slight decreasing trend and still significant differences across Member States and sectors (see Section 3.1). While self-employment is normally voluntary and a positive sign of entrepreneurial spirit, it may also conceal dependent employment relationships. In this situation, workers who should be entitled to employee rights and protections may find themselves falsely labelled as self-employed, in an attempt from their employer to circumvent collective agreements, labour laws (e.g. minimum wages, working time legislation), employment tax or control over working hours (so-called 'bogus' self-employment). The degree of economic and organisational dependency of self-employed workers cannot be measured with comparable Eurostat statistics across Member States.[101] In 2018, the number of self-employed workers without employees (own-account workers) accounted for 9.8% of the total employment in the EU. Greece (21.6%), Italy (14.9%) and Romania (14.5%) show the highest levels in 2018, followed by Poland, Czechia, the United Kingdom, Slovakia, and the Netherlands with rates between 13.5% and 11% (see Figure 52). At the lower end, Denmark, Luxemburg, Germany, Sweden and Croatia show rates below or close to 5%. Since 2008 the share of own account workers has remained stable on average in the EU, but significant increases have been recorded in some countries between 2008 and 2018. Notably in the Netherlands, Finland and in the United Kingdom, with some 2 pps increase. On the contrary, it has decreased markedly in Croatia (by 6.3 pps), Portugal (by 4.9 pps) and Romania (2.4 pps). The share of self-employed workers without employees also presents important differences across age groups. While it only represents 6.5% of total EU employment among

[101] An ad-hoc module on self-employment by Eurostat (run as part of the Labour Force Survey in 2017) aimed to measure the degree of economic and organisational dependency of the self-employed, defined on the basis of the number of clients and the percentage of income coming from a client, as well as in terms of control over working hours. Further information can be found at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Self-employment_statistics

those aged 25-29, the share increases to 12.2% for those aged 50-64 and to 32.3% for those aged 65-74[102]. The development of "atypical contractual arrangements" (such as zero hours contracts, mini-jobs, etc.) and the rise in platform economy may increase the share of young cohorts among the total number self-employed workers, with social security systems often not fully adapted to include these new developments (ILO, 2017).

Figure 52: The number of own-account workers is high in some Member States, and needs further monitoring to prevent situations of "bogus" self-employment

Self-employed without employees as percentage of total employment.



Source: Eurostat, LFS – own calculations.

While still reduced, the impact of platform economy varies substantially between countries, including in terms of job and income dependency. The European Commission's COLLEEM II online survey investigates the use of online platforms among frequent internet users aged 16-74 in 16 Member States.[103] In 2018, around 11% of the working-age population across the countries surveyed had provided services via online platforms at least once, representing an increase of 1.5 pps since 2017. While most platform workers provided services on a sporadic (2.4%) or marginal (3.1%) basis, another 4.1% of the working-age population provided labour services via platforms as a secondary job. The share of workers performing platform work as their main work activity remains small (1.4% of the working-age population). Among the Member States surveyed, the highest share of workers who have ever provided services through platforms over total workers is found in Spain (18%), the Netherlands (14%) and Portugal (13%). Other countries with above-average shares of platform work are Ireland, the UK and Germany. On the other hand, Czechia (5.9%),

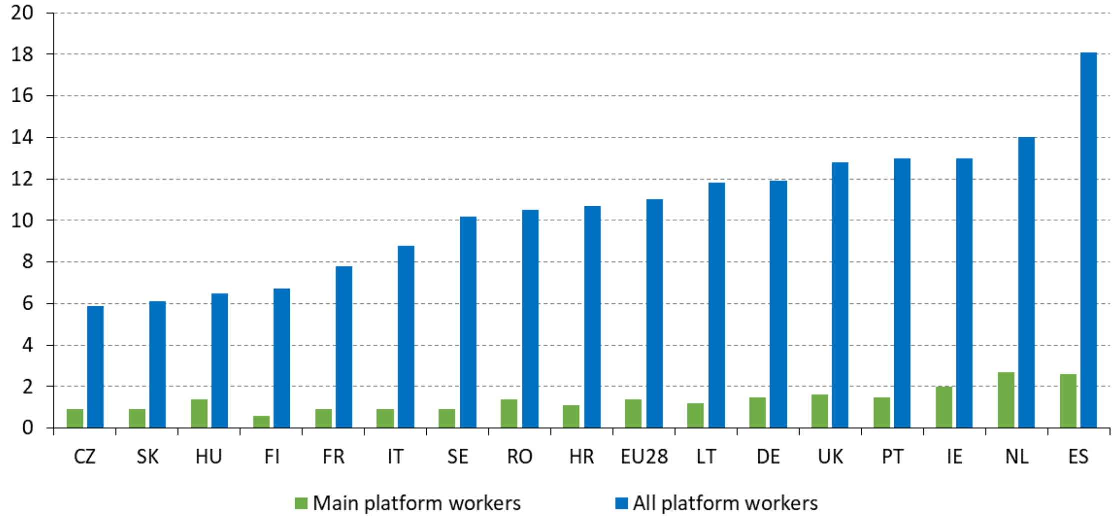
[102] You may refer to the 2019 Joint Employment Report for a detailed analysis on the extent to which self-employed workers may conceal depended working relationships, based on Eurofound data.

[103] Urzi Brancati, C., Pesole, A. and Fernández-Macías, E. *New evidence on platform workers in Europe. Results from the second COLLEEM survey*. Luxembourg: Publications Office of the European Union (forthcoming). The COLLEEM II continues and extends the work done in the previous COLLEEM ("Collaborative Economy and Employment") survey. It is an online panel survey on digital platforms commissioned by DG EMPL and coordinated by the JRC. It was conducted in 16 European Member States: CZ, DE, ES, FI, FR, HR, HU, IE, IT, LT, NL, PT, RO, SE, SK and UK.

Slovakia (6.1%), Hungary (6.5%) and Finland (6.7%) show the lowest values. ([104]) The share of workers operating on platforms as their main job is above 2% only in Spain and the Netherlands.

Figure 53: Platform work is emerging in some Member States

Share of platform workers across 16 EU Member States, total and by work intensity of the platform.



Source: Joint Research Centre's COLLEEM II survey. Brancati *et al.* (forthcoming).
(*) Main platform workers: platform work as main or very significant job. All platform workers: at least once as a platform worker in the last year.

Platform economy involves a broad range of activities and diverse configurations of work relationship, creating challenges for good labour market performance. A recent report by Eurofound[105] complements the analysis performed by the Joint Research Centre's COLLEEM II survey and presents a taxonomy of platform work. The taxonomy is based on five elements: level of skills required to perform the task, type of service provision (online vs. on-location), scale of tasks, selector (who decides on the task assignment, platform, client or worker) and the form of matching (task offer vs contest). Table 3 shows the most common types of platform work (as a share of platforms and workers over the total) operational in Europe as of 2017 and then classified according to the criteria above. The analysis conducted by Eurofound shows interesting findings in terms skills needed. For instance, "*on-location platform-determined routine work*" is widespread (31.5% share of platforms and 31.2% share of workers), but mainly requires low skills levels (though with a tendency of workers being highly educated). Other types of platforms require medium to high skill levels, "*online contestant or client-determined specialist work*" are mainly based on a system of freelance work.

[104] Share of workers over the total who report having provided services through platforms at least once in their work experience.

[105] Eurofound (2018), *Employment and working conditions of selected types of platform work*, Publications Office of the European Union, Luxembourg, available at http://eurofound.link/ef18001

Table 3: The nature of work is changing, with different categorisations of platform work

Most common types of platform work in the EU (2017)

LABEL	SERVICE CLASSIFICATION			PLATFORM CLASSIFICATION		SHARE OF PLATFORMS IN TOTAL NUMBER OF PLATFORMS	SHARE OF WORKERS IN TOTAL NUMBER OF WORKERS	EXAMPLES
	Skills level	Format of service provision	Scale of tasks	Selector	Form of matching			
On-location client-determined routine work	Low	On-location	Larger	Client	Offer	13.7%	1.3%	GoMore (transport)
On-location platform-determined routine work	Low	On-location	Larger	Platform	Offer	31.5%	31.2%	Uber (transport)
On-location client-determined moderately skilled work	Low to medium	On-location	Larger	Client	Offer	11.3%	10.9%	Oferia (household tasks)
On-location worker-initiated moderately skilled work	Low to medium	On-location	Larger	Worker	Offer	4.2%	5.5%	ListMinut (household tasks)
Online moderately skilled click-work	Low to medium	Online	Micro	Platform	Offer	0.6%	5.3%	CrowdFlower (professional services)
On-location client-determined higher-skilled work	Medium	On-location	Larger	Client	Offer	2.4%	3.3%	appJobber (household tasks)
On-location platform-determined higher-skilled work	Medium	On-location	Larger	Platform	Offer	1.2%	4.2%	Be My Eyes (professional services)
Online platform-determined higher-skilled work	Medium	Online	Larger	Platform	Offer	0.6%	1.9%	Clickworker (professional services)
Online client-determined specialist work	Medium to high	Online	Larger	Client	Offer	5.4%	30.3%	Freelancer (professional services)
Online contestant specialist work	High	Online	Larger	Client	Contest	5.4%	4.6%	99designs (professional services)

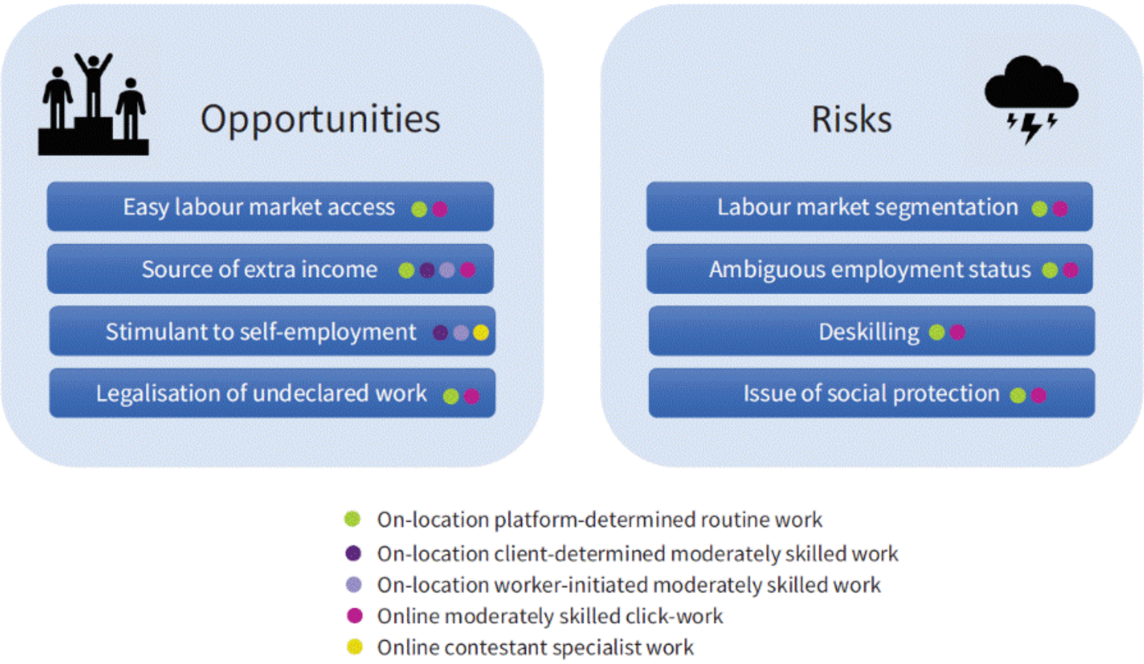
Source: Eurofound (2018)

Note: Five elements are defining the platform work typology: 1) the skill level required to perform the task (low, medium or high); 2) the format of service provision (on-location (delivered in person) or online); 3) the scale of the tasks (micro tasks vs larger projects); 4) the selector (tasks assigned based on a decision by the platform, the client or the worker); 5) the form of matching worker and client (a task offer or a contest).

Aspects related to job quality, such as employment status, working conditions and income appear predominantly in the demands for a successful organisation of the platform economy. In practice, the terms and conditions of the platforms determine workers' employment relationships and status. Remuneration of platform work is often based on the task performed. Working conditions of platform workers also vary as much as the type of tasks they can perform, the business model and the mechanisms applied by the platform. Low-skilled tasks assigned through platforms and apps with high algorithmic control offer opportunities in terms of labour market access, which could help to prevent undeclared work, but they also raise concerns as regards workers' employment status and related social protection.[106] On the contrary, higher-skilled tasks and more market-based business models could stimulate entrepreneurial spirit and develop transversal skills. They are also often characterised by greater flexibility of work time, resulting in more work-life balance opportunities. Eurofound[107] summarises some of the main labour market effects of different types of platform work (see Table 4).

Table 4: The new forms of work are bringing about new opportunities and challenges

Overview of labour market effects of different types of platform work



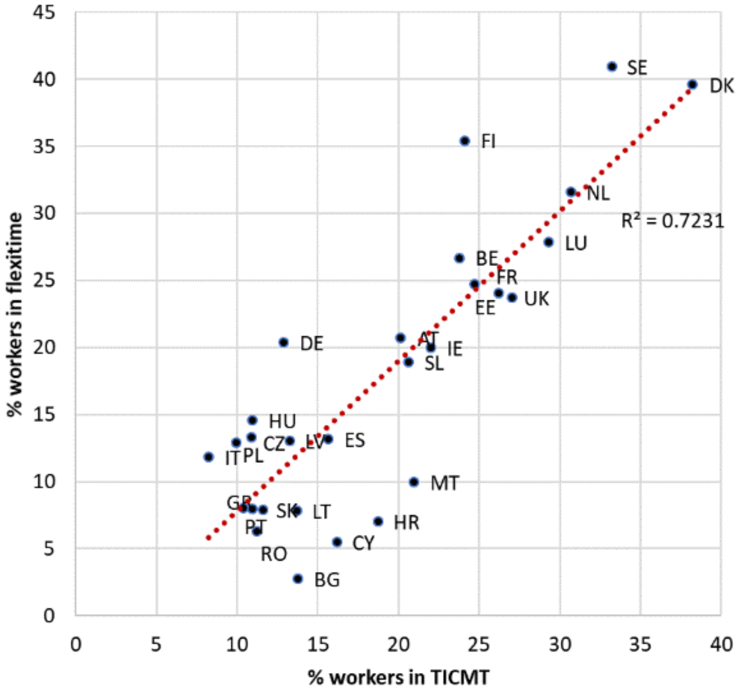
Source: Eurofound (2019).

[106] European Commission (2018). *Employment and Social Developments in Europe*. Annual Review 2018. Luxembourg: Publications Office of the European Union.

[107] Eurofound (2019). *Platform work: Maximising the potential while safeguarding standards?* Publications Office of the European Union, Luxembourg.

Figure 54. Correlation between flexible working time and Telework/ICT-based mobile work at Member State level (EU-28), 2015

Flexible working time and Telework – ICT-based mobile work (TICTM)



Source: Sixth European Working Conditions Survey (2015)

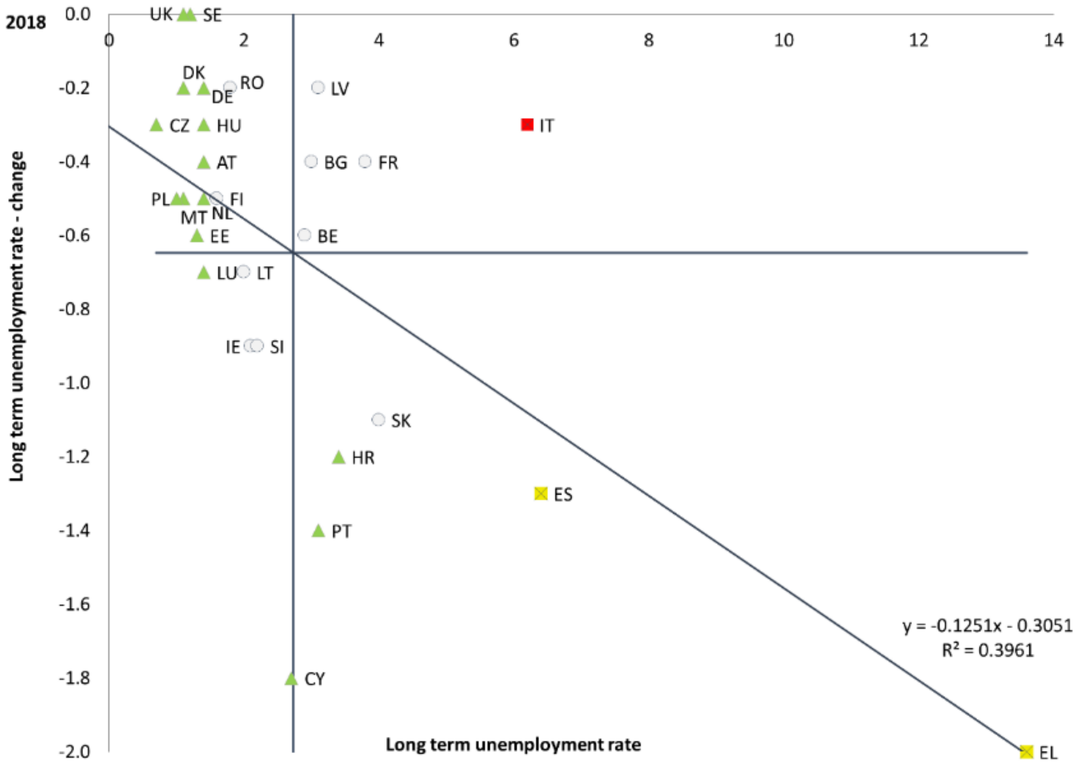
Digitisation has facilitated new ways of organising work by providing higher flexibility in relation to when and where the work tasks are performed. Under these forms of work, the organisation relies less on regular rhythms and instead allocate tasks more flexibly. This goes in line with a more general observable trend towards project-based work and work fragmentation, on-demand jobs and performance-paid work, which are not necessarily dependent on regular working hours system but on on-call work, deadlines or reaching targets set by employers or clients. [108]. At country level, statistical evidence shows a strong positive correlation between ICT use, ICT-based mobile work (TICTM) and flexible forms of organising working time (for instance, prevalence of flexi-time). This may confirm that the trend towards more flexible working arrangements, although still limited in some Member States, it is well grounded. As seen in the Figure 54, both flexitime and TICTM are more prevalent in Scandinavian countries, the Benelux, France, the United Kingdom and Estonia. In other countries such as Bulgaria, Cyprus, Greece, Italy, Lithuania, Portugal, Romania or Slovakia, the access to ICT-based mobile forms of work and flexible working arrangements is more limited. However, the incidence of TICTM is not to be solely attributed to the spread of the use of ICT, but also results from the interaction between technological change, the institutional and regulatory context as well as economic, labour market and societal developments like the increasing participation of women in the labour market (Eurofound and ILO, 2017), and managerial practices.

[108] Eurofound (2019), *Telework and ICT-based mobile work: Flexible working in the digital age*, Publications Office of the European Union, Luxembourg, forthcoming.

