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

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Contents

KEY MESSAGES

The Joint Employment Report (JER) by the European Commission and the Council monitors the employment and social situation in the Union and the implementation of the Employment Guidelines[1]**, in line with Article 148 TFEU**. The report also provides an overview of Member States' recent policy measures in the labour market and social domains, and identifies related key priority areas for policy action. It maintains a strong focus on the implementation of the European Pillar of Social Rights.

Chapter 1 of the report presents a short overview of key employment and social trends. Chapter 2 analyses challenges and policy responses in the Member States for each of the four employment guidelines. The chapter also presents progress on the 2030 EU headline and national targets. Chapter 3 provides horizontal findings and analysis for each Member State based on the principles of the Social Convergence Framework (SCF)[2]. It responds to Regulation (EU) 2024/1263, based on which the surveillance of the Commission in the European Semester includes a framework to identify risks to social convergence[3].

Addressing the challenges identified in this report supports upward social convergence. It also supports the achievement of the Sustainable Development Goals and the implementation of the Union of Equality Strategies[4]. Based on the Commission's proposal, and following exchanges in Council advisory committees, the final report will be adopted by the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council.

The JER monitors progress towards the 2030 EU headline and national targets on employment, skills and poverty reduction (see target boxes in Chapter 2)[5]:

- **The EU is currently on track to meet its headline employment rate target by 2030.** This is despite modest (though accelerating) GDP growth and a decrease in the job intensity of growth from high levels in 2024[6]. The EU employment rate reached 75.8% in 2024, which is 0.5 pps higher than in 2023, and only 2.2 pps from the 78% target by 2030. Most Member States made further progress towards their national employment targets in 2024, while seven already achieved or surpassed theirs.

- **Significant further efforts are needed to reach the EU skills target.** The share of adults participating in learning every year saw only some limited progress in the EU (based on the Adult Education Survey, AES). It increased from 37.4% in 2016 to

[1] The last update of the Employment Guidelines was adopted by the Council of the European Union on 27 October 2025, OJ L 2025/2254, 7.11.2025.

[2] Following discussions in the EPSCO Council in June 2023 on a Social Convergence Framework (SCF) and key messages by EMCO and SPC based on the work conducted by the devoted joint EMCO-SPC Working Group from October 2022 until May 2023.

[3] See Article 3(3), point (b) of Regulation (EU) 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance. In addition, Recital 8 of the same Regulation states that '*As part of its integrated analysis of employment and social developments in the context of the European Semester, the Commission assesses risks to upward social convergence in Member States and monitors progress on the implementation of the principles of the European Pillar of Social Rights on the basis of the Social Scoreboard and of the principles of the Social Convergence Framework*'.

[4] The Gender Equality Strategy 2020-25, the EU Anti-racism Action Plan 2020-25, the EU Roma strategic framework for equality, inclusion and participation for 2020-30, the LGBTIQ+ Equality Strategy 2026-2030, the Strategy for the Rights of Persons with Disabilities 2021-30.

[5] The 2030 EU headline targets were welcomed by the EU leaders at the Porto Social Summit of May 2021 and by the June 2021 European Council.

[6] See *European economic forecast – Autumn 2025*, Publications Office of the European Union, 2025.

39.5% in 2022, but remains more than 20 pps below the EU 2030 headline target of 60%. Data from the Labour Force Survey (LFS) points to an overall increase in adult learning participation between 2022 and 2024. The majority of Member States lag behind in the pursuit of their national targets. This is key to fulfill the ambition for Europe to remain competitive, innovative and inclusive, considering also demographic trends. More policy action is particularly urgent in view of strengthening the Union's strategic independence.

- **Despite notable progress, more efforts are needed to meet the poverty reduction target.** The number of people at-risk-of poverty or social exclusion was around 2.9 million lower in the EU in 2024 than in 2019. This is notably a success given the COVID-19 crisis, high energy costs and inflation. The substantial increase of the real gross disposable household income (GDHI) per capita index in 2024 at EU level may help further on this. However, it remains far from the EU headline target of a reduction by at least 15 million by 2030. While two Member States reached their national targets in 2024, and other 14 made some progress since 2019, in 11 Member States the number of people at risk was higher in 2024 than in 2019[7]. In this light, efforts would need to accelerate significantly in the remainder of the decade. This is essential in view of the ambition to eradicate poverty in the Union by 2050[8].