Active labour market policies (ALMPs) can increase the employment opportunities of jobseekers and improve labour market matching. In doing so, ALMPs can contribute to better employment outcomes and labour market functioning, while helping to reduce unemployment and benefit dependency (see Section 3.4). The challenge is to ensure that ALMPs reach those most in need in a way they return to the labour market as fast as possible and in the best possible job match. Evidence shows that as the duration of the unemployment spell increases, the connection of the jobseeker to the labour market deteriorates. It decreases the likelihood of re-entering into the labour market and increases the risk of inactivity. Therefore, long-term unemployment (e.g. when workers are jobless for a period longer than one year) is considered as a good proxy of the effectiveness of ALMPs and a measure of the challenge faced by a country in terms of activation of its workforce[109]. Figure 55 shows the long-term unemployment rate (i.e. the ratio between the number of people unemployed for more than one year and the active population) in 2018 and its change compared to 2017.

Figure 55: Long-term unemployment is reducing across the EU

Long-term unemployment rate (Social Scoreboard headline indicator)



Source: Eurostat, LFS. Period: 2018 levels and yearly changes with respect to 2017. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.

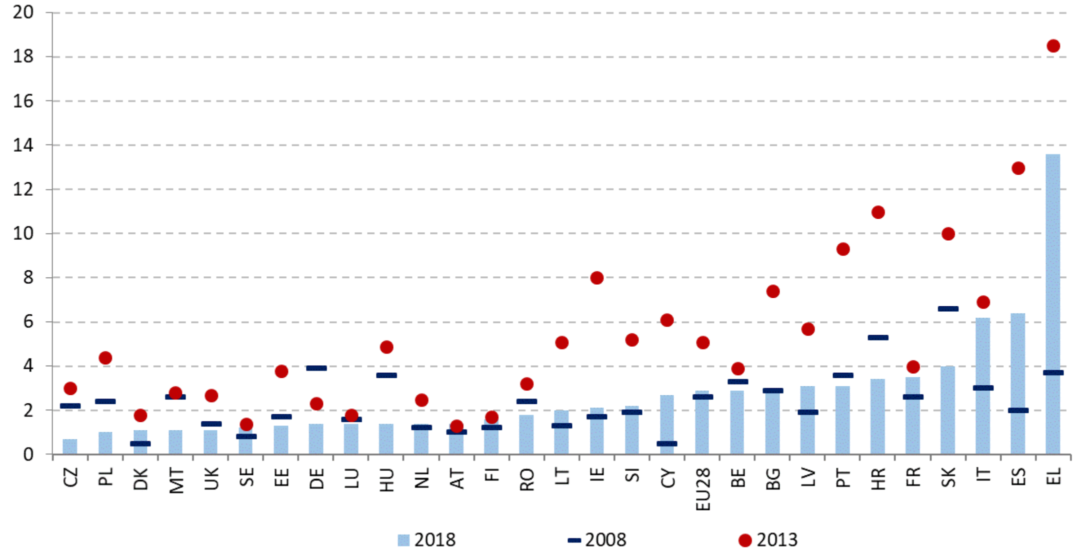
Long-term unemployment has reduced in almost all Member States, on the back of the labour market recovery. The long-term unemployment rate continued to decrease in all Member States in 2018, confirming the positive trend initiated in 2014. However, in spite of this broadly converging trend (as highlighted by the negative slope of the regression line) differences remain significant across Member States, with rates ranging from 0.7% in Czechia to 13.6% in Greece in 2018. Together with Spain (6.6% rate in 2018), Greece is flagged as

[109] The long-term unemployment rate has been agreed by the Employment Committee as a headline social scoreboard indicator to monitor active support to employment.

"weak but improving", as it combines a higher than average level with a fast rate of reduction over the last year. Italy recorded a comparatively lower long-term unemployment rate (6.2%), but flags as a "critical situation", due to its limited improvement in 2018 compared to the previous year. Cyprus, Portugal and Croatia are among the countries marked as "better than average". They are included in this group because of their performance on the yearly change, continuing the substantial improvement of 2017. In Sweden and the UK, the long-term unemployment rate remained low and stable in 2018. As shown in Annex 3, the long-term unemployment rate presents large regional disparities. In around a quarter of Member States, there is at least one region with a long-term unemployment rate above 5%.

Figure 56: Albeit decreasing, long-term unemployment remains high in some Southern and Eastern Europe countries

Long-term unemployment as a percentage of active population



Source: Eurostat, LFS.

Nevertheless, in half of the Member States, the long-term unemployment rate remains high and above its pre-crisis level. The improvement with respect to the peak in 2013 has been especially relevant (by more than 3 pps) in Bulgaria, Croatia, Cyprus, Greece, Hungary, Ireland, Portugal, Slovakia, Slovenia and Spain. Only in Austria, the long-term unemployment rate increased in 2018 compared to 2013, but still comparatively at very low levels. However, in about half of Member States the long-term unemployment rate remains higher than in 2008, the largest gaps being recorded for Greece (+9.9 pps), Spain (+4.4 pps) and Italy (+3.2 pps). In other Member States, the long-term unemployment rate in 2018 was well below the pre-crisis level, in particular in Germany, Hungary, Czechia, Poland and Malta, where it was less than half of the 2008 value.

Undeclared work puts workers at a multitude of risks, including inadequate or unsafe working conditions and absence of access to social protection and security. It also hampers fair competition, weakens investment prospects and human development, and undermines public finances, the welfare state and wider social cohesion. In addition, the non-compliance with the labour and economic rights challenges the capacity of Member States to ensure enforcement of labour law, employment and pension legislation. These challenges are exacerbated in the context of labour mobility in the internal market and in a fast-changing world of work. While undeclared work is by nature difficult to determine, a study commissioned by the European Commission suggests that undeclared work constituted about 9.3% of total labour input in the private sector in the EU in 2013, with large variation across countries.[110] The transformation of undeclared work into declared formal work is an important policy objective, contributing to achieving the goals of Employment Guideline 7 and the European Pillar of Social Rights and to a fairer European labour market. In this light, Cyprus is implementing an action plan following a mutual learning project that took place in April 2019.

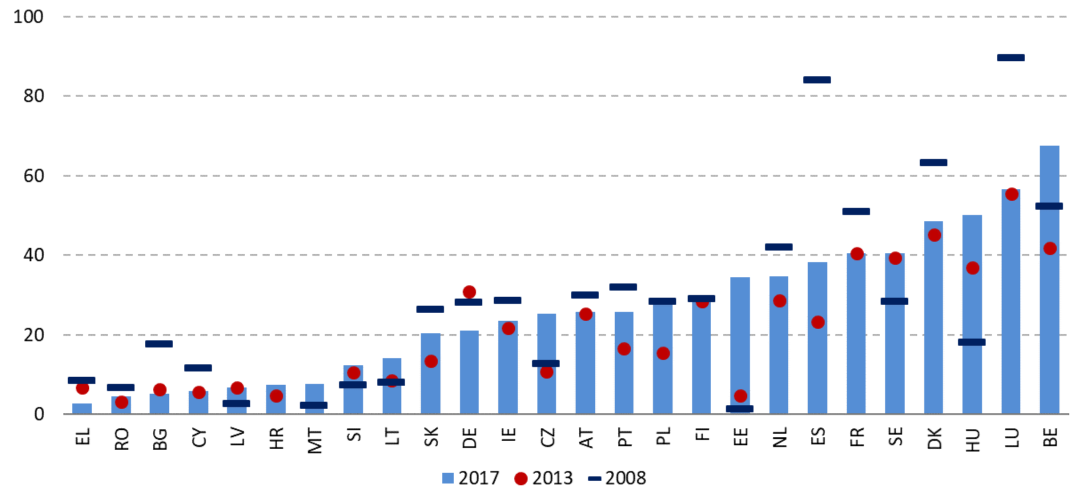
Participation in active labour market policies (ALMPs) still differs substantially across Member States. ALMPs are key to increase employment prospects and career development for jobseekers, in a context of changing labour markets and new demands for skills (see Section 3.2). Figure 57 suggests that disparities remain significant across Member States in terms of participation in activation measures.[111] There is a relatively large group of Member States (Bulgaria, Romania, Latvia, Estonia, Croatia, Slovenia and Cyprus) where both investments in and participation to active labour market policies remain significantly below the EU average and with an increasing gap over recent years. Another group of countries record participation rates beyond 40% (France, Hungary, Sweden, Belgium and Denmark), albeit all of them recorded positive trends in recent years. These differences suggest that convergence is not taking place in terms of coverage and extension of ALMPs. In most countries, participation rates have dropped after the crisis (with the notable exceptions of Belgium, Hungary, Sweden, Czechia and Estonia) indicating that the increase in the number of people looking for a job has not been followed by a proportional increase in participation to ALMPs. There are a number of factors influencing the effectiveness of active labour market policies, but evidence shows that there is room for more targeted ALMP, with the view of addressing obstacles to find a job for those furthest away from the labour market (see Section 3.2).

[110] Williams, C.C., Horodnic, I.A., Bejakovic,P., Mikulic. D.,Franic, J., Kedir, A. (2017) *An evaluation of the scale of undeclared work in the European Union and its structural determinants: estimates using the Labour Input Method* (LIM). Corporate author: Directorate-General for Employment, Social Affairs and Inclusion (European Commission).

[111] Nonetheless, this indicator should 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.

Figure 57: Strong differences exist in terms of participation in ALMPs

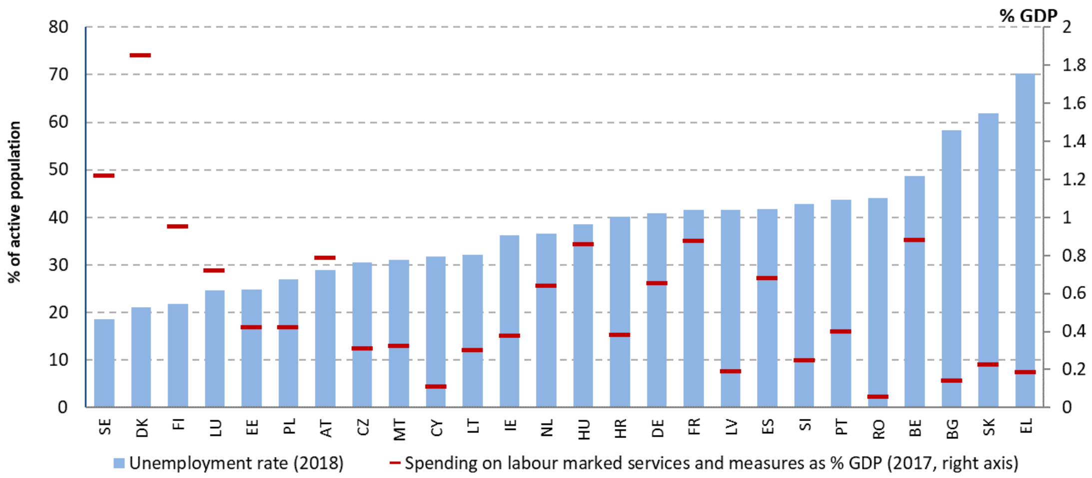
Participation in active labour market policies (per 100 persons wanting to work)



Source: Eurostat, LMP database and LFS.

Figure 58: Spending on labour market services and measures differs significantly across Member states, with no direct link with unemployment levels

Spending on labour market services and measures (2018) and share of long-term unemployed (2018)



Source: Eurostat, LMP database and LFS. Note: Data on expenditure for Italy and UK missing.

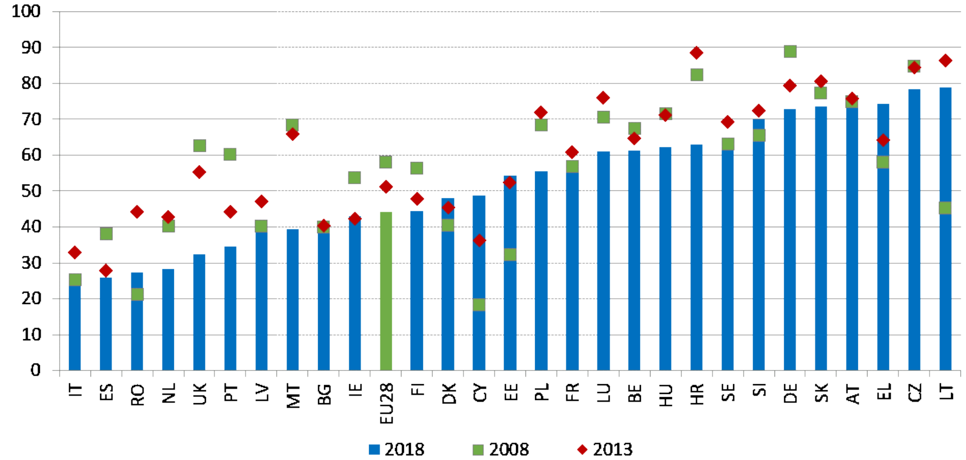
Evidence shows that investments in active labour market policies impacts on labour market outcomes. The share of long-term unemployed is a rough approximation for the effectiveness of active labour market policies. Long-term unemployment rate is also related to the general unemployment and competitiveness situation in a given Member State. The spending on labour market services and measures varies significantly across Member States and those with the lowest investments are also generally Member States with high share of long-term unemployed. Often Member States with the lowest investments in ALMPs are also those where a significant part of the ALMP system is co-financed by the ESF, and where the long term sustainability of the system is therefore in question.

Public Employment Services (PES) are following their reform agenda, aiming at increasing capacity and modernising and strengthening service delivery in key areas. The number of registered jobseekers has declined over the past years, but the long-term unemployed, young people, the low-skilled and older jobseekers are still overrepresented among those seeking assistance from PES. Full inclusion of chronically underemployed or inactive people into the labour market is becoming a priority for some PES, also in light of the fast population ageing. Thus, reallocation of resources and targeting of services and measures to specific groups is necessary to meet jobseekers' needs and maximise labour market outcomes.

The role of PES as intermediaries in the labour market varies significantly across Member States, depending inter alia on their capacity, type and quality of assistance provided to jobseekers and job changers. The PES are fully responsible for the implementation of ALMPs, or share this responsibility with other institutions. Figure 59 shows the share of unemployed people using public employment services (PES) for job search. There are significant differences across Member States. On the one hand, Italy, Spain, Romania and the Netherlands show the lowest shares in 2018 (less than 30%), followed by the United Kingdom, Portugal and Malta (with a share between 30% and 40%). On the other hand, PES in Member States such as Lithuania, Czechia, Greece, Austria, Slovakia, Germany and Slovenia, are widely used in the process of job searching, with figures above 70%. On average in the EU, the use of PES by unemployed has constantly decreased since the outbreak of the crisis, dropping some 14 pps between 2008 and 2018. Nonetheless, few Member States record notable increases, such as Cyprus and Lithuania (by more than 30 pps), Estonia (by 22 pps), Greece (by 16 pps) or Denmark, Romania and Slovenia (with increases between 4.5 and 7.5 pps), often due to compulsory registration to access benefits or training (see Section 3.3.2 for details on the reforms taken by Member States in this domain). Gender differences also exist in terms of engagement with PES services. Six Member States (Bulgaria, Estonia, Cyprus, Slovakia, Lithuania and Croatia) show greater shares of female jobseekers contacting the PES to look for a job (9 pps and above compared to their male counterparts). On the contrary, in Ireland and in the United Kingdom the share of male jobseekers is higher than the female rate (some 10 pps and above), with Malta as an outstanding case with a gap between men and women attending the PES of 23 pps.

Figure 59: The use of PES for job search assistance differs across Member States

Share of unemployed people using public employment services for job search

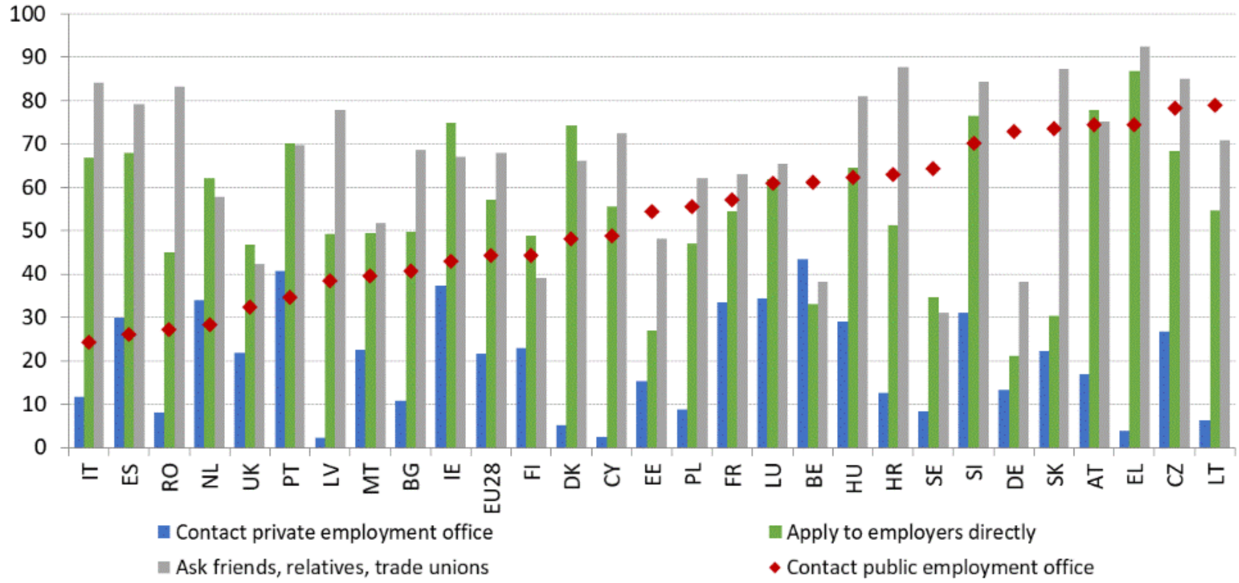


Source: Eurostat, LFS.

Job search behaviour of the jobseekers differs across Member States. Figure 60 compares different methods used by jobseekers to get out of unemployment, including private employment offices, direct applications to employers and informal methods such as asking friends, relatives and trade unions. While no clear pattern appears in terms of substitution between job-search methods, overall it should be noticed that Member States where usage of public employment services is low present higher use of informal methods such as social connections or direct applications to employers. On average, 21.6% of jobseekers contact private employment offices to look for a job, with differences across Member States ranging from 2% to 43%.

Figure 60: Social relations are key to finding work in the majority of Member States, with guidance from PES and direct applications complementing these efforts

Share of unemployed people using selected job search methods (2018)



Source: Eurostat, LFS.

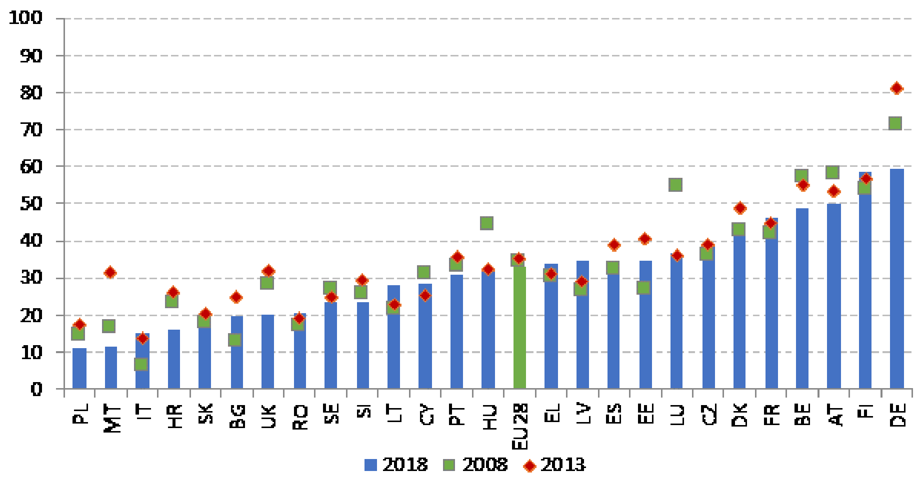
The provision of adequate unemployment benefits of reasonable duration, accessible to all workers and accompanied by effective active labour market policies is key to support jobseekers during transitions. The 2018 Joint Employment Report presented a detailed comparative analysis of the main features of unemployment benefit systems across the EU, based on the results of the benchmarking exercise of unemployment benefits and ALMPs conducted within the Employment Committee (EMCO). The analysis remains overall valid, with references to performance and policy lever indicators for year 2016 or 2017, depending on data availability. Policy changes occurred during the reference period for this report have been also rather limited (see Section 3.3.2 on the reforms taken by Member States in this domain; for a long-term overview of reforms by Member States, see European Commission, 2019[112]). This section provides an update of the exercise, notably of policy lever indicators, which have been agreed by the Employment Committee in 2019.

[112] European Commission (2019). Labour Market and Wage Developments in Europe. Annual review 2019. Luxembourg: Publications Office of the European Union.

On average, around one third of short-term unemployed are covered by unemployment benefits in the EU.[113] This share slightly decreased in the aftermath of the crisis (from 34.4% in 2008, to 32.9% in 2018), remaining stable in the most recent years. Differences across countries (Figure 61) depend on the policy design of the unemployment benefits systems (notably on eligibility conditions, maximum duration, strictness of job search requirements, overlaps with other social protection schemes) as well as on the cyclical position of different countries. The highest coverage rates (over 50%) are shown by Germany and Finland followed very closely by Austria, Belgium and France. On the opposite end, the lowest coverage rates can be observed in Poland and Croatia.

Figure 61: The share of short-term unemployed covered by unemployment benefits slightly decreased in the EU, with significant differences across countries

Coverage of unemployment benefits for the short-term unemployed



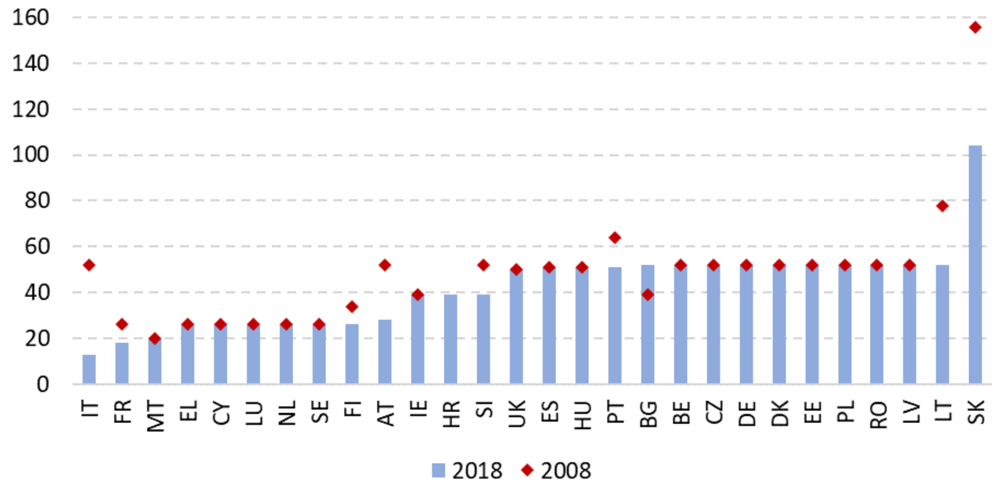
Source: Eurostat, LFS data. Note: data not available for IE and NL. Data for IT and MT refers to 2017.

Since 2008 several countries have aimed at improving the coverage of unemployment benefits. Eligibility conditions were eased, mainly by reducing the minimum years of experience or contribution periods necessary to be entitled to unemployment benefits. In addition, coverage of unemployment was extended to previously excluded groups such as self-employed, freelancers, non-regular workers and temporary agent workers. In several Member States, activation strategies were pursued to improve cost-effectiveness of unemployment benefit systems. Since 2008, a reform pattern emerged regarding the maximum duration of unemployment benefits, which was reduced in several Member States and raised only in few. In several countries, net replacement rates were reduced and eligibility conditions tightened through stronger job-search and work availability requirements. Figures 62 to 64 show the most recent update of the benchmarking indicators regarding length of the qualifying period, duration of benefits and net replacement rate.

[113] Those who have been unemployed for less than one year.

Figure 62: In most Member States the qualifying period is around 50 weeks

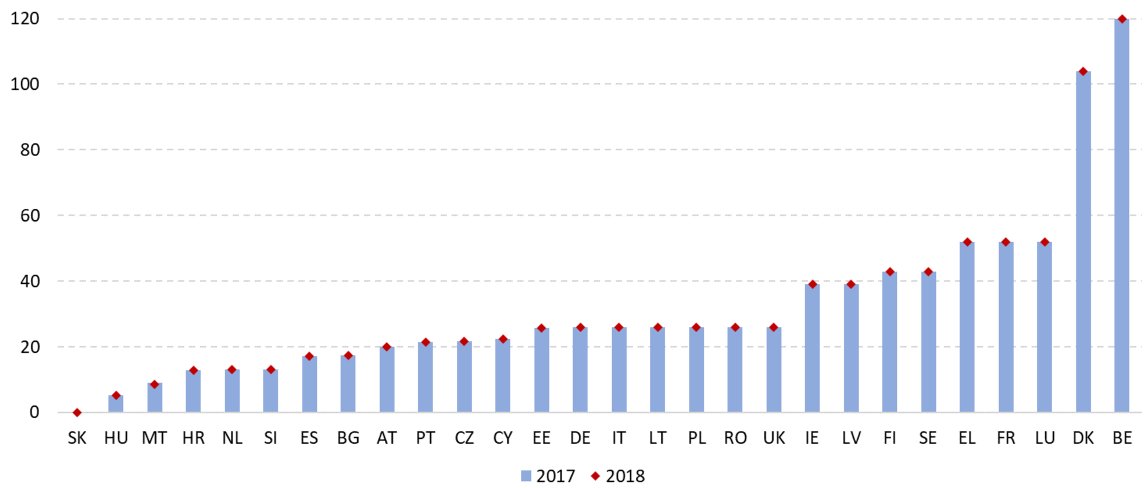
Length of the required qualifying period, 2016 and 2018 (in weeks)



Source: MISSOC (Mutual Information System on Social Protection) database, and national legislation. Note: In Malta (2018), the minimum qualifying criteria are 50 weeks of paid contributions of which at least 20 paid or credited in the previous 2 calendar years; in Ireland (2016 and 2018), at least 104 weekly contributions must have been paid since the person first started work.

Figure 63: The duration of unemployment benefits varies significantly across the EU

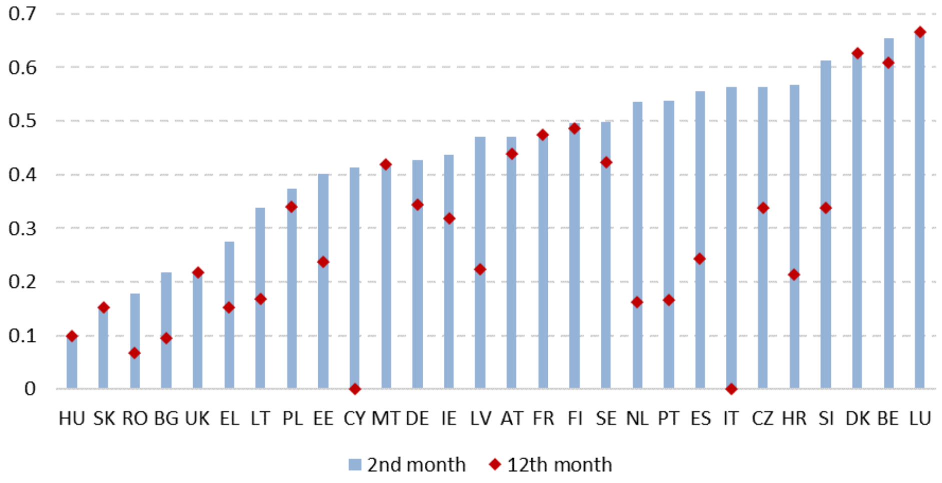
Maximum duration of benefits with a 1-year work record, 2017, and 2018



Source: MISSOC (Mutual Information System on Social Protection) database and national legislation (January 2017 and January 2018). 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.

Figure 64: Large disparities in terms of benefits amount emerge across the EU

Net replacement rate of unemployment benefits at 67% of the average wage, at the 2nd and 12th month of unemployment (2019)



Source: European Commission based on OECD Tax-Benefit Model. Note: The indicator is calculated for the case of a single person without children with a short work history (1 year) and aged 20. Further methodological details in footnote.

The development of integrated plans and strategies to activate recipients of unemployment benefits is key to support jobseekers during labour market transitions. The 2019 Joint Employment Report presented an extensive analysis of the adopted policy instruments targeted to recipients of unemployment benefits. The analysis looked at the existing schemes for Public Employment Services to support jobseekers in regaining employment (e.g. profiling, design of individual action plans, personalised counselling), including tackling the obstacles that may prevent them from doing so. The analysis of the strictness of job-search requirement indicators remains overall valid, in view of the limited policy changes occurred during the reference period for this report. See Section 3.3.2 for details on the reforms taken by Member States in this domain.

Tackling barriers to mobility of workers and learners can enhance employability and skills development, helping to exploit the full potential of the European labour market. In 2018, there were roughly 12.9 million EU citizens of working age (20-64) living in another country than their country of citizenship, making up 4.3% of the total working-age population across the EU.[114] This number increased by 3.4% compared to 2017, after growing by approximately 5% each year since 2014. In 2018, three-quarters of the EU-28 movers were residing in five major destination countries (Germany, the UK, Spain, Italy and France); around or over 1 million EU-28 movers were living in each of these five countries, as was also the case in 2017. Just under half of all EU-28 movers were residing in Germany or the UK. A majority of all EU movers in 2018 were citizens from Romania, Poland, Italy or Portugal. Together, they accounted for 6.1 million people, around half of all the EU movers. The rate of outflow of nationals gives a picture of the outflow of nationals as a proportion of the population of a country. The EU aggregate outflow rate is 0.36%, but in some Member

[114] This number refers to "long-term" EU-28 movers of working age, living in EU-28, based on Eurostat demography statistics. For details, see European Commission (forthcoming), 2019 Annual Report on Intra-EU Labour Mobility, Directorate-General for Employment, Social Affairs and Inclusion.

States, the outflow rate is more significant. Out of the ten countries with the highest outflow rate, eight of them are EU-13 countries, Ireland (1%) and Luxembourg (0.9%) being the two exceptions. Lithuania has the highest outflow rate (2.2%), which has continuously grown since 2014, followed by Romania (1.5%), which is also the country with the highest absolute outflow figures. Croatia (1.4%), Latvia (1.2%) and Estonia (1%) also have high outflow rates. The main countries of origin and destination remain unchanged when focusing on economically active citizens (i.e. employed persons and jobseekers).

Enhancing transnational learning mobility contributes to an advance knowledge society, economic development and greater social cohesion. Mobile students tend to earn higher wages and usually face lower risk of unemployment later on in life. They also develop key career competencies and transversal sills such as mutual understanding, cooperation or global citizenship. Two dimensions are considered when analysing worldwide outward mobility, i.e. the mobility from EU countries to both EU and non-EU countries: credit mobility and degree mobility. The first one refers to students who had a credit mobility stay and spent a temporary study period or work placement abroad. The second one tracks students who are enrolled to complete a degree or other qualification in a university outside their country of residence. In 2017, on average in the EU, 11.6% of higher education graduates spent some time studying abroad (8% on credit mobility and 3.6% on degree mobility). Luxembourg (80.5%), Cyprus (36.9%) and the Netherlands (24.9%) registered the highest shares of mobile graduates in 2017. On the contrary, the United Kingdom (4.1%), Slovenia (6.5%), Romania (7.6%), Croatia (7.7%) and Hungary (7.7%) showed the lowest transnational learning mobility rates. In terms of inward mobility of students, the United Kingdom (34.2%), Luxembourg (26.1%), and the Netherlands (17.9%) show the highest percentages of mobile graduates. In Greece and Poland, the inward degree mobility accounts for less than 2% of the total graduate population.

Social dialogue is the dominant feature of industrial relations in Europe and is a central component of the European social model. Social dialogue comprises all types of negotiations, consultations or simply information sharing between, or among, representatives of governments, employers' and workers' organisations, on issues of common interest relating to economic and social policy. Social dialogue can help generating high-quality jobs, improved working conditions, addressing skills shortages and a working environment more conducive to investment, sustainable growth and social fairness. Employment Guideline 7 and the European Pillar of Social Rights call upon Member States to ensure the involvement of social partners in the design and implementation of relevant reforms and policies, in line with national practices, including through support for increased capacity of the social partners. Across Europe, differences in national social dialogue systems are mainly related to their respective institutional frameworks and the operational capacities of social partners. Eurofound's research shows that employment-related topics, particularly linked to addressing labour shortages, dominated the social dialogue and working life debates throughout 2018.[115]

Social dialogue remains highly relevant in the changing world of work and in managing the transition to the digital age and a climate-neutral economy. The transition to a climate-neutral economy is expected to change the production processes. Evidence suggests that additional jobs are to be created in growing, green(ing) sectors in both industry and services, including construction, waste management and sustainable finance. Such a transition could also prevent rising job polarisation resulting from automation, by creating jobs

[115] Eurofound (2019). *Annual review of working life 2018*, Publications Office of the European Union, Luxembourg.

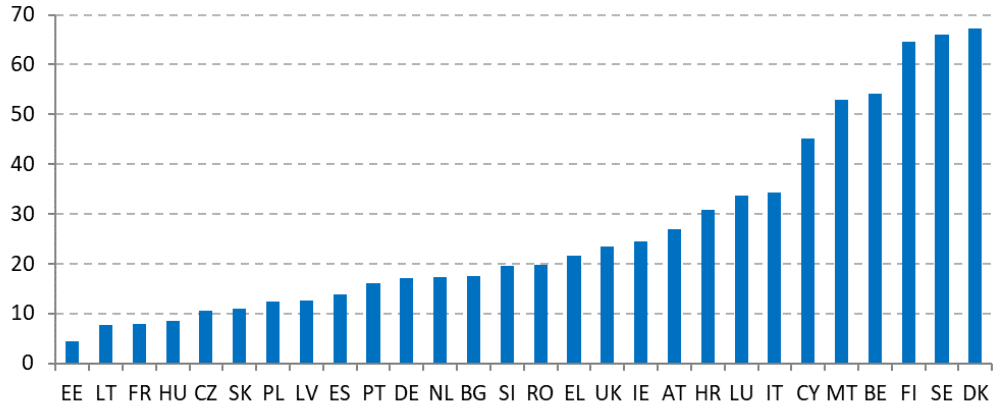
prevalently in the middle of the wage and skill distributions, particularly in construction and manufacturing. However, it may also have an impact on labour market structure, job distribution and skills needs, in particular in those regions reliant on energy-intensive sectors. Social partners have been active in anticipating skills needs and jointly manage training programmes to upskill the workforce in some countries. Progress in fostering collective bargaining and strengthening structured social dialogue can support a smooth and inclusive transition towards a green economy, easing the conclusion of compromises between workers, employers and the government. Public authorities could also accompany the process by setting the framework for these negotiations, by giving guidance on the objectives to be achieved and promoting timely and meaningful involvement of relevant actors. The digital age yields to new and often non-standard forms of employment, such as platform work for example, which often lack representation. In recent years, social partners have taken initiatives to reach also these workers and ensure their social protection. Social partners remain an important platform to discuss technological and ecological developments and how to best address them. [116]

A well-functioning social dialogue requires social partners that are strong, representative, autonomous and equipped with the necessary capacity. Social partners' capacity refers to their ability to negotiate and to display the necessary economic and legal expertise to discuss the economic and social consequences of different policy paths, to adequately represent their interests, to mobilise people and resources, to act autonomously and to make lasting commitments. Since contributions from their members are the main source of revenue, membership also determines the capacity of social partners' organisations. Over recent years, membership figures have, on average, decreased across Europe (OECD, 2017). As Figure 65 shows, levels of union density vary widely across the 28 EU Member states, from around 70% in Denmark, Sweden and Finland to less than 10% in France, Lithuania and Estonia. However, density is not the only indication of unions' capacity to mobilise workers, factors such as social partners' autonomy, or the degree of cooperation in the trade union landscape may also play a role. Notwithstanding this, social partners also need formal settings that allow their dialogue to be effective.

[116] More details in Eurofound's web repository on the platform economy and in European Commission (2019). "*Employment and Social Developments in Europe*. Annual Review 2019". In particular, see Chapters 3 and 4.

Figure 65: Trade union density rates differ strongly across Member States

Trade union density rate (most updated year available)



Source: OECD and ICTWSS database (the source containing more recent data per MS was used). Note: calculated as a share of employees that are trade union members. Data years: 2017 for SE, 2016 for AT, CZ, DK,FI, DE, HU, IE, IT, LT, NL, UK; 2015 for BE, EE, FR, LV, LU, PT, SK, SI, ES; 2014 for PL; 2013 for CY, EL; 2012 for HR, MT, BG and RO. The data on employer density for a number of Member States have been updated less frequently in the recent years; therefore, it is not presented in a chart.