European policies provide significant support to inclusive and sustainable economic growth, resilience, as well as economic, social and territorial cohesion. The Commission is delivering a number of dedicated initiatives to this end, including the Quality Jobs Roadmap, the Union of Skills, the Affordable Housing Plan and the Anti-poverty Strategy. As part of the Competitiveness Compass, the Commission put forward the promotion of skills and quality jobs as one of the five horizontal enablers that are necessary to underpin competitiveness across all sectors. Under the current Multi-annual Financial Framework, the European Social Fund Plus is the main vehicle for European funding in the social domain, complemented by other instruments such as Erasmus+. For infrastructure, it is complemented by funding from the European Regional Development Fund (ERDF), the Connecting Europe Facility (CEF) and the Just Transition Fund (JTF). The Recovery and Resilience Facility (RRF) also promotes social cohesion through support for reforms and investments, improving the competitiveness and resilience of Member States[9]. All these EU funding tools contribute to the European Pillar of Social Rights.

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[7] The two Member States that reached their national targets are SE and IE. The 14 Member States that made some progress since 2019 are: PT, EL, BG, PL, IT, RO, HU, HR, CZ, NL, BE, CY, EE and LV. The 11 Member States for which the number of people at risk was higher in 2024 than in 2019 are: FR, DE, ES, SK, FI, AT, DK, LT, SI, LU, and MT.

[8] See the 2025 State of the Union Address by European Commission's President von der Leyen of 10 September 2025.

[9] The European Social Fund Plus has a budget (2020-27) of some EUR 142 bn including national co-financing. It covers broadly investments in the policy areas covered by the Employment Guidelines. Additional support, with a focus on infrastructure, comes from the ERDF and the JTF. A total of around EUR 163.7 billion allocated to Member States under the RRF contributes to social spending, which represents about 25% of the total estimated expenditure (as of 13 November 2025). Social spending categories are defined and applied based on the methodology adopted by the Commission in consultation with the European Parliament and the Member States in the Delegated Regulation 2021/2105.

The first-stage analysis of the Social Convergence Framework shows:

i. **A continued upward convergence trend in labour market performance across Member States in 2024.** Still, there is a need to further improve employment outcomes of certain under-represented groups, for which no clear upward convergence trend is observed across countries (for instance, for youth and persons with disabilities).

ii. **Slight improvements at EU level regarding skills, though risks to upward convergence persist in this domain.** A relatively high number of criticalities is observed, for instance, in relation to early school leaving, adult participation in learning and digital skills levels.

iii. Slight improvements of the at-risk-of poverty or social exclusion rate, income inequality and real gross disposable household income per capita at EU level, but with no signs of upward convergence across Member States in this domain.

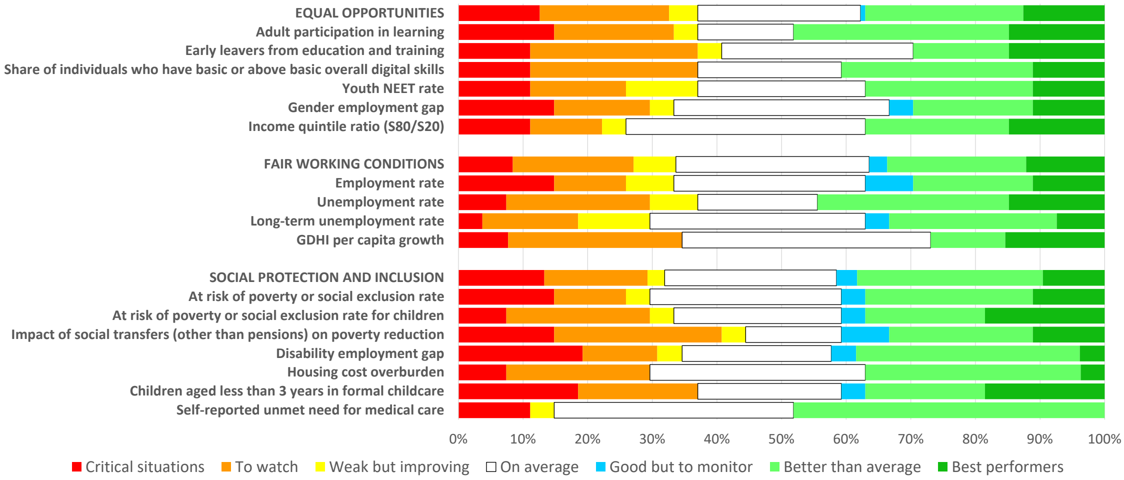
The horizontal and country-specific analysis on upward social convergence that leads to these main findings is based on the principles of the Social Convergence Framework (SCF). Member States' labour market, skills and social challenges are analysed to identify potential risks to upward social convergence. The analysis relies on the analytical tools agreed with Member States (the Social Scoreboard and the agreed JER traffic-light methodology).