Despite the progress made, the overall involvement of the social partners in the European Semester process at national level needs to be further developed. The involvement of social partners in the design and implementation of policies and reforms has been acknowledged and further developed in the Employment Guidelines. The success and impact of policies at European, national and regional level depends upon engagement and ownership by governments and social partners in Member States. Overall, the quality of the involvement of the social partners in the design and implementation of employment and social policies and reforms has remained stable over the past few years in the majority of Member States, with still important differences across countries.[117] As it is the case with the involvement of social partners in policies and reforms at national level and, in particular, in the preparation of the National Reform Programmes, the degree of satisfaction varies depending on the predictability, quality of the exchanges carried out, the time allotted and the expectations raised on the outcomes. The progress and the existing challenges were analysed and assessed by the Employment Committee of the Council of the European Union in autumn 2018. In particular, social partners in Estonia, Latvia, Portugal, Slovenia and Spain acknowledged some improvements regarding their participation in policymaking over the past few years. On the contrary, the conclusions reflected that there is room for a better functioning social dialogue and a greater involvement of social partners in Greece, Hungary, Poland and Romania. In other countries, concerns relate to very varied problems and situations, some more structural, others based more on the effectiveness of the procedures and practices applied. In other cases, the degree of involvement of social partners may be influenced by changes in the political cycle (e.g., Italy, Spain). Most of these challenges are highlighted in the recitals of the 2019 country-specific recommendations.

In the context of the EU economic governance, the consultation of civil society organisations can provide valuable insights and support for policy implementation. Civil society can play a key role in the design and implementation of policy reforms, supporting

[117] Eurofound (2019). *The involvement of social partners in national policymaking*, Publications Office of the European Union, Luxembourg.

relevant legislation and government action. As highlighted in the revised Employment Guidelines adopted in July 2019, *where relevant and building on existing national practices, Member States should take into account the experience on employment and social issues of relevant civil society organisations*. With view to the above, the Commission Representations in Member States have organised a number of meetings with civil society organisations in the context of the European Semester. In many Member States, the consultations with the European Commission are often more active and engaged than the consultations between the National authorities and the civil society organisations, in particular for the preparation of the National Reform Programme. The European Semester Officers of the Commission have been asked to assess the degree of civil society's involvement in policy formulation. The results of this preliminary survey show a heterogeneous situation, which could become subject to more detailed analysis.

3.3.2 Policy response

Member States are undertaking reforms in the area of employment protection legislation to ensure appropriate 'flexicurity' and reduce gaps in labour market rules and procedures. In May 2019, France approved a measure seeking to bring greater flexibility in the application of size-related employment protection legislation and workplace rules to enterprises hiring above the three size thresholds (10/ 50/ 250 employees). Finland amended existing regulation to include new specifications on conditions to terminate contracts for employers. The amendment seeks to ensure that specific circumstances (e.g. the total number of employees of the employer and the overall circumstances of the employer and the employee) are taken into account when assessing a person-based dismissal. In some cases, this could lead to exceptions to the dismissal rules. As part of a broad reform, Ireland adopted an Employment Act requesting employers to specify working terms and conditions within a certain period of time, including the introduction of banded hours contract (which allow employees whose employment contract does not accurately reflect the reality of the hours they work to be placed in a band of hours that better reflect it), minimum pay specificities and prohibition of zero-hours contracts. Sanctions are foreseen in case of breaches to the Employment Act.

Some Member States are taking measures to reduce labour market segmentation, including restrictions for fixed-term contracts. As part of a broader reform, the Netherlands is reviewing its labour market regulation to promote open-ended employment, while, at the same time, making flexible contracts more costly for employers. This will be done, amongst others, through differentiated unemployment contributions per type of contract and with limits to the use of zero-hours contracts (the measures are expected to enter into force as of 2020). In Portugal, several measures adopted in July 2019 as part of the Action Programme aimed at restricting conditions for the use of fixed-term contracts, in order to reduce segmentation in the labour market. In particular, this package reduced the maximum duration of fixed-term contracts from three to two years, including renewals. It also set a limit to the total duration of renewals and of undetermined contracts (from six to four years) and the reinforcement and temporarily extension of the support for the conversion of fixed-term to open-ended contracts. These measures were discussed with social partners, who signed a tripartite agreement on June 2018 for the revision of the labour code. In 2018, Italy adopted a specific measure to promote the use of permanent contracts (*Decreto dignità*) which set tighter rules for the use and the duration of fixed-term contracts (maximum duration of temporary contracts from 36 months to 24 months) and required employers to justify their extension in case going beyond 12 months. It also increases both the minimum and maximum indemnity in case of unfair dismissal. The United Kingdom introduced in March 2019 a set of amendments to stop the use of pay-between-assignment contracts, to come into force on April 2020. The amendments will allow businesses to opt out of equal pay arrangements for agency employees. However, the reforms may not bolster the rights of zero-hours workers, which may not shift the balance of power in the gig economy.

Some Member States are envisaging additional measures in terms of working time and organisation, which are expected to introduce further clarity on working terms and conditions. As part of a large reform package (*Jobsdeal*), in April 2019 Belgium extended the maximum duration of a career break (from 36 to 48 months) for workers following training in jobs with identified skill shortages. The measure was approved together with a relaxation of the training clauses, to encourage employers to foster participation of employees in work-based training. Denmark approved in April 2019 a new measure to foster better control of the physical and psychological work environments. When operational, it is expected to target mainly skilled workers employed by foreign companies. The Danish Working Environment Authority (*Arbejdstilsynet*) will be in charge of its implementation, with a total budget of DKK 460 million (EUR 61 million) until 2022. Spain adopted a new amendment introducing compulsory record of daily working hours for all workers. In general, the terms of compliance with overtime regulation can be specified in collective bargaining, with certain sectors subject to special regulations by the government. The measure is facing delays subject to the revision of relevant collective agreements. In 2018, Croatia adopted an Act on Student work to broaden its scope of application. In addition to full-time students, it now covers part-time students who are not in an employment relationship. The Austrian Government is taking steps to improve internal flexibility of working time, in close dialogue with social partners. The new Austrian Working time Act of 2018 aims to bring flexibility to the capped overtime work, under specific situations. It extends the maximum working hours from 10 to 12-hour working day and from 50 to 60-hour working week. It also includes the employees' right to refuse working time longer than 12 hours. Czechia is planning to amend the existing law from 2006 to bring greater flexibility to working arrangements. It aims at giving the possibility to share full-time job-posts among two or more employees. It is expected to become operational in January 2020. In March 2019, Finland adopted a new measure to increase flexibility of working time arrangements, such as use of time banks, etc., including in those enterprises that are not organised and thus restricted of using flexibility clauses provided by collective agreements. The measure is expected to enter into force in January 2020.

Raising awareness of occupational health and safety at work is leading several Member States to update and strengthen their regulations. For instance, in March 2019, Latvia issued a Development Plan 2019-2020 in the field of health and safety at work. The measure aims at promoting effective implementation of labour protection requirements, while ensuring safe work environment and health protection standards for the employed. The plan puts a special focus on the self-employed and other workers in non-standard forms of employment. In addition, Latvia is planning several amendments to improve labour safety and environmental protection of self-employed and remote employees. These will also define more accurate and clear requirements for organising labour protection by firms. The draft law is being discussed in the responsible Parliament commission and it is expected to be adopted by the end of 2019. Czechia changed the conditions of health protection at work, specifically the limits of exposure to chemicals in the workplace, in line with the Commission Directive (2017/164/EU). In Greece, a new law (4554/2018) expanded the existing legislation on the health and safety of workers, including provisions to establish detailed methods to identify and estimate heat stress of workers in high-temperature months. Croatia approved measures to regulate the conditions under which an employer and a natural or legal person are authorised to implement occupational health and safety measures, including their issuing, cancellation and revoke. It also foresees continued professional training of the occupational health and safety experts and the obligation and procedure to register authorisations.

Member States adopted new measures to tackle undeclared work, strengthen labour inspectorates and enhance the impact of deterrence measures. Upon finalisation, Greece is also planning to make a full assessment of the three-year action plan for fighting undeclared work. In Latvia, the State Labour Inspectorates adopted a 2018-2019 strategy with an increasing emphasis on preventive measures, underpinned by new key performance indicators. Cyprus has proposed some changes in the Social Insurance law to further combat undeclared employment. The amendments include an increase in the amounts of fines and the introduction of an electronic declaration for workers starting a job. In Portugal, the Action Programme to tackle precariousness and foster collective bargaining adopted in 2019 includes the already ongoing competitions to recruit new inspectors (launched in 2015 and 2016). Portugal has also taken steps to set up an information exchange system between the Labour Authority, the Social Security and the Tax and Customs Authority. In Spain, the Plan for Decent Work 2018-2020 seeks to strengthen the legal framework and capacity of labour inspectorates to promote quality of jobs and fight against labour fraud. It envisages the hiring of 833 new labour inspectors, increasing by 23% the current staff. During 2018, labour inspections led to transforming 194 000 fixed-term contracts into open-ended (twice as large as the 92 900 figure for 2017). Meanwhile, 31 500 part-time contracts were converted into full-time (48% more than in 2017).

An increasing focus on preventive measures, data exchange and risk assessment procedures are visible in many of the measures to address undeclared work. In Bulgaria, the National Revenue Agency and the General Labour Inspectorate signed a cooperation agreement in the context of the 2018 Action Plan to improve tax collection, combat the grey economy and reduce compliance costs. The agreement targets mainly the domains of wages and working time and it is based on enhanced cooperation through information exchange, greater use of e-services, inter-institutional working groups and joint control activities, including risk assessment and monitoring tools. The cooperation framework includes prevention and education measures and actions to increase the use of e-services. Further to the amendments in the Social Insurance law, Cyprus is undertaking a reform of the labour inspectorates, which is expected to improve the effectiveness and efficiency of the inspections. The Government has also approved a new bill for the creation of a Centralised Labour Inspectorate and it is making efforts to improve risk assessment of this challenge, including through the allocation of greater resources and more access to training for the staff. In July 2019, France adopted a new National Plan to combat illegal work ("*Plan National de lutte contre le travail illégal*"). Running up to 2021, the plan proposes 34 actions aiming at prioritising and strengthening the impact of controls and preventing undeclared work, including at cross-border level.

Some Member States have taken steps to reinforce their ALMP systems through simplification and modernisation, based on continuous monitoring and growing awareness of cost-effectiveness. Sweden is reforming its public employment services in view of gaining efficiency. Some 130 out of 242 offices will be dismantled, and 4 500 employees out of a total of about 13 400 will be let go. The reform is expected to be completed by 2021. The PES will focus more on digital services, automation and artificial intelligence, providing phone and video support. Private actors will manage the job matching. As part of a broad reform, Denmark has also taken important steps to simplify the employment strategy and cut red tape to ease transitions from unemployment to employment. The aim of the reform is to give the municipalities a larger degree of autonomy in targeting measures for the individuals becoming unemployed, while a simplified administrative approach for firms could ease bringing unemployed persons back into work. The unemployed person should be subject to fairer and less rigid requirements, and the regulations should be easier to interpret.

Other Member States are prioritising the provision of individualised services, setting specific targets of employed persons. In Bulgaria, a new action plan for employment envisages to bring back to work over 16 500 unemployed people under various work programmes; while more than 11 400 people will be offered trainings to improve their skills and remain competitive and productive (see Section 3.2.2). In Sweden, measures aimed at improving access to employment for new entrants and long-term unemployed were introduced. The scheme counts with the involvement of social partners and will subsidise over half the wage cost for two years. The employee will work full-time work and will have access to training, including Swedish language courses for non-Swedish born. Czechia is planning to introduce changes in the current design of ALMPs to make them more effective in supporting the most vulnerable groups. While still under preparation, the expected limited scope of changes reduces the likelihood of having a substantial impact on these specific groups.

Public Employment Services (PES) are reforming with the view to increase capacity and efficiency. Greece has taken steps to increase the capacity of the PES. The recruitment of additional employment counsellors concluded with 335 new counsellors in April 2019. The aim is to continue bringing down the still high average number of unemployed persons per counsellor (estimated at around 2 700 in 2018), together with plans for regular pre-scheduled appointments for selected priority groups of unemployed. A new methodology for profiling the unemployed has been rolled out and there is a pilot model for delivering ALMPs, with guidance and support from the PES counsellors. Spain is also taking steps to reinforce the capacity of the PES. Some 3 000 new caseworkers are being recruited to serve the objectives of the new plans to address long-term unemployed ("*ReincorporaT*") and youth unemployment ("*Action Plan for youth employment 2019-2021*"). The quantitative goals set by the authorities aimed at reinforcing the results orientation, with a stronger focus on monitoring and evaluation. In line with previous plans, it also relies on subsidies for hiring of employees, despite little evidence of their effectiveness. It has an estimated budget of EUR 40 billion spread over three years, including the allocation of the unemployment subsidy for people older than 52. Efforts to reinforce the PES have also continued in Cyprus with the aim of addressing the current mandate for more effective implementation of the Youth Guarantee (see also Section 3.2.2). Additional measures in place include training of employment counsellors and training of PES staff. Austria updated its profiling system by introducing computer-based assessment of job opportunities for each registered unemployed person. The measure aims at increasing the efficiency of the labour market programmes and at improving service quality, while reducing the allocated resources. Jobseekers are assigned in groups with high, average or low employment opportunities according to their estimated probability for re-entering the labour market. PES consultants can include a personal assessment to improve the assignment, taking into account aspects such as motivation. Lithuania has reallocated human resources from the management and executive level towards employees directly working with jobseekers, which increased by 9%. This has helped to reduce the average monthly workload of caseworkers by up to 30%, and to provide more individualised assistance. Social partnerships have been strengthened to contribute to the development of human resources, notably through trainings and exchange of best practices.

Measures have been taken to strengthen job-matching efficiency and the links with employers and local authorities, in a context of tightening labour markets in some Member States. Member States continue the process of modernisation of PES including greater partnerships with employers and joint strategies with business associations. Nineteen out of 30 responding PES reported the introduction of new ALMPs, and 20 PES reported amending existing ALMPs to better respond to current labour market challenges in 2019. In Finland, a new measure plans to improve digital accessibility in the PES for employment service users and service providers. Once it becomes operational in 2020, the new "Market place for jobs" (*Työmarkkinatori*) will be a universally accessible digital place for clients to find a broad range of public and private services. As part of a broad reform adopted in July 2018, Cyprus has strengthened its PES Candidate Placement System (CPS) through the creation of an IT platform that supports the provision of more individualised services to both job seekers and employers.

The evaluation of the Council Recommendation on the integration of the long-term unemployed into the labour market has shown that Member States reached significant progress in the area. Overall, the most substantial changes took place in Member States with less-developed prior support for the long-term unemployed. The Recommendation has raised awareness of the challenges faced by Member States and has guided the implementation of the agreed policy agenda to address them. It has also led to increased job prospects of the long-term unemployed, to convergence in policy approaches and greater exchange of information and best practices across the EU.

The Council recommendation remains relevant to continue delivering on better employment opportunities for long-term unemployed. The quality of support to the long-term unemployed still varies across Member States. There is room to increase targeted outreach to inactive, to improve the quality of assessments and to strengthen employer engagement. Coordination of services remains an overarching challenge due to still limited capacity and strategic approach to partnerships in some Member States.

Some Member States have been taking further steps recently to provide more individualised support to long-term unemployed and better-integrated services. Cyprus has set up a scheme for the training of the long-term unemployed in firms with the view of supporting re-entering into the labour market with the parallel acquisition of the necessary skills. During 2018, around 130 long-term unemployed benefitted from the scheme with a total expenditure of around EUR 487 000. The target for 2019 is to benefit 250 long-term unemployed with a budget of EUR 750 000. In Bulgaria, a new action plan for employment envisages to bring back to work over 16 500 unemployed people under various work programmes; while more than 11 400 people will be offered trainings to improve their skills and remain competitive and productive. The number of persons enrolled in training in 2019 is set to increase by 7.7% compared to 2018. Greece has introduced a new profiling methodology, on top of recruiting more employment counsellors. Capacities to deal with long-term unemployed are also being reinforced in Cyprus, Lithuania and Spain with additional recruitment of counsellors. The ongoing reform of the public employment services in Finland is a step towards multi-professional and integrated services. It includes measures to provide more efficient services, in particular at the start of the unemployment spell and greater adaptation to varying individual needs of unemployed persons. Other public employment services are carrying out pilot projects too, often with the support of the European Social Fund. In Austria personalised coaching using computer based assessments is being tested, while in Slovenia joint activities with Centres for Social Work are currently tried out.

Recent measures targeting long-term unemployed continue to focus on subsidies and financial incentives. In 2018, Flanders (Belgium) adopted two new state-subsidised schemes supporting access to sustainable employment of the long-term unemployed through training (so-called "K-IBO"). The programme can last up to 52 weeks, is free for the employer and foresees reimbursement of transport and childcare expenses. Cyprus has also focused its efforts on providing incentives for organising training and skills development programmes. In Slovakia, the adopted action plan on the integration of long-term unemployed into the labour market continues to be implemented by offering financial allowances and incentives to both employers and job seekers. Finally, hiring incentives in Belgium, Portugal, Romania and Spain have been modified to further stimulate employment of long-term unemployed.

Recent reforms in the area of unemployment benefits have mostly focused on coverage and effectiveness of the schemes, with substantial changes in some Member States. In October 2018, Denmark extended the coverage of the voluntary unemployment insurance scheme initially designed for the self-employed to all workers in non-standard contracts. The amendment grants them equal status to those in traditional employment and the calculation method of an individual's unemployment benefit does no longer distinguish between income sources. In April 2019, Belgium adopted a legal provision to guarantee that those who follow a training in a professional area with identified shortages are not subject to a decrease (degressive trend) of unemployment benefits over time. The measure is part of the *Jobsdeal* package. In March 2019, Spain updated the long-term unemployment scheme, which now extends the coverage from 52 years old until the legal retirement age, and increases the basis to calculate the pension entitlements (from EUR 859/ month in 2018 to 1 313/ month in 2019). Since the merge of the PREPARA and PAE schemes in December 2018, the Government has not moved forward with the plans to streamline the current unemployment assistance system. Besides, the reintegration of older unemployed into the labour market remains a challenge. The budget 2019 in Malta included an extension of unemployment benefits to jobseekers who were previously self-employed. In the opposite direction, France introduced in 2018 and 2019 some changes in unemployment benefits rights and obligations. As part of a broader reform, eligibility conditions to unemployment benefits have become more stringent, with closer links to the job search efforts of the unemployed, creating disincentives for employers and employees to alternate frequent spells between unemployment and employment. As part of a comprehensive reform, Finland introduced several amendments in 2018 and 2019 to the Unemployment Security Act with the aim of increasing incentives to work part-time for unemployment benefit recipients, who also get incentive for access to training and vocational education. Amendments have also been introduced to extend the rights to earnings-related unemployment benefits to family members of self-employed workers and to reduce the waiting time for receiving unemployment benefits from 90 days to 60 days in cases in which the contract was terminated due to reasons caused by the employee.

In most Member States, the social partners are involved in the design and implementation of policies and reforms in the social and employment areas.[118] The quality of their involvement varies strongly across countries and depends on the institutional settings and the effectiveness of the practices applied. For instance, since the beginning of 2018, social partners in Belgium, Croatia, Estonia, Germany, Ireland, Netherlands, Portugal,

[118] For a more detailed and exhaustive overview over the involvement of social partners in policy reforms, see Eurofound (2019): *The involvement of social partners in national policymaking,* Publications Office of the European Union, Luxembourg.

Slovakia, Slovenia or Sweden, discussed, or were directly involved in the design or implementation of reforms to increase labour market participation. In 2018, the Portuguese social partners signed a tripartite agreement, which included measures to combat labour market segmentation. Social partners have discussed and negotiated reforms of minimum wage setting mechanisms in Portugal or Malta for example. In countries such as Latvia Slovenia or Estonia, social partners signed bipartite agreements on wages and labour costs. In Bulgaria, Croatia, Cyprus, Finland, Latvia, Slovakia and Slovenia, social partners were involved in reforms of the healthcare systems. In Latvia and in Poland, the social partners were consulted on reform on higher education and science. In February 2019, the Danish social partners together with the government prolonged a two-year fast-track Basic Integration Education (IGU) programme for recently arrived migrants and refugees, which was introduced in 2016 as part of a tripartite agreement.

The European Structural and Investment Funds provide financial support for enhancing the institutional capacity of social partners. Support to capacity building of Social Partners can lead to an institutional context of stable and sustainable industrial relations at different levels (national, sectoral, regional and company). Under the current European Social Fund (ESF), EUR 189 million have been allocated, among others, to capacity building for Croatia, Czechia, Cyprus, Estonia, France, Italy, Latvia, Lithuania, Malta, Portugal and Slovenia. In Portugal, the ESF supports the institutional capacity building of social partners with a seat in the Standing Committee for Social Concertation (CPCS), in view of their key role in social dialogue in Portugal. Measures that can be supported include training, networking and support for joint actions and closer cooperation between social partners. The new element in the proposed ESF + is the extension of the obligation to support capacity building of social partners to all Member States. Under the current ESF Regulation, this obligation is relevant only for managing authorities in less developed regions, in transition regions or in Member States eligible for support under the Cohesion Fund.

3.4. Guideline 8: Promoting equal opportunities for all, fostering social inclusion and combatting poverty

This section looks at the implementation of the employment guideline no. 8, which recommends to Member States to modernise their social protection systems, in order to promote equal opportunities, combat poverty and social exclusion. It first presents an overview of the social situation in Member States by key indicators, including disposable income, inequality, income poverty and social exclusion, pension adequacy, access to housing, access to healthcare and long-term care. Section 3.4.2 reports on policy measures from Member States in the areas of social protection systems, including minimum income schemes, family benefits, housing policies, pensions, long-term care, healthcare and inclusion of people with disabilities.

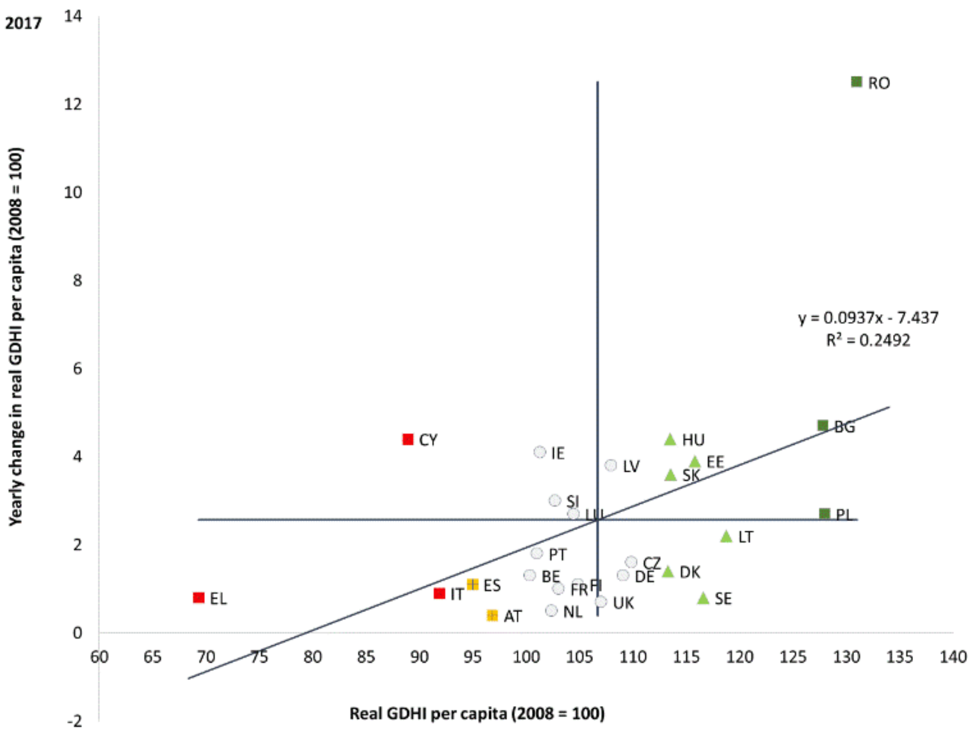
3.4.1 Key indicators

Aggregate household incomes rose in all Member States in 2017[119]. On average in the EU the increase of the real gross disposable income was slightly higher than the GDP per capita increase. The situation is very varied, with most Central and Eastern European countries continuing the convergence process and showing GDHI increases higher than GDP per capita. Other countries registered more modest improvements. In particular, Greece, Cyprus, Italy, Spain and Austria have a gross disposable income per capita still below their pre-crisis level. Data for 2018 (still not available for all Member States) indicate that these trends are set to continue.

[119] Figures are not available for Croatia and Malta.

Figure 66: Real household incomes in EU continue to converge upwards.

Real GDHI per capita, index 2008 = 100 and yearly change (Social Scoreboard headline indicator)



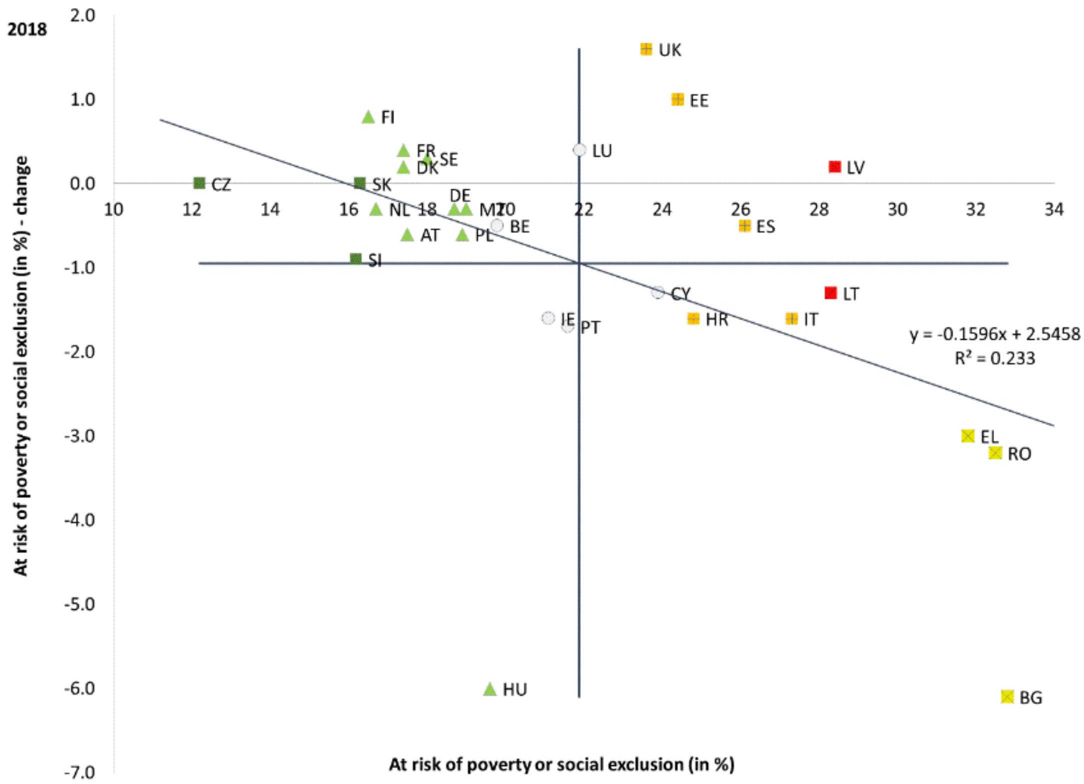
Source: Eurostat, National Accounts [nasq_10_nf_tr and namq_10_gdp], own calculations. Period: 2017 levels and yearly changes with respect to 2016. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data for HR and MT are not available on 2 December 2019.

The share of people at risk of poverty or social exclusion (AROPE) in 2018 has further decreased. A majority of countries experienced a further improvement in the share of people at risk of poverty or social exclusion (AROPE) in 2018 and the share has declined by another 0.5 percentage points, about 2 pps below the pre-crisis levels[120]. The most significant decreases took place in countries starting from very high levels, such as Bulgaria (6.1 pps), Hungary (6 pps), Romania (3.2 pps) and Greece (3 pps), as well as in Portugal (1.7 pps), Croatia, Ireland and Italy (1.6 pps). Some other Member States experienced increases, either reversing previous positive developments (United Kingdom +1.6 pps, Finland +0.8 pps, Estonia +1 pp) or confirming slight deteriorations that already took place last year (Luxembourg +0.4). The situation of Latvia and Lithuania remains “critical” in view of their high levels and still limited or no progress compared to the previous year. Evidence from Figure 67 shows that convergence across the EU is occurring on this indicator, as pointed out by the downward slope of the regression line.

[120] See Chapter 1.2 for definitions of at-risk-of-poverty or social exclusion and its components. Note: the income statistics of EU SILC refer to the previous income year. Therefore, 2018 EU SILC figures for AROP, S80/S20, etc. refer to the 2017 income year.

Figure 67: Share of people at risk of poverty or social exclusion has decreased in most Member States.

Percentage of the population at risk of poverty or social exclusion, 2018 and change from previous year (Social Scoreboard headline indicator)



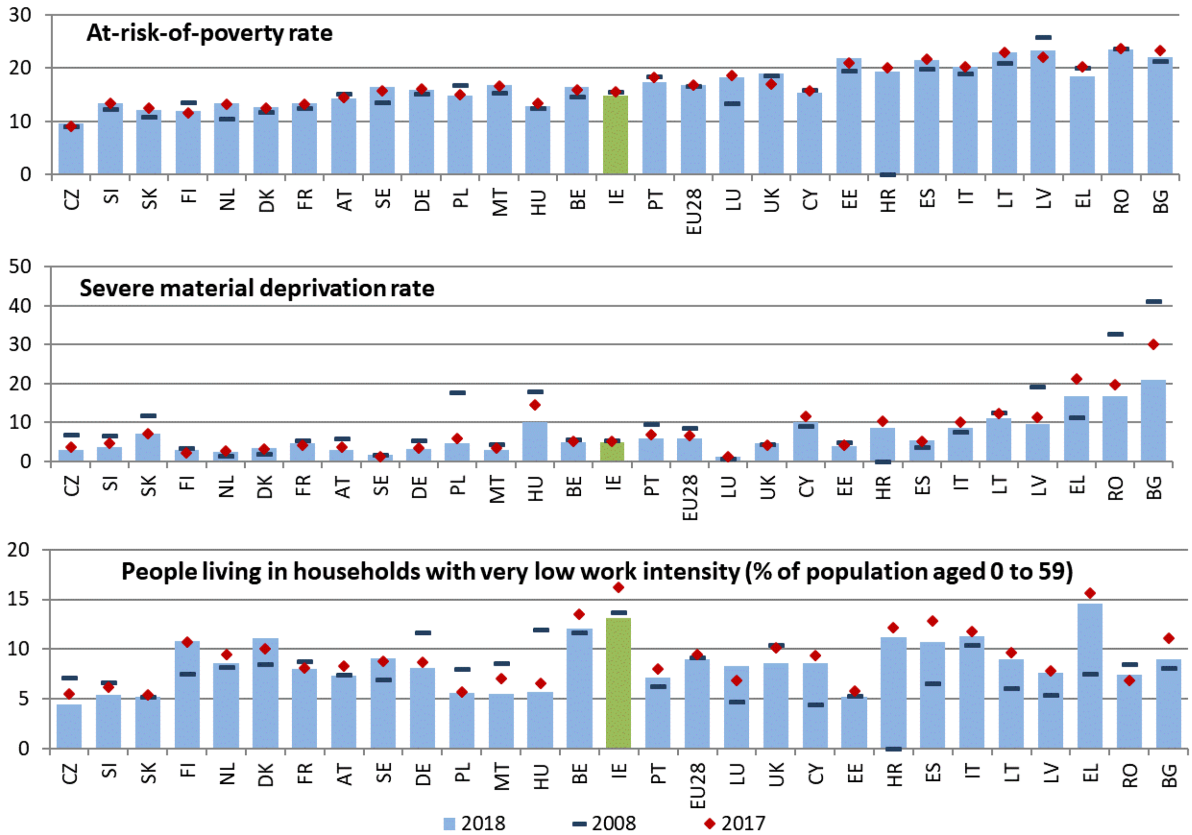
Source: Eurostat, SILC. Period: 2018 levels and yearly changes with respect to 2017. Note: axes are centred on the unweighted EU average. The legend is presented in the Annex.

Children (aged 0-17) and young people (aged 18-24) remain most exposed to the risk of poverty or social exclusion compared to other age brackets. The average AROPE rate for children (aged 0-17) in 2018 slightly declined at 24.3% from 24.9%. Yet, despite noticeable decreases, some Member States still register high rates of child poverty, notably Romania (38.1%), Bulgaria (33.7%) and Greece (33.3%). The few Member States where the children AROPE rate have worsened were United Kingdom (+2.5pp), Belgium and Sweden (+1.2pp), Finland (+0.9pp), France (+0.8pp) and Denmark (+0.7pp). The age group that faces more challenges is the age-bracket 18-24, with an EU average declining by 0.5 pps to 28.5% in 2018, still above the pre-crisis level but with decreases in the majority of countries. Particularly high levels can be still observed for Greece, Romania, Spain, Bulgaria, Italy, where youth unemployment remains very high. However, high and increasing rates are observed in United Kingdom, Denmark, Spain, Sweden and Finland. The AROPE for the 25-54 age bracket declined by 0.8 pps to 20.7%, below the pre-crisis level. People aged 55 and over remain the group least likely to be affected by poverty or exclusion with a rate of 20.3%.

Non-EU born people face a higher risk of poverty or social exclusion. In 2018 the AROPE rate for non-EU born people was 37.3% against an EU average of 20.1% for native born people. This gap is overall stable (17.2 pps vs 17.6 pps in 2017) at EU level, but decreasing in some of the most affected countries (Belgium -5.1pp, Greece -4.2pp, Denmark -3.1pp, Austria -3.2pp, Luxembourg -2.3pp and Sweden -1.4pp). However it remains high and increasing in United Kingdom (29.2, +1.2 than in 2017), Spain (28.4, +1.8pp), France (24.8, +5.2pp) and the Netherlands (22.1, +1.5pp).

Figure 68: The situation continues to improve in particular with respect to severe material deprivation and people living in quasi-jobless households.

Sub-indicators of the at-risk-of-poverty or social exclusion rate



Source: Eurostat, SILC. Note: Indicators are ranked by AROPE in 2018. EU27 values used for 2008 (data for HR not available).

The share of the population at risk of poverty remains broadly stable. It slightly increased overall, despite continuous reductions in some countries with higher rates, while remaining on average lower than it peak in 2016. On average in 2018, monetary poverty in the EU rose by 0.2 pps to 17.1 %. The biggest decreases were recorded in Greece (-1.7pp), Bulgaria (-1.4pp), Portugal (-1pp) and Hungary (-0.6pp). On the contrary, the indicator increased in United Kingdom (+2.0pp), Latvia (+1.2pp), Sweden (+0.6 pp), Belgium, Finland and Czechia (+0.5pp). Eurostat flash estimates[121] point to a decrease with reference to incomes 2018 in Greece, Portugal and Slovakia, while a further increase is estimated in the United Kingdom.

[121]Eurostat flash estimates for income 2018 (i.e. EU-SILC indicators published in 2019). See methodological note and results by Eurostat: https://ec.europa.eu/eurostat/web/experimental-statistics/income-inequality-and-poverty-indicators.

Rates of severe material deprivation (SMD) continue to converge downwards, driven by steady improvements in countries where deprivation is high. All Member States for which the share of population experiencing SMD was above the EU average saw their rates decrease in 2018. Those with the highest rates (Bulgaria, Greece and Romania) also were among those showing the strongest declines (9.1, 4.4 and 2.9 percentage points, respectively). In some Member States where deprivation rates are low, small increases have been reported for 2018 (France +0.6 pps, rising to 4.7%; United Kingdom +0.5 pps rising to 4.6%; Finland +0.7 pps rising to 2.8%).

Material and social deprivation, which captures a wider range of deprivation dimensions, shows continuing improvement as well. The rate of material and social deprivation (MSD) continued to decline in 2018 on average in the EU (by 1 pps to 12.8%). Declines took place in some Member States in 2018 compared to 2017, with the largest drops observed in Bulgaria (-10.1 pp) and Romania (-5.1pp), which were the two Member States with the highest rates of MSD in 2017. In some of these Member States, a decreasing trend has been observed since at least 2016. MSD rates decreased in 2018 (compared to 2017) in most Member States which were above the EU average in 2017. At the opposite end, MSD rates increased in 2018 (compared to 2017) in Malta, Denmark, Luxembourg, Sweden, Spain, France.

The share of people living in quasi-jobless households further decreased. In line with improvements in the labour market, the job intensity of households also continues to improve. The percentage of people living in households with very low work intensity decreased from the previous year (now at 8.8%) and is now below the pre-crisis level for the whole EU and for 10 Member States. Ireland (- 2.9 pps), Spain and Bulgaria (-2.1 pps) registered the most substantial decreases while Luxembourg (+1.4 pps), Denmark (+1.1 pps), Romania (+0.5 pps) performed in the opposite direction.

The risk of in-work poverty remains high overall, in spite of reductions in most Member States. The risk of having a household income below the poverty threshold while working slightly increased by 0.1 pps in 2018 (after decreasing by 0.2 pps in 2017) and remains high especially in some Member States (also see Section 3.1.1). Levels well above the EU average (9.5% in 2018) persist in Romania (15.3%), Luxembourg (13.5%), Spain (12.9%), Italy (12.2%), United Kingdom (11.3%, with an increase by 2.4 pps over the last year) and Greece (11%). This risk is higher for households with people working part-time (on average 15.7% for the whole EU) with very high levels registered in countries like Romania (62.7%), Bulgaria (34.4%), Portugal (29.2%), Lithuania (25.3%) and Greece (24.6%). The in work risk of poverty remains high for full-time workers in some Member States, especially in Luxembourg (11.8%), Romania (11.2%), Italy and Spain (10.9%), meaning that in some countries working is not always a guarantee for avoiding poverty.