Nine Member States will be subject to the second-stage Social Convergence Framework analysis. These include Bulgaria, Greece, Spain, Italy, Lithuania, Luxembourg, and Romania, which were also in the second-stage last year. In addition, Latvia and Finland enter the group for the first time this year[10]. Croatia, Estonia and Hungary that were in the second stage analysis last year do not feature this year[11]. A more detailed second-stage analysis (using a wider set of quantitative and qualitative evidence) will be conducted by the Commission services in relation to these countries for which potential risks to upward social convergence have been identified.

[10] For Latvia, this is due to increases in the share of young people not in employment, neither education and training (NEETs) as well as in the unemployment and long-term unemployment rates. It also relates to a low and decreasing impact of social transfers (excluding pensions) on poverty reduction and a sharp deterioration in the participation of children below 3 in formal childcare. For Finland, the identification for the second-stage analysis mostly relates to the relative deterioration in the unemployment and long-term unemployment rates.

[11] Estonia, Hungary and Croatia, which were also in the second stage analysis last year, are not subject to it this year. Estonia is not in light of improvements recorded in income inequality, disposable household income, the AROPE rate, the impact of social transfers on poverty reduction, and unmet needs for medical care. Hungary is also not in the second-stage analysis as the latest data show improvements on early leavers from education and training, the AROPE rate (overall and for children), the disability employment gap and the long-term unemployment rate. For Croatia, a break in time series is present in 2024 for all social indicators based on EU-SILC, which does not allow to meaningfully interpret changes. In particular, the structural break is behind the 'to watch' situation for AROPE, overall and for children.

Employment, skills and social challenges across EU Member States by headline indicators of the Social Scoreboard



Note: Data are missing for some indicators for some countries – see Table 3.1.1 in section 3.1. The length of differently coloured segments within a bar are proportional to the share of Member States with the corresponding categorisation. Explanation for legend elements is provided in Annex 6.

Despite rising economic and geopolitical uncertainties, the EU labour market remained resilient in 2024 and early 2025, with moderate but still robust employment growth. Overall, in 2024 total employment expanded by 1.7 million people in the EU, to 219.4 million. The employment rate (for the 20–64 age group) reached 75.8% in 2024, rising further to a record high of 76.2% in Q2-2025. While its annual growth rate decelerated, positive growth reflected the resilience of the labour market amid uncertainties. At the same time, the EU unemployment rate (for the 15–74 age group) fell to a record low of 5.9% in 2024.

The growth in employment recorded in 2024 was driven mostly by higher labour force participation, and, to a much smaller extent, by lower unemployment. Job creation concentrated in services and in the public sector. Self-employment (as a share of total employment) in the EU has been on a steady decline, with sectoral and country variations. Overall, gradual upward convergence was observed in terms of employment rates across EU Member States. At the same time, significant regional disparities persisted both between and within countries. Many of the regions with relatively low employment rates are rural, sparsely populated or peripheral regions.

A resilient labour market despite economic and geopolitical uncertainties

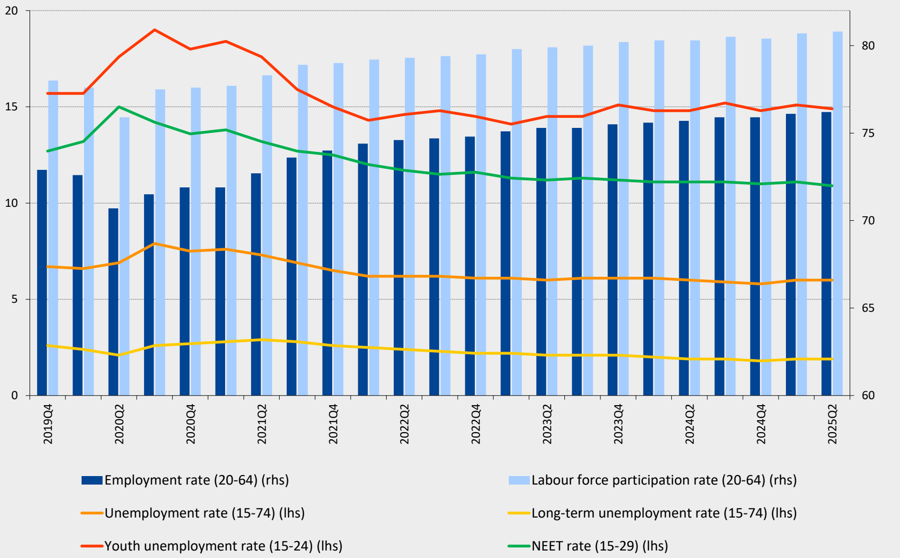
76.2%
employment rate
(20-64) in Q2-2025 (+0.5 pps year on year)

80.8%
labour force participation rate
(20-64) in Q2-2025 (+0.5 pps year on year)

6.0%
unemployment rate
(15-74) in Q2-2025 (unchanged year on year)

14.9%
youth unemployment rate
(15-24) in Q2-2025 (+0.1 pps year on year)

Key labour market indicators in the EU-27 (%, quarterly)



Source: Eurostat [lfsi_emp_q], [une_rt_q], [une_ltu_q] and [lfsi_neet_q]. Seasonally adjusted, not calendar adjusted data.

Slow growth of labour productivity is a challenge for the EU's competitiveness and for social cohesion, as also pointed out by the Draghi report[12]. This is even more the case in the context of adverse demographic developments, with implications for the Union's growth potential, job creation capacity and the living standards of EU citizens. Over the past two and a half decades, productivity growth has steadily decelerated[13]. In 2024, labour productivity per hour increased by a mere 0.2%, after a 0.8% decline the year before. Forecasts predict improvements in 2025, 2026 and 2027 that could in most Member States offset the losses since 2023[14]. To strengthen its competitiveness and strategic autonomy, the EU needs to raise its innovative capacity, including by enhancing its human capital in line with evolving needs. This is well highlighted in the Commission's Competitiveness Compass[15], the Union of Skills initiative[16], as well as the AI Continent Action Plan[17] and the Apply AI Strategy[18]. Increased private investment supported by a deeper Capital Markets Union can also help improve labour productivity.

[12] The Draghi report: A competitiveness strategy for Europe, 9 September 2024.
[13] It averaged 1.7% per year over 2000–07, and was down to 1.2% in 2010–19, until just 0.1% over 2021–24.
[14] See: *European economic forecast – Autumn 2025*, Publications Office of the European Union, 2025.
[15] European Commission Communication on a Competitiveness Compass for the EU, COM(2025) 30 final, of 29/01/2025.
[16] European Commission Communication on The Union of Skills, COM(2025) 90 final, of 5/03/2025.
[17] European Commission Communication on an AI Continent Action Plan, COM(2025) 165 final, of 9/4/2025
[18] European Commission Communication on an Apply AI Strategy, COM(2025) 723 final, of 8/10/2025.