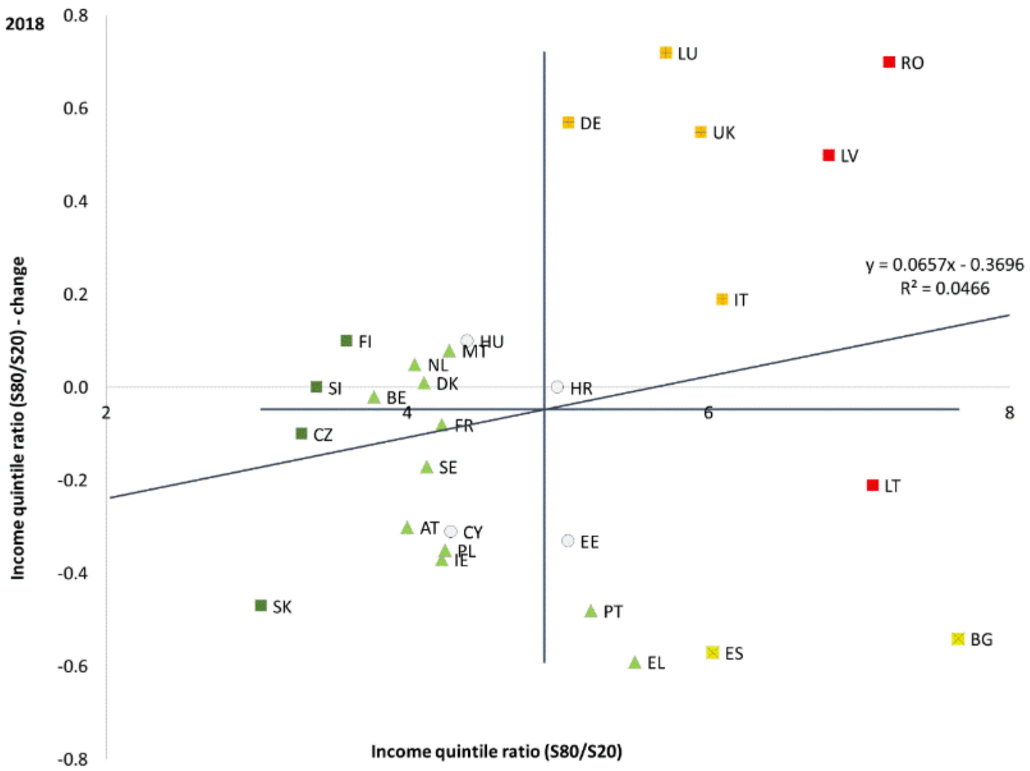
Overall, the depth of income poverty remains a major challenge. The increase in the poverty gap in 2018 (24.6% against 24.1% in 2017) reflects a worsening situation despite positive developments in some Member States. Increases were recorded in Hungary (+7.4 pps), United Kingdom (+4.8), Cyprus (+3.5pps), Croatia (+2.9 pps), Luxembourg (+2.6 pps), Belgium (+1.5pps), Estonia (+1.2pps) and Germany (+1.1pps). This indicates that poor people are getting farther from the poverty threshold in those countries. On the reverse, positive developments can be observed in Spain (-3.9 pps), Bulgaria (-3.6pps), Ireland (-3.0 pps), Portugal (-2.5 pps) and Slovenia (-2.1pps).

People with disabilities are significantly more likely to be at risk of poverty or social exclusion than those without disabilities. In 2018, 29.3% of persons with disabilities in the EU were at risk of poverty or social exclusion (i.e. the same share as in 2017), compared to 19% of people without disabilities,[122] showing an increased gap of 10.3 pps. The severity of disability is a very important explanatory factor, with 36.2% of those with a severe disability aged 16 or over in the EU in 2017 being at risk of poverty or social exclusion, compared to 26.3% of those with a moderate disability and 19% without disabilities.

Income inequality remains at high levels. The income share of the bottom 40% remained around 21% in in 2018, reflecting a similar income growth as for the whole population. However, increases in the income share of the top 20% of households outweighs this positive effect, leaving income inequality overall at levels still above the pre-crisis period with the S80/S20 increasing to 5.17 in 2018 from 5.08 in 2017. Some Member States, though still above the EU average (Greece, Spain, Bulgaria, Lithuania and Portugal) show signs of convergence. Some other Member States (Luxembourg, Germany, United Kingdom, Italy) register increases, including some with significantly above average levels (Romania, Latvia).

Figure 69: Income inequality in EU remains stable overall, although it increased in some Member States.

Income quintile share ratio and yearly change (Social Scoreboard headline indicator).



Source: Eurostat, SILC. Period: 2018 levels and yearly changes with respect to 2017. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.

[122] EU-SILC (2018), people at risk of poverty or social exclusion by level of activity limitation, sex and age [hlth_dpe010].

Social protection expenditure[123] increased in real terms less than GDP in 2016 in most Member States, but large differences remain[124]. In real terms, social protection expenditure increased in 23 Member States from 2015 to 2016 and decreased in five[125]. The structural shift in expenditure (towards old-age pensions and healthcare) is confirmed in 2016 (partly reflecting demographic change)[126]. Overall, unemployment benefits expenditure continued to decline in 2016 as the economic environment improved. As a share of GDP, social protection expenditure actually increased in only nine Member States, while it decreased in 17 and was stable in two. Large differences in social protection expenditure remain between Member States in 2016, both for the expenditure per capita and as a percentage of GDP. Social protection expenditure as percentage of GDP was the highest in France (32.1%), Finland (31.3%) and Denmark (29.8%), while it was the lowest in Romania (14.4%), Lithuania (14.6%) and Latvia (14.9%).

There are substantial differences between Member States in the evolution of the impact of social transfers (excluding pensions) on poverty. The impact of social transfers has declined in some Member States (e.g. Belgium, Czechia, Denmark, Finland, Sweden, Latvia, Luxembourg and United Kingdom). On the contrary, substantial increases in 2018 were registered for Bulgaria (+5.6 pps), Greece (+4.4pps), Hungary (+2.4 pps) and Italy (+2.2 pps). Figure 70 shows that convergence is occurring to some extent, since Member States with lower levels have seen the poverty reduction impact of transfers increase at a faster pace. The overall outcome depends on improved labour market conditions (and related changes in the characteristics of those at risk of poverty), as well as changes in benefits adequacy and coverage, including the fact that benefits sometimes lag behind generally increasing incomes[127].

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[123] Considering here only the expenditure on social protection benefits (i.e. excluding administration costs and other expenditure).

[124] Based on 2016 ESSPROS data.

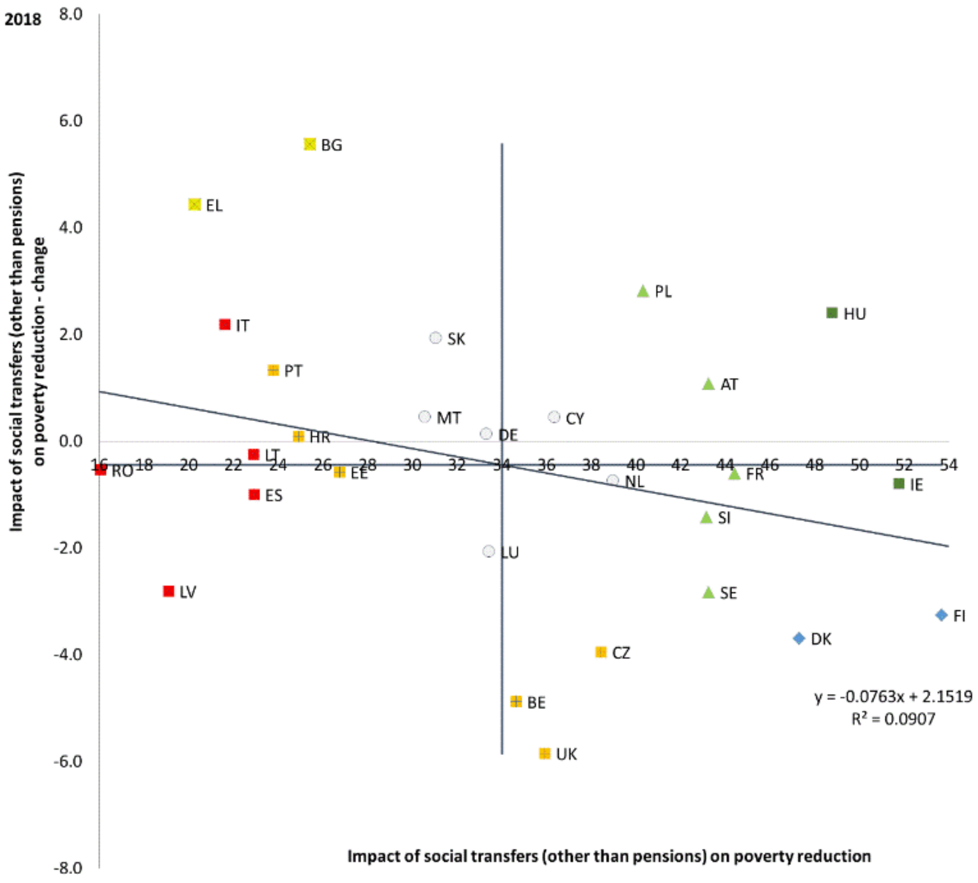
[125] While it increased in 22 Member States (and decreased in 6) when considered in euro per inhabitant.

[126] See also European Commission (2019), Employment and Social Developments in Europe. Annual Review 2019. Luxembourg: Publications Office of the European Union.

[127] See Labour Market and Wage Developments in the EU, 2019 for a detailed analysis.

Figure 70: The poverty reducing impact of social benefits is weakening in some Member States.

Impact of social transfers (other than pensions) on poverty reduction and yearly change (Social Scoreboard headline indicator).



Source: Eurostat, SILC. Period: 2017 levels and yearly changes with respect to 2016. Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex.

Self-employed and non-standard workers endure greater economic uncertainty with limited access to social protection[128]. In 2019, the self-employed did not have access to unemployment protection in ten countries, mandatory sickness protection in three countries, and protection against accidents at work and occupational injury in ten countries.[129] Non-standard workers usually have the same formal coverage by most social benefit schemes as those on standard contracts, though often this does not hold for certain categories of workers (e.g. casual and seasonal workers, on-call workers, and those on temporary agency contracts, civil law contracts or zero-hour contracts are often excluded from membership in the relevant schemes). Overall, more or less burdensome obstacles faced by the non-standard workers and

[128] This topic is partly addressed also in Section 3.3.

[129] Evidence in this paragraph and the following is based on an 2019 update of European Commission, SWD(2018) 70 final – "Impact Assessment Accompanying the Proposal for a Council recommendation on access to social protection for workers and the self-employed".

the self-employed in relation to effective coverage, meaning the ability to build up and take up adequate entitlements in case of need, have been identified for almost all Member States (related to minimum qualifying periods, waiting times, lack of transferability of social protection rights).

Preserving and transferring accumulated entitlements to another scheme following professional transitions remains difficult. As the world of work changes, this flexibility is becoming more important and a lack of transferability may impede labour market dynamism and matching. For workers moving between sectors or employment forms, a lack of regulation makes transfers difficult in at least four Member States, while extremely high cost and different rules governing different schemes have also been identified as a barrier to these transitions in several Member States. Finally, the lack of transparent information about social security rights stops people from taking informed decisions in many countries. While generic information about social protection schemes is available in all but five Member States, personalised information is only available in about half of them (e.g. simulation on pensions is available in Belgium, Germany, Italy, France, Spain, United Kingdom and Poland).

While minimum income schemes are in place in all Member States, their adequacy varies considerably and it is reducing overall. Minimum income schemes should combine an adequate level of income support with access to enabling goods and services and incentives to (re)integrate into the labour market for those who can work, as also underlined in the European Pillar of Social Rights. The 2018 Joint Employment Report presented a detailed comparative analysis of the main features of minimum income schemes across the EU, based on the results of the related benchmarking exercise conducted within the Social Protection Committee (SPC).[130] While the analysis remains overall valid, this section provides an update of the exercise. The adequacy of minimum income benefits can be measured by comparing the income of beneficiaries with the national poverty threshold (as an indication of the income poverty alleviation effect of schemes) and with the income of beneficiaries to the income of a low-wage earner[131] (also providing an indication of the activation dimension and potential disincentive effects of the schemes). Both indicators provide similar results as concerns the adequacy of minimum income in Member States in 2017 income year[132] (Figure 71). Adequacy was the highest in the Netherlands and Ireland, where the level of benefits of single-person households in 2017 exceeded more than 100% of the national income poverty threshold level (set at 60% of the national median equivalised disposable income). At the lower end, the adequacy of minimum income in Bulgaria and Romania is below 20% of the poverty threshold or slightly above the 20% of the income of a low-wage earner in 2017. Between 2016 and 2017, the adequacy of minimum income remained stable or slightly eroded on average in comparison with the national poverty threshold in all Member States, except in Greece (where it increased significantly), Malta, Belgium and Ireland. Changes in adequacy - when measured in comparison with the net income of a low-wage earner - are positive only in Greece, Malta, Belgium, France and the Netherlands.

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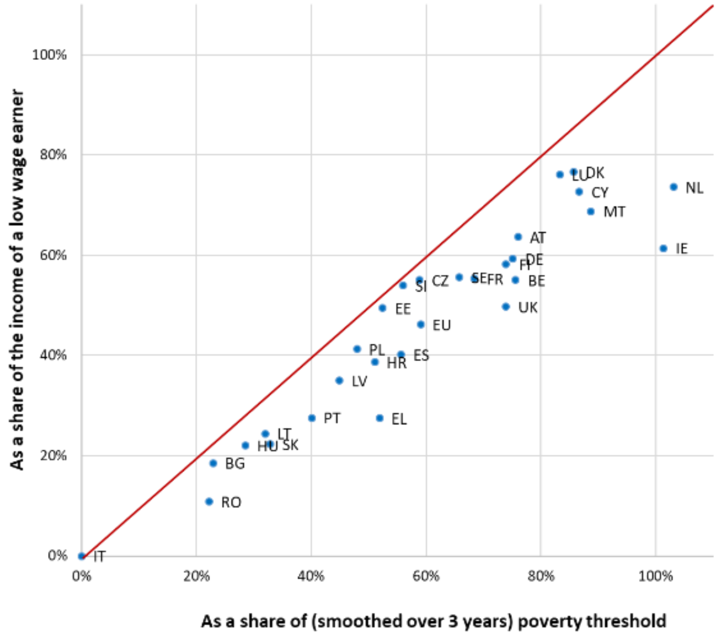
[130] See Box 1. It focuses on minimum income benefits for the working age population with working ability not in employment and not entitled, nor eligible or having exhausted entitlements to social insurance benefits

[131] A 'low-wage earner' is defined in the benchmarking framework as somebody earning 50% of the average national gross wage.

[132] The indicators are based on the latest available information in the OECD Tax-benefit model. Information is not available for CY. Information about IT and EL does not include the newly introduced minimum income schemes and they have not been included in this analysis.

Figure 71: The adequacy of minimum income support in different Member States varies quite strongly.

Net income of minimum income recipients as % of at-risk-of-poverty threshold (smoothed over three years) and of the income of a low wage earner (income year 2017)



Source: Eurostat, OECD.

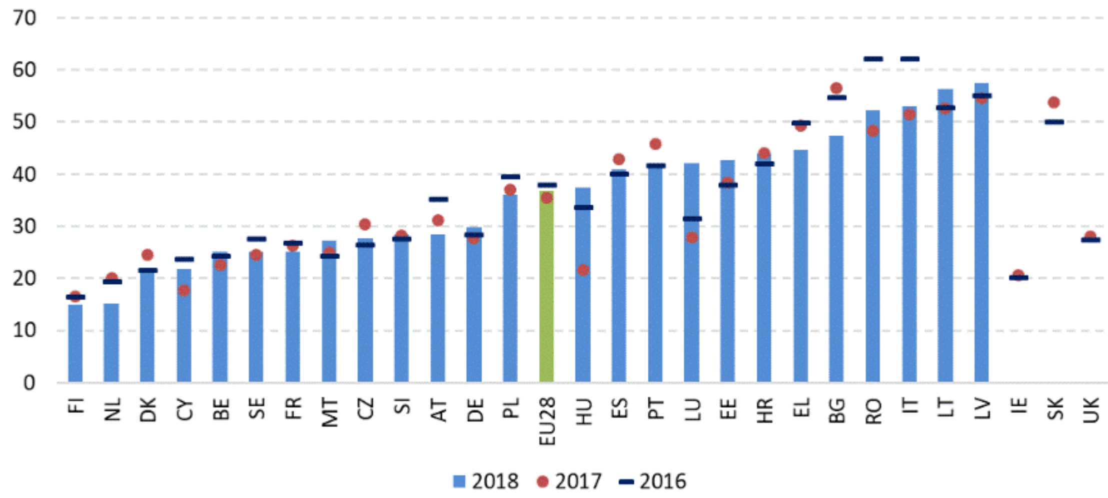
Notes: The charts concerns single childless persons. Net income of a minimum income recipient may also include other types of benefits (e.g. housing benefits) than minimum income. Information about IT does not include the newly introduced minimum income scheme, as it was not yet in place by the year 2017. Latest available information about income poverty thresholds in IE, SK, and UK is for 2016 income year. The low wage earner considered earns 50% of the average wage and works full time.

The coverage of social benefits also affects their performance. A wide variation can be observed in the share of people that receive benefits. The benefit recipient rate that measures the share of working age individuals (aged 18-59) receiving any benefits (other than old age benefits) among the population at-risk-of poverty, shows a range from 44.2% in Italy to 97.8% in Denmark with an EU-28 average of 65.9%.

Minimum income benefits show lower adequacy in facing the depth of income poverty among low work intensity households. The relative median at-risk-of-poverty gap for the working age population (18-64) has increased in 2018 (from 26.9% in 2017 to 27.5%), even more for persons living in (quasi-)jobless households up to 36.8% (against 35.5% in 2017 and 37.8% in 2016). The highest differences between the median income of these people and the at-risk-of-poverty threshold are registered in Latvia, Lithuania, Italy and Romania (where increases were registered in 2018), and in Bulgaria (where on the reverse, it decreased of 9 pp).

Figure 72: Relative median at-risk-of-poverty gap from quasi-jobless households is increasing again

Relative median at-risk-of-poverty-gap for quasi-jobless households, 2016-2018

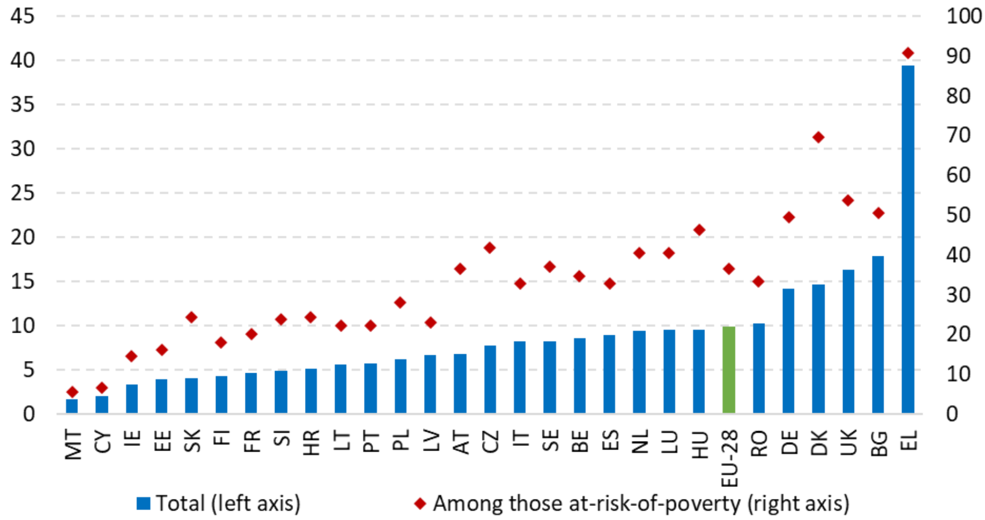


Source: Own computation on Eurostat, SILC data. Data not available for IE, SK and UK on 2 December 2019.