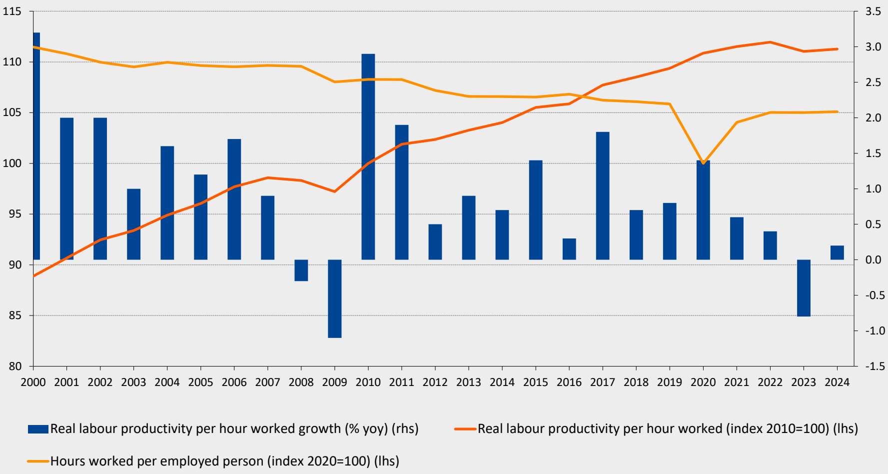
Low labour productivity growth poses challenges to the EU's competitiveness

Labour productivity growth:

- at **1.5%** per year in 2000–07
- at **1.2%** in 2010–19
- at **0.1%** in 2021–24

In 2024, **hours worked per employed person 4.4% below 2004 levels**

Key labour productivity indicators in the EU-27



Source: Eurostat [nama_10_lp_ulc]

Despite a decrease from their peak in 2022, labour and skills shortages remain high. Addressing them is crucial to boost competitiveness, the EU's agenda for more strategic autonomy as well as sustainable growth. The EU job vacancy rate fell from 3.1% in Q2-2022 to 2.1% in Q2-2025, remaining above the pre-pandemic (2013–19) average of 1.7%. Based on this rate, shortages are particularly pronounced in administrative and support services; professional, scientific and technical activities; transport; accommodation and food services; construction; and information and communication. Recent analysis identified as many as 24 occupations relevant to the green transition with labour shortages across multiple Member States[19].

Structural factors are likely to sustain shortages in some sectors. These include demographic change and skills demands from the green and digital transitions, as well as poor working conditions in some sectors. Sectoral mobility remains limited, with only 1.8-3.9% of workers switching sectors annually, a rate broadly unchanged since 2016[20]. Addressing these shortages is essential to support growth, productivity, and the twin transition. In 2024 the Commission presented an action plan to tackle labour and skills shortages in the Union, prepared in close cooperation with the social partners[21]. This action plan outlines the importance of activating under-represented groups, stronger up- and re-skilling, enhanced use of skills intelligence, better working conditions as well as improved labour mobility to tackle shortages. As part of the Union of Skills, the Commission is presenting a new Recommendation for a Council Recommendation on human capital.

[19] An occupation is classified as facing 'widespread shortages' if at least five Member States report shortages for it. This is a key performance indicator of the Clean Industrial Deal.

[20] Fulvimari A. et al., *Estimating labour market transition costs and social investment needs of the green transition – a new approach*, Publications Office of the European Union, 2025, forthcoming.

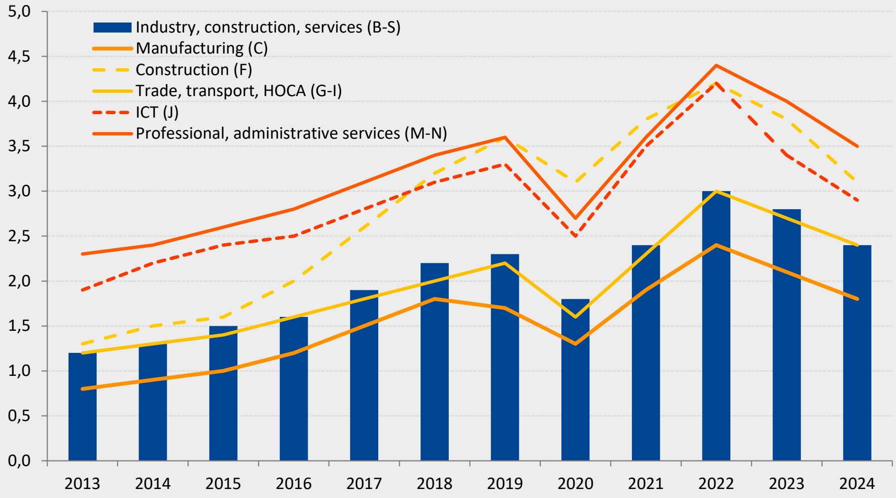
[21] European Commission Communication on Labour and skills shortages in the EU: an action plan, COM(2024) 131 final, of 20/03/2024.

Despite a decrease from their peak in 2022, labour shortages in the Union remain high

Vacancy rates at or above 2.9% in administrative and support services; professional, scientific and technical activities; accommodation and food services; construction; information and communication in 2024

5% higher labour shortages in 2024 compared to 2019

Job vacancy rates in the EU by economic activity (%, annual data)



Note: NACE 2 activities, B-S (Industry, construction, and services (except activities of households as employers and extra-territorial organisations and bodies), C (manufacturing), F (construction), G-I (wholesale and retail trade, transport, accommodation, and food services), J (information and communication), M-N (professional, scientific, and technical activities).
Source: Eurostat [jvs_a_rate_r2]

Fostering job quality is key for a competitive social market economy with high productivity and greater social cohesion. Closing the innovation gap and delivering on the horizontal enablers[22] outlined in the Competitiveness Compass is essential to fostering high-quality jobs. In turn, labour market institutions also play an important role. As indicated in the EMCO Opinion to the June 2025 EPSCO[23], job quality encompasses dimensions such as *adequate earnings and fair wages, job and career security,* and *skills development* and *career progression.* These are interdependent elements that, when combined, can create a virtuous cycle of personal empowerment, productivity and economic growth. At the same time, *safety and health at work*, combined with *workplace wellbeing*, optimal *working time arrangements*, *work-life balance*, and *job autonomy*, can lay the foundations for personal, professional and organisational success. This can result, for instance, from greater creativity and accountability, higher motivation and productivity, and reduced burnout incidence.

Access to social protection is an integral component of job quality. Also, *collective interest representation and organisation*, *gender equality and equal opportunities*, as well as efforts to foster *transitions from undeclared/underdeclared work to formal employment* are crucial enablers of a just and inclusive labour market. Strengthening performance across all these job quality dimensions is key to ensure that job creation is also about quality, and not only quantity. Job quality is also influenced by structural shifts in the labour market. These include the increasing digitalisation of work, the greening of the economy, the evolution of

[22] These horizontal enablers include simplifying the regulatory environment, reducing burden and favouring speed and flexibility; fully exploiting benefits of scale offered by the Single Market by removing barriers; financing through a Savings and Investments Union and a refocused EU budget; promoting skills and quality jobs while ensuring social fairness; and better coordinating policies at EU and national level.
[23] See the Opinion of the Employment Committee on the dimensions of job quality presented to the June 2025 Employment, Social Policy, Health and Consumer Affairs Council.

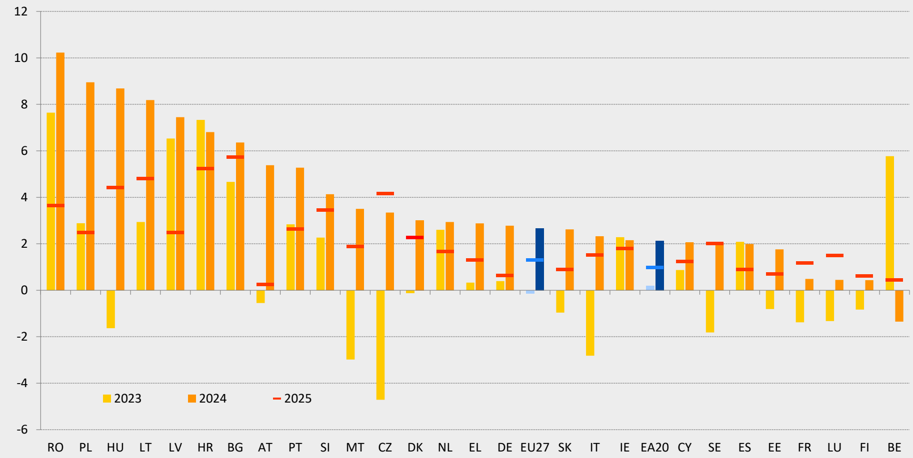
employment contracts and forms of work, evolving workplace cultures, and broader societal values and goals such as non-discrimination and equal opportunities.