In 2018 the share of households overburdened by housing costs has reached its lowest level since 2010. Still, one in ten Europeans lives in a household where the cost of housing represents an important burden (more than the overburden threshold of 40% of disposable income). Housing-related expenditure remains very high in Greece (close to 40% of the households are faced with housing cost overburden). The rates in Bulgaria, United Kingdom, Denmark, Germany and Romania are above the EU average, while in Estonia, France, Finland, Cyprus, Malta and Slovakia less than 5% of households report being overburdened by housing costs. Poorer households are more exposed to affordability issues, and tenants are also to a greater extent affected by this issue. In fact, 36.7% of poorer households are faced with housing cost overburden and 26% of tenants.

Figure 73: Housing cost overburden affects a significant share of the population, in particular among those at-risk-of-poverty

Percentage of the population living in a household where total housing costs represent more than 40% of the total disposable household income, 2018



Source: Eurostat, SILC.

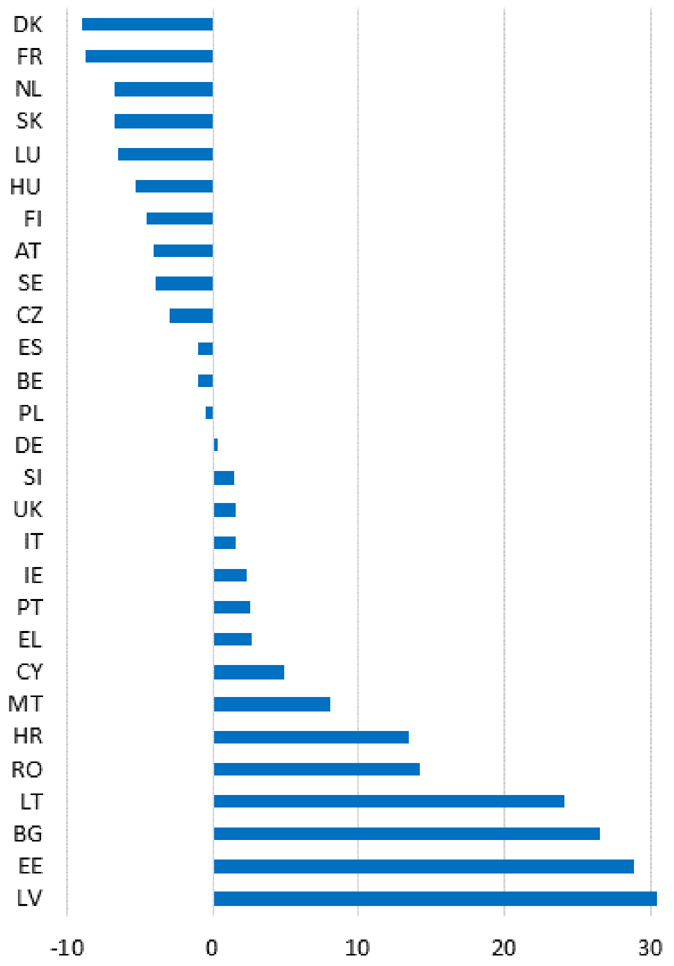
Severe housing deprivation is overall stable in 2018. However, it is declining in Central and Eastern European Member States, where issues with housing quality have been more marked. Despite this improvement, approximately one out of seven Europeans still lives in a dwelling that has a leaking roof, damp walls, floors or foundation, or rot in window frames or floor. These issues predominantly affect tenants, including those in social housing. While being low overall (at 1.9% in 2018), the share of population not having either a bath or a shower in their dwelling reaches 25.6% in Romania and is above 8% in Bulgaria, Latvia and Lithuania. The share of children under 18 experiencing severe housing deprivation is still higher than for the whole population, with 6.1% of children living in inadequate dwellings, compared to 4% for the total population.

As the most extreme form of housing exclusion, homelessness has increased over the last decade in a number of Member States. Only in Finland has homelessness decreased significantly, whereas three countries show either mixed patterns (Croatia and Poland) or a stabilisation of homelessness over recent years (Portugal).[133] Homelessness remains a predominantly urban phenomenon and housing market pressures have been identified as a determinant key driver for rises in homelessness in recent years across the majority of EU Member States. This includes several adverse developments, such as: increases in property and rental prices, scarcity of affordable housing, changes in tenancy laws, limited or reduced public investment in public and/or social housing, cuts in housing allowances. But other adverse factors are also behind the rises in homelessness levels, including poverty, rising unemployment, inadequate and/or difficult access to support systems and services and rising immigration. At the individual level, some factors influence the vulnerability to homelessness, such as mental illness or substance abuse or adverse family dynamics (family breakdown or violence, decease of a spouse).

[133] ESPN, 2019

Figure 74: The risk of poverty and social exclusion risk among older people has been steadily decreasing for many Member States.

Percentage of population aged 65 and above at-risk-of-poverty or social exclusion relative to the EU average, 2018



Source: Eurostat, EU-SILC.

Pension income provides older people with a relative protection against poverty risk. At the EU level, the at-risk-of-poverty (AROP) rate for older people is lower than for people of working age (15.9% compared to 16.5% in 2018). Over the last decade, this relation has been reversed compared to the pre-crisis period, partially explained by the fact that the crisis reduced average household disposable real income levels, especially among the working-age population across almost all European countries while pensions remained more resilient. However, severe material deprivation also decreased among older people (from 7.5% in 2008 to 4.7% in 2018), suggesting that the overall decrease in poverty and social exclusion was not just a relative effect. The risk of poverty and social exclusion risk among older people has been steadily decreasing for most Member States. Overall around 1.3 million fewer people aged 65 or older were at risk of poverty or social exclusion in 2018 compared to pre-crisis levels (2008). The headline improvement masks marked differences between the Member States, with substantial decreases in old age poverty or social exclusion risk in Cyprus (-25.8 percentage points since 2008), Bulgaria (-20.4 pps), Romania (-16.6 pps) and the United Kingdom (-8.3 pps), while there were substantial increases in Estonia (+6.5 pps) and Luxembourg (+6.7 pps).

However, of particular concern is the situation of older women, as one in five women aged 65 or over is at risk of poverty or social exclusion in the EU. In 2018, the AROPE rate for women ranged from around 10 percent in Denmark, France and the Netherlands to around 50 percent in Bulgaria and in the Baltic States. The highest gender differences in the AROPE rate are observed in Lithuania (19.4 pps), Estonia (17.2 pps) and Bulgaria (15.8 pps). Older women have lower incomes than older men: in 2017, the median income ratio for older women was 6 percentage points lower than for men in the EU relative to younger people of the same gender (89% for women and 95% for men). Thus, not only do women have lower incomes during their working lives, but they also have a lower income when in retirement, which contributes to gender inequalities in old-age income.

On average across the EU, people aged 65 and over have slightly lower incomes than younger age groups. The median disposable income of those aged 65 and above was 91 % of the younger population's income in 2018. The total relative median income ratio was below 75 percent in five countries (Czechia, Malta, Lithuania, Latvia and Estonia) and below 80 percent in a further five (Belgium, Bulgaria, Denmark, Cyprus and Croatia). In contrast, older men in six Member States (Luxembourg, Greece, France, Spain, Hungary, Italy) and older women in two Member States (Luxembourg and France) enjoyed a higher median income than those aged below 65 in 2018.

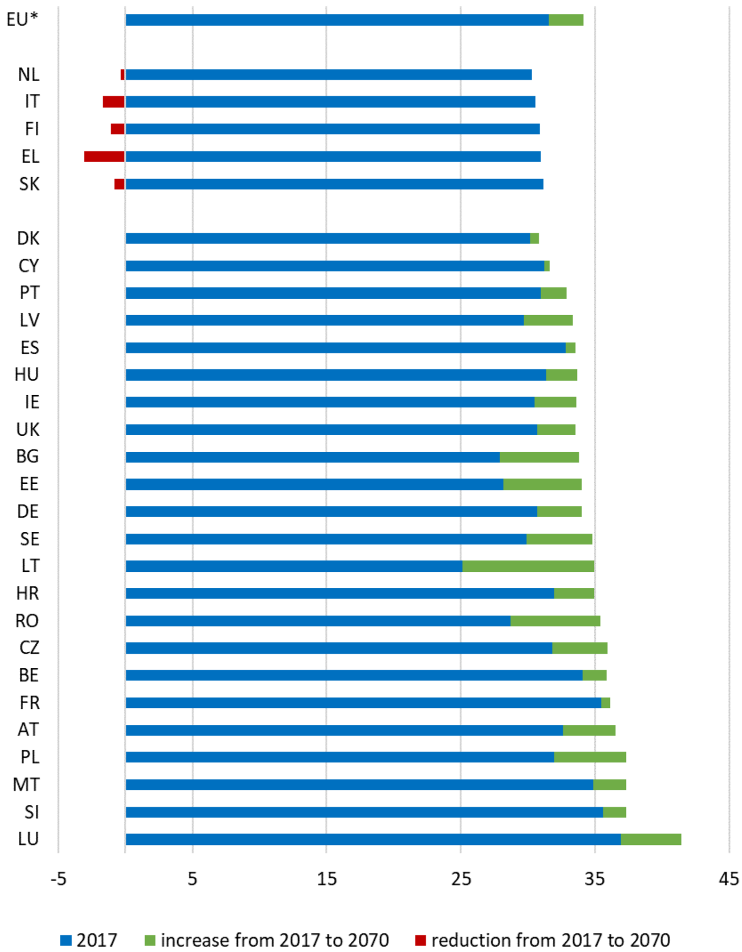
While, on average, pensions amount to more than half of work income at the end of career, the income replacement capacity of pensions varies significantly among Member States. In 2018, the aggregate replacement ratio (ARR) averaged 58 percent in the EU, with significant cross-country differences. The ratio ranged from to 33% percent in Ireland, near 40% in Latvia and Lithuania and 41% in Bulgaria and Estonia to 86 percent in Luxembourg.

Facing the challenge of rising life expectancies and as working lives start later, pensions need to adapt. In addition to income poverty reduction and income replacement, the third relevant dimension of pension adequacy is the duration of retirement. The challenge resides in ensuring income maintenance and poverty protection over a retirement period of time that would be extending under rising life expectancy. People need to have sufficient time while working to save and prepare for an extended time while in retirement. The old age dependency ratio is projected to increase from 1 in 3 (30.5) in 2018 to 1 in 2 (49.9) in 2050 and further to 51.6% in 2070. By 2024, 11 Member States are estimated to face a reduction of more than 3% of their working age population compared to 2016[134]. In the future, life expectancy at the effective age of exit from the labour market, presented as a share of adult life, is projected to increase in most Member States. Currently, it varies from about a quarter in Lithuania to over a third in Luxembourg. In 2070, it is projected to increase, ranging from about 30% in the Netherlands to well over 40% in Luxembourg, with most countries around 35%. Countries with projected small changes are those that adopted rules that link statutory retirement ages to life expectancy.

[134] Ageing Report 2018, European Commission.

Figure 75: Most older Europeans are expected to spend more time in retirement.

Percentage of adult life spent in retirement, 2017 and expected change in 2070



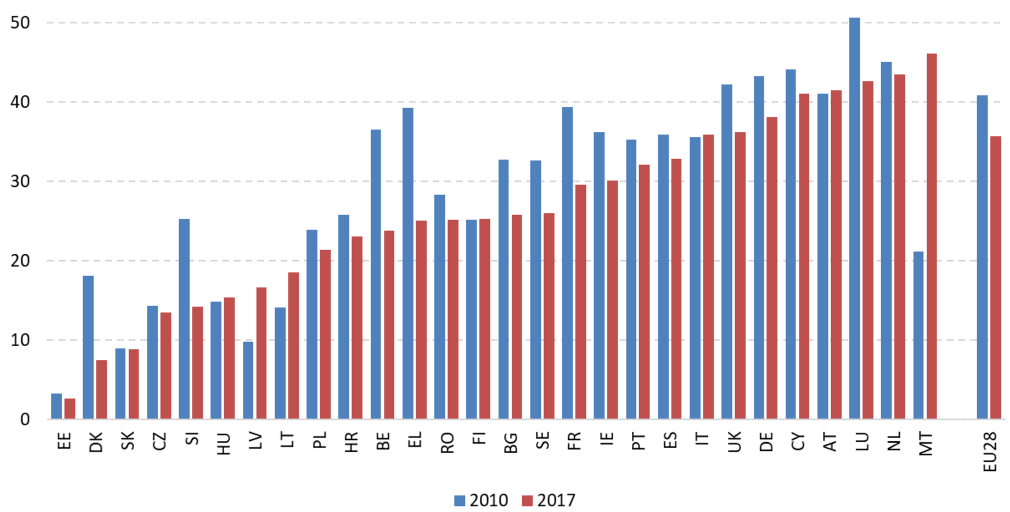
Source: 2018 Ageing Report

In a context of rising statutory retirement ages, working longer is key to maintaining and improving pension adequacy. Pension (and tax) policies can provide the right incentives for people to extend their working lives. Such incentive can include balancing implicit tax/benefit around retirement, bonuses and penalties for retiring after or before the retirement age, and allowing combining pensions and work. The pension Adequacy report 2018 indicated that such policies are a more important factor than earlier-career policies in driving towards higher retirement ages. Moreover, career-end policies aiming to encourage longer working lives should be accompanied by measures that ensure adequate pensions for those who cannot work longer. The objective should be that of protecting older people from poverty risks while aiming for a more active older population for an adequate and sustainable future.

Even though identical careers for men and women would lead to similar pensions, the gender gaps in pension is rather wide. The gender pension gap in the EU is 35.7% on average and has been decreasing over past years. It can be analysed in relation to the issues of ‘*who gets a pension*’ (the coverage gap) and ‘*what is the difference between men and women*’ (the pensioners’ pension gap). In the majority of Member States, access to public pension schemes is equal for both men and women, and coverage gaps are negligible: only 5 percent fewer women have access to a pension than do men. However, in countries relying on the social insurance approach (i.e. with contributions based on earnings from formal work) and with minimum contribution thresholds, coverage gaps can be wider. The pensioners' pension gap shows the difference in average pensions for men and women and ranges between 1.1 percent and 41.8 in 2017 percent across Member States. Luxembourg, the Netherlands and Malta have the largest gaps (above 40%), while the smallest gender gaps in pensions (below 10%) are in Estonia, Denmark and Slovenia. Although lower for new retirees, the gap has remained persistently high in many countries since 2010 (from around 41% in 2010 to 35.2% in 2017). Equal opportunities for women and men to acquire pension rights depend on labour market and pension policies that support equal careers and earnings. Women are less likely than men to be employed; and when they are employed, they tend to work in lower paid sectors, they earn less, do more part-time work and therefore work fewer hours and have shorter careers on average. All these factors combined lead to lower social contributions to the pension system and, later on when they retire, to lower pension entitlements.

Figure 76: There is still considerable gap in pensions between men and women observed in many Member States.

Gender gap in pensions (%), pensioners aged 65-79, 2010 and 2017



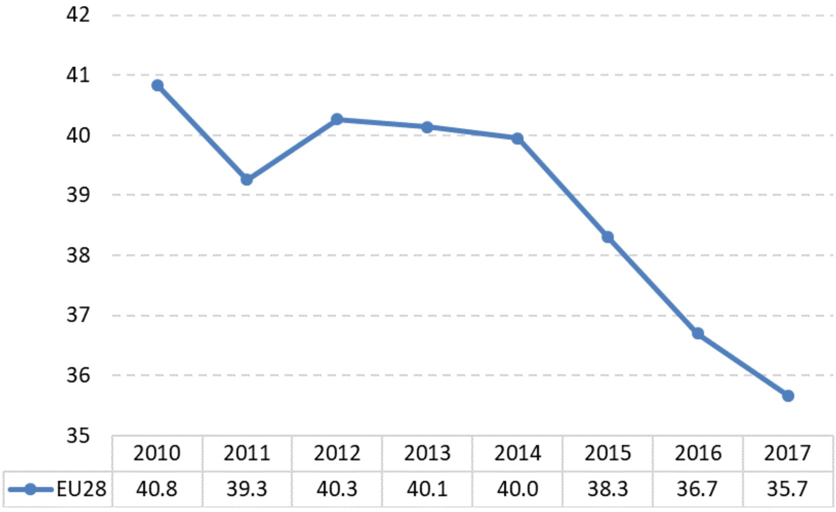
Source: Eurostat. EU-SILC. Data sorted by data for 2017.

On average older women face higher risk of poverty or social exclusion than men. Women tend to take up pensions at a slightly earlier age and to live 3-5 years longer than men. While women on average receive lower pension benefits, they receive them over a longer time. As consequence older women are at a higher risk of poverty than men: more than 20% of women aged over 64 years are at risk of poverty and social exclusion compared to 15% of men in 2017 in the EU.

Pension systems manage to reduce the gender inequalities, but only to a limited extent. The gender gap in pensions in the EU is almost twice the gender gap in pay (which amounted to 16.2% in 2017). The redistributive elements of pensions and tax systems and the pension credits for unemployment spells related to care activities mitigate to some extent the gender difference in labour market earnings. For example in almost all Member States, women are granted pension rights for childcare subject to certain conditions. Moreover, surviving spouses can be granted survivor's pensions.

Figure 77: The gender pension gap has been steadily decreasing in recent years.