Real wages are rebounding but did not recover from losses in previous years

Nominal compensation per employee increased by 5.1% in 2024, and **by 4.2%** in 2025 (forecast)

Real wages increased by 2.7% in 2024, and **increased by 1.3%** in 2025 (forecast)

Real gross wages and salaries per employee
(annual % change; 2023, 2024 and 2025)



Source: European Commission, AMECO database, Nominal gross wages and salaries per employee [hwwdw], deflator: Harmonised index of consumer prices [AMECO 5000 ZCPIHHYPERLINK "https://ec.europa.eu/eurostat/databrowser/bookmark/4c91ea5d-afe1-4996-a75e-51056b77a5ac?lang=en"]. Total employment (domestic concept) [namq_10_a10_e]. Data for 2025 reflects projections calculated on the basis of the Commission's European Spring 2025 Economic Forecasts. The update for gross wages and salaries per employee [AMECO code: hwwdw] with the Autumn forecast was not available on 19 November when the last update was possible.

Wage growth in the EU remained robust in 2024, while varying significantly across Member States. Annual growth of nominal compensation per employee stood at 5.1%, down from the record 6.1% in 2023. Real wage growth rebounded in 2024, at 2.7%. It was mainly supported by easing inflation and strong nominal wage growth. In most Member States, real wages have exceeded pre-pandemic levels. They remain below these levels in several large economies (Germany, France, the Netherlands and Italy) against a backdrop of weak productivity and economic growth. Consequently, average real wages in the EU were still slightly below pre-pandemic levels in 2024, but are forecast to exceed them in 2025. At the same time, statutory minimum wage increases largely offset in most Member States the loss of purchasing power for minimum wage earners.

In countries with collectively agreed minimum wages, wage growth supported enhanced purchasing power in 2024, especially for those in low-paid jobs. The correct implementation of the Directive on adequate minimum wages[24] is essential for safeguarding the purchasing power of workers with low wages and preventing and fighting poverty risks among the employed, while reinforcing incentives to work. The Directive also includes measures aimed at encouraging collective bargaining as well as improving the mechanisms for enforcement and oversight across Member States.

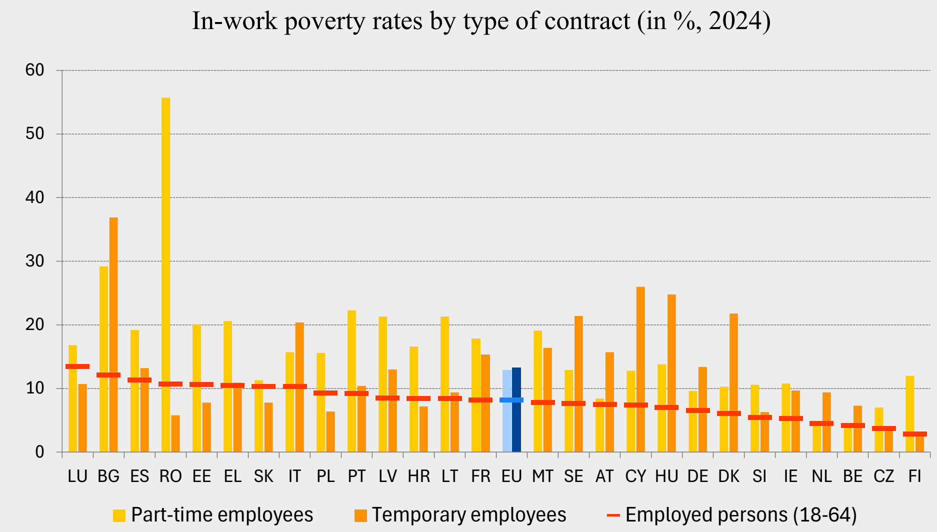
[24] Directive 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union, OJ L 275, 25.10.2022, p. 33.

While adequate earnings are a key dimension of job quality[25], almost one in twelve workers experienced poverty risks in 2024. This is even stronger for workers in non-standard forms of work. The share of employed people (18-64) experiencing poverty risks decreased slightly in 2024, to 8.2%. Those in non-standard forms of work were more affected as they often have lower annual earnings and work intensity. For instance, among households with a high work intensity, the share of people in in-work poverty was less than one third compared to those with a low work intensity. Moreover, in-work poverty rates remain higher among those born outside the EU, workers with low education levels, and households with dependent children. Men were also more likely to experience poverty risks while working compared to women. Both the implementation of the minimum wage directive and a stronger implementation of the 2019 Council Recommendation on access to social protection for workers and the self-employed can help addressing these challenges.