Gender gap in pensions, pensioners aged 65-79, 2010-2017, EU-28

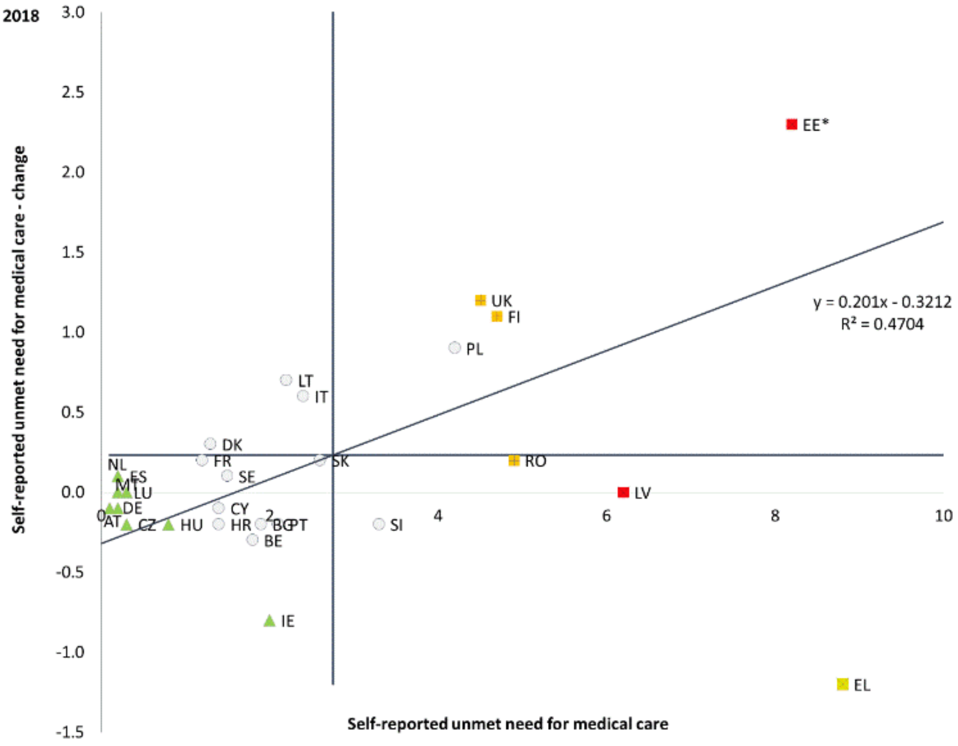


Source: Eurostat. EU-SILC. Limitations of indicator should be taken into account.

There is progress in closing pension gaps in recent years and there are positive trends that will bear fruit to future pensioners. There are more women in the labour market than ever before. Also, the new cohorts of women who are pensioners are more educated, on average, than the cohorts of incumbent pensioners. Higher education generally goes along with stronger labour market attachment, more years in employment, higher earnings and, ultimately, better contributory records.

Figure 78: The self reported unmet needs for medical care remains overall stable in the EU.

Self-reported unmet needs for medical care (Social Scoreboard headline indicator)



Source: Eurostat, SILC. Period: 2018 levels and yearly changes with respect to 2017. Note: Axes are centred on the unweighted EU average. Data for EE have been rescaled to fit in the graph (actual level 16.4%, change +4.6%). The legend is presented in the Annex.

The share of the population reporting perceived unmet needs for medical care still shows large variation among Member States, amid signs of divergence[135]. Contrary to past years, a positive correlation appears between level and changes in unmet needs for medical care, meaning that the countries where perceived unmet needs are highest have seen a relatively higher increase over the last period (Figure 78). In some Member States, costs and waiting time remain important barriers for the accessibility of healthcare. Nonetheless, the proportion of the EU population facing self-reported unmet needs for medical care due to either too high costs, too long waiting times or travelling distance, on average remained broadly stable in 2018 at 2%. The share of the people reporting difficulties in access to medical care still exceeded 5% in Greece, Latvia and Estonia with Romania and Finland situated close to this threshold. The most visible increases in 2018 were recorded for Estonia, Finland and the United Kingdom.

[135] 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.

Activity status may also play an important role in explaining problematic access to medical care in some countries. Although the majority of countries do not show significant differences according to activity status, in some of them unemployed people may encounter higher difficulties in accessing healthcare (see Figure 79). In four countries, retired persons report the highest unmet medical needs (Estonia, Latvia, Greece and Romania).

Figure 79: Unemployed and retired people tend to report problematic access to medical care more often than their employed counterparts.

Self-reported unmet needs for medical examination according to activity status (2018)

Source: Eurostat [hlth_silc_13].

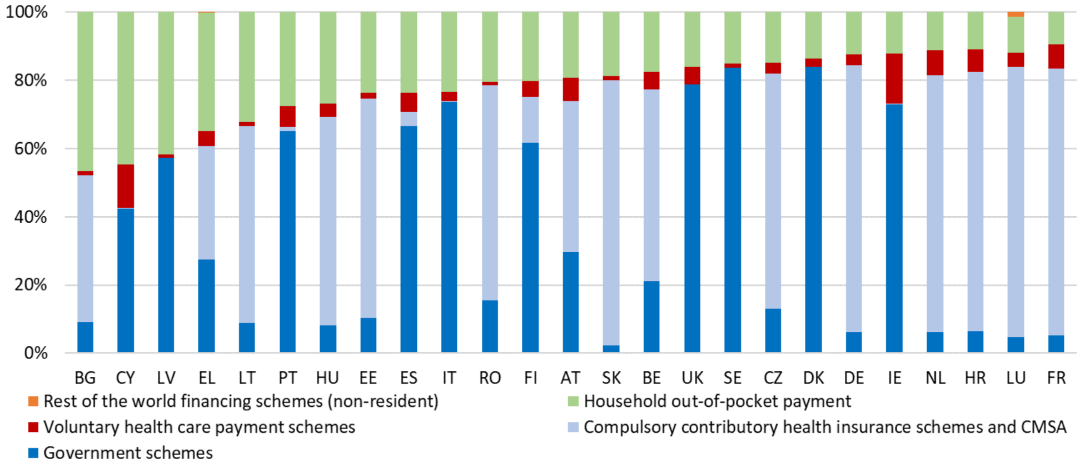
The average number of healthy life years that can be expect at the age of 65 increased further in the EU. This is now 9.8 years for men and 10.2 years for women. While the highest number of healthy life years at 65 can be expected in Sweden, Malta, Ireland and Spain (above 12 years for both genders), the healthy life expectancy is particularly low in Latvia, Slovakia and Croatia (around 5 years).

Healthcare is financed through different schemes, while the relative importance of each scheme varies among Member States. In 2017, out-of-pocket payments[136], i.e. household expenditure for health (including medical goods) not reimbursed by any scheme or paid as cost-sharing with an organised scheme, measured as a share of current health expenditure was above 30% in Bulgaria, Greece, Cyprus, Latvia and Lithuania (Figure 80).

[136] Out-of-pocket spending refers to direct payments for goods and services from the household primary income or savings, where the payment is made by the user at the time of the purchased of goods or the use of the services either without any reimbursement or as cost-sharing with an organised scheme.

Figure 80: There is large variability in payment of healthcare costs in different EU countries.

Healthcare expenditure by financing source, 2017

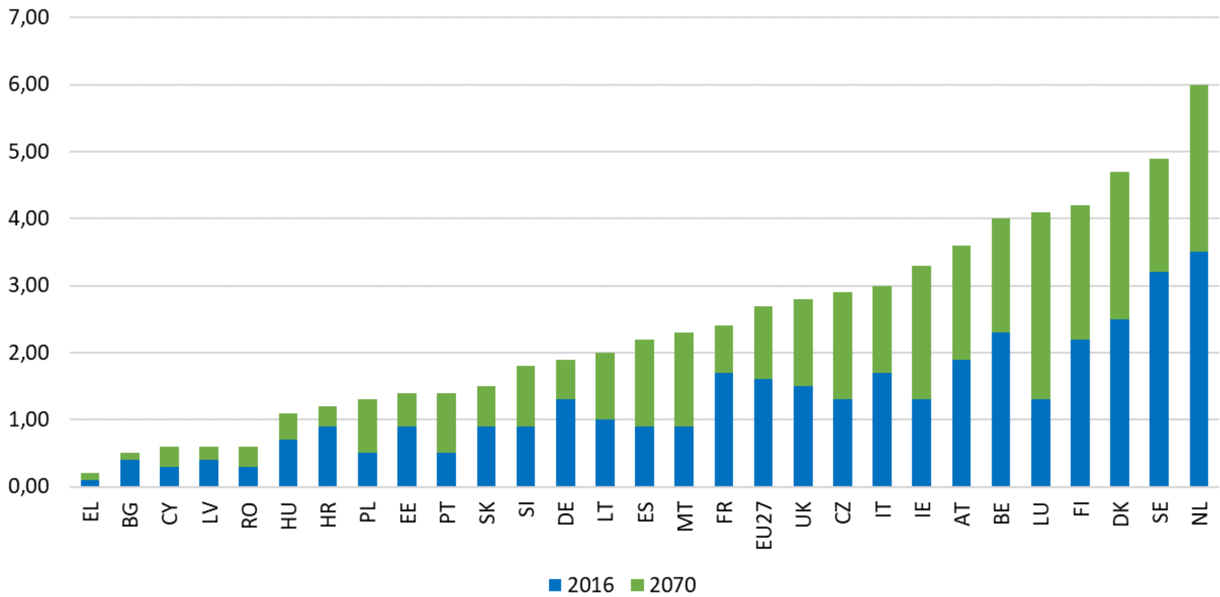


Source: Eurostat [hlth_sha11_hf]. Notes: data are collected according to Commission Regulation (EC) 2015/359 as regards statistics on healthcare expenditure and financing (System of Health Accounts 2011 manual).

The need for long term care is growing as the population in the EU ages and a further significant rise in this need is projected. According to projections, by 2070 the number of Europeans aged 80+ is set to double and the old-age dependency ratio (people aged 65+ relative to those aged 15-64) is projected to rise substantially (see above). Long term care costs are rising faster compared to health and pensions expenditures. The EU public expenditure on LTC is projected to increase to 2.7% of GDP by 2070, with great variability across Member States (see Figure 81).

Figure 81: As populations age the costs of long term care are expected to rise considerably in most Member States.

Projected public expenditure on LTC as % of GDP, in 2016 and 2070



Source: based on data from the 2018 Ageing Report. Note: AWG reference scenario

Member States which currently rely heavily on informal care find long-term care sustainability particularly challenging. The pool of potential informal carers is getting smaller as female employment increases, people have fewer children and family members are living further apart. There are also challenges in recruiting and retaining carers in the formal sector. Employment in the long-term care sector is characterised by large share of part-time work and temporary contracts, which reduces its attractiveness for people entering the labour market or in transition between jobs.

3.4.2 Policy response

In order to address poverty and social exclusion, reforms in a number of Member States aim to strengthen the active inclusion approach. Member States acknowledge the effectiveness of integrated approaches, linking adequate income, active labour market measures, as well as delivery of social services. Two mechanisms that are being increasingly established across Member States are single-entry points and one-stop shops. The former aim at enhancing the take up of services, while the latter also aim at improving the effectiveness and efficiency of the services and interventions. Municipalities can also play an important role in this process. For example, on Czechia, in the context of the project: "Coordinated Approach to the Socially Excluded Localities'', municipalities develop inter-sectoral strategies that imply vertical and horizontal coordination of services. With 48 municipalities currently participating, the number is expected to reach 70 in 2020. The community centres that have been established in Greece are planning to implement a similar approach through expanding the scope of services for families and elderly people. In Romania, thanks to the European Social Fund, needs-based community social services are being developed and piloted in 139 selected marginalized communities. Integrated delivery of services typically implies personalised interventions, which focus on the needs of the beneficiaries. Such a personalised approach is implemented in 83% of Dutch municipalities where needs assessment is undertaken through so-called: 'kitchen table conversation', usually at the beneficiaries' homes. Overall, in most Member States integrated approaches are implemented either for the population of unemployed, minimum income recipients or other groups, such as young people, people with disabilities, elderly, homeless, children, or victims of domestic violence. Importantly, increasingly more Member States expand the range of social services with debt counselling and advice.

In several Member States, changes to benefits for the working age population aim at reducing poverty and income inequality. Italy has introduced a minimum income scheme made up of two components: income support for both the inactive (those not entitled to unemployment benefit) and low-earners; and activation measures covering both employment and social services. The 2019 Budget Law allocates EUR 23.5 billion (0.45 per cent of GDP) to the financing of the scheme over the period 2019-2021. Given the scale and the ambition of the measure, a close co-operation between social services and public employment services is crucial for the success of the reform. Other Member States, such as Spain and Latvia, are planning new measures to streamline existing systems and improve adequacy. In France, the expansion of existing supports for low wage earners can be expected to have a positive impact on income inequality. By contrast, in Romania the entry into force of the Minimum Inclusion Income Law adopted in 2016 has again been postponed, and is now planned for 2021, (backtracking on the reform of the minimum inclusion income that was previously the subject of a Council Country Specific Recommendation).

New measures targeting child poverty go beyond income support in some Member States. Ireland has announced a new multiannual strategy for child well-being, which covers work-life balance for parents, child health and a package of measures to tackle early childhood poverty. In Spain, the amount of the means-tested child allowance has been increased, alongside the expansion of existing child welfare support programmes which however remains modest in scope. Building on Lithuania's recently introduced universal child benefit system, the level of the benefit (both the universal and means-tested parts) is expected to increase further in 2020. Similarly, in Romania, a substantial increase in the universal child allowance (from RON 84 to 150, i.e. around EUR 18 to 31; with higher amounts for children with disabilities and children under 2 years old) is expected to have a positive impact on child poverty, which however remains at very high levels.

Social inclusion measures for persons with disabilities have been undertaken in order to complement employment policies and prevent poverty. In Bulgaria the law on people with disabilities entered into force on 1/01/2019 aiming at targeted support based on individual needs assessment of people with disabilities. A new type of monthly support was introduced depending on the degree of disability and tied to the poverty line. Estonia increased the work ability allowance and benefits for children with disabilities. It also made efforts to simplify the provision of services to people with special mental needs. Hungary increased the nursing fee for home care. Latvia increased the special care benefit for children with severe disability and for adults with severe disability since childhood. In Malta the Government increased the severe disability assistance and the disabled child allowance. Poland put in place the Solidarity Fund for Support of Persons with Disabilities in long-term care. Portugal increased the carer allowance and put in place Program to Support Independent Living. Slovakia increased the nursing benefit for informal care.

A number of Member States expanded the coverage of social protection systems. Denmark harmonised the voluntary unemployment insurance scheme for self-employed and atypical workers. Under the new law, the self-employed and non-standard workers are covered by the unemployment benefit system according to the same principles that apply to employees. France granted access to the unemployment scheme to the self-employed under certain conditions (judicial termination or insolvency procedure of their activities). Ireland has extended invalidity pensions and healthcare to the self-employed and is now planning to include self-employed in the unemployment scheme, like Malta. Belgium has reduced the waiting period for the self-employed in case of work incapacity (sickness benefits) from one month to 14 days. Portugal implemented a modernisation strategy entitled 'Social security with you' which includes innovative digital tools to simplify access to social security information and services for citizens.

Member States took steps to improve access to housing and address homelessness. Many Member States have adopted national, regional or local strategies to deliver integrated responses to homelessness and housing exclusion. There is in particular an increased recognition of the importance of prevention services and enhanced cooperation both at policy and at service delivery level. Shifts are occurring in an increasing number of Member States towards housing-led strategies, where more intense services are delivered together with permanent access to housing. This is the case in Finland and France, which have adopted long-term strategies to implement Housing First and combat homelessness. Some Member States, such as Ireland or Malta, address homelessness as part of wider national strategies addressing the shortage of affordable and social housing. Lithuania has updated its legislation on affordable and social housing in 2019. Overall, however, the predominant approach for service provision remains the housing-ready or staircase model, where the support provided aims at assisting homeless people with their needs through various forms of temporary accommodation, until they are deemed able to live independently. Monitoring mechanisms are not systematically implemented to evaluate the achievements made with the strategies and there is still scarce evidence of the effectiveness of the responses. The level and adequacy of funding is also overall insufficient to meet the needs and the impact is limited. There is some evidence of positive developments with regards to the adequacy of funding in some Member States (e.g. Cyprus, Luxembourg, Malta, Slovakia, the Netherlands), including recent increases in budget allocations for the funding of homelessness services, increased investment in permanent housing for families and social housing, and city commitments to increase budgets for developing homeless services provision.

A number of Member States undertake reforms of their pension systems addressing the aspects of sustainability and adequacy, however mainly with a focus on one aspect at a time. Bulgaria, Estonia, France, Latvia and Lithuania have taken steps to increase the adequacy of old age pensions and/or change their indexation in order to better reflect the economic developments. Estonia has introduced a measure to gradually abolish several special pension arrangements for particular groups of retirees. Denmark, Malta and Portugal aim at improving sustainability of their pension systems by limiting early retirement and stimulating reintegration of older workers in labour market. Belgium has taken steps to make its system of pre-retirement with company allowance less accessible and Malta has introduced incentives to keep older people employed in their pre-retirement years.

Some Member States are initiating comprehensive reform packages in healthcare. France is implementing a fundamental reform of the health system since the autumn of 2018 to promote better access to healthcare for all, more effective education and distribution of health professionals and more efficient use of hospital care. In 2019, Ireland initiated *Sláintecar*e – an ambitious 10 year plan, with the goal to improve the healthcare and long-term care systems to meet the demands of the ageing population. Local Healthcare Units are being established in Greece to improve access to primary care, as part of a major reform of the Primary Healthcare System. Other Member States are improving the cost-effectiveness of their healthcare systems. Latvia is implementing the conditions for investments of EU funds to improve the quality and availability of primary care and Cyprus is implementing the final phase (inpatient care) of its health system reform.

In a number of countries governments are also taking specific measures to tackle issues related to the accessibility and quality of healthcare. Cyprus adopted the necessary legislation for the provision of universal healthcare coverage and Spain extended the access to healthcare to undocumented migrants. Latvia is preparing a draft law on a single basket of state-paid services and comprehensive state compulsory health insurance. Lithuania is addressing shortages of healthcare professionals and their uneven territorial distribution by an improved planning and is considering additional incentive schemes. Croatia adopted a new national plan for the development of hospitals which aims also to improve the quality of and access to healthcare.

Member States are seeking to both reinforce prevention and foster efficient, cost-effective care provision, without compromising its quality, accessibility and conditions for independent living. Bulgaria has adopted an action plan for the implementation of a national long-term care strategy, which includes strengthening the institutional framework for provision and development of integrated social services. Austria is working to develop a comprehensive concept of its longer-term care system on the basis of a recently adopted Long-term Care Master Plan. The Czech government has announced a new strategy on long-term care aiming to support home care and non-institutional care. Poland has designed a social plan for dependent older people based on support for informal carers by public institutions and on a framework of community and institutional services. Other Member States (e.g. Slovenia and Belgium) are testing new solutions for the integrated delivery of long-term care in the home environment, for streamlining care for people with chronic diseases, as well as putting in place unified mechanisms for assessing patients' care needs.

In the area of long-term care, some Member States aim at increasing the pool of carers and improving the situation of informal carers. Czechia has introduced a long-term care benefit which compensates for the loss of income from interrupting employment to care for a relative. The employer of a caring person has to accept the absence of an employee from work during the period of long-term care (maximum of 90 days) and is obliged to provide the same job upon return of the employee. Croatia adopted an Act that sets a legal framework for foster care in Croatia, and Romania passed a law which aims at providing home based care services to 1000 people and hiring 50 carers specialised in delivering this kind of services. Malta plans to increase the Carers' Allowance (ICRA) for those caring for a family member living in their own home and to lower the eligibility conditions for those caring for patients over the age of 85 years.