The share of people experiencing poverty risks while working varies by contract type

In 2024, in the EU:

- **8.2%** of **all workers** were **working poor**
- **12.9%** of **part-time workers** were **working poor**
- **13.3%** of **temporary workers** were **working poor**



Note: Break in series for HR and provisional data for LT.
Source: Eurostat, [tespm070,] [ilc_iw05], [ilc_iw07] , EU SILC. i

Flexible contractual arrangements can help meet labour market demands, but can also contribute to greater labour market segmentation and weigh on job quality. Non-standard forms of work, such as temporary and part-time work, can provide greater flexibility to both employers and employees. They can also serve as 'stepping stones' to stable employment and better working conditions, when transition rates are sufficiently high. In some instances, however, they limit upward mobility, protract instability and are associated with poor working conditions, lower earnings and limited access to social protection, training and representation[26]. In a context of rising employment rates, the share of temporary workers among all employees continued to decrease and reached 11.6% in the EU in 2024. Differences across Member States remained significant.

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[25] See the Opinion of the Employment Committee on the dimensions of job quality presented to the June 2025 Employment, Social Policy, Health and Consumer Affairs Council.
[26] See Eurofound, Labour market segmentation, European Industrial Relations Dictionary, 2019.

Despite slight improvements, temporary contracts are nearly three times more common for the youth and are more prevalent among women than men. Also, some Member States have relatively high shares of temporary employment alongside low transition rates to permanent contracts. This points to challenges in the role of temporary contracts as 'stepping stones' to permanent employment.

In 2024, one in two temporary employees were involuntarily in temporary employment, accounting for 6.4% of all employees. In short, involuntary temporary employment (15-64) continues to affect a substantial share of the workforce, despite decreasing by 0.5 pps since 2023. There are marked disparities across Member States, and again a higher incidence for the youth and women. Also in part-time employment, there is an involuntary component that remained significant in some Member States, despite an overall decline at EU level. Active labour market policies and effective employment services that promote transitions into higher quality jobs, incentives for employers to hire on a full-time permanent basis along adequate access to social protection and learning opportunities, can help reduce labour market segmentation and enhance job quality.

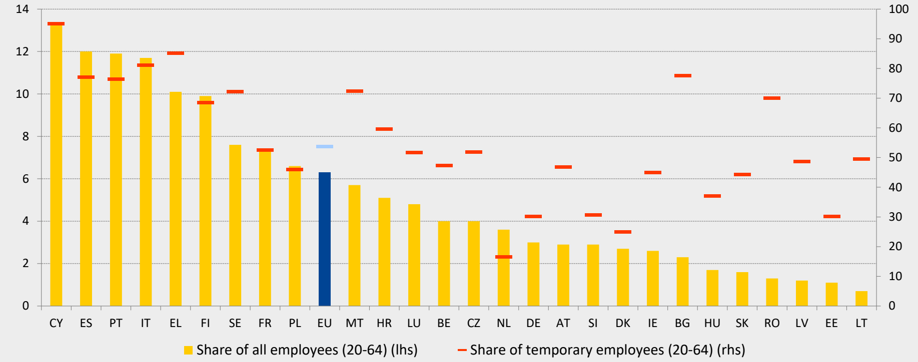
The prominence of involuntary temporary work varies strongly across the EU but a high share of temporary workers are affected in most Member States

Temporary contracts in 2024 in the EU:

- **11.6%** of all employees (20-64)
- **33.3%** of young employees (15-29)

Involuntary temporary work for **53.7%** of all temporary employees (around **10.6 million** workers)

Involuntary temporary employees as a percentage of the total number of employees and of temporary employess (20-64) (in %, 2024)



Note: Definition differs for ES and FR. Break in series for BG. Data with low reliability for EE, MT, AT abd SI. Data for total only 'Job only available with a temporary contract' for LV and only 'No permanent job found' for SK.
Source: Eurostat [lfsa_etgar], EU LFS.

The digital transformation is reshaping European labour markets, with one out of ten workers in the EU using generative Artificial Intelligence[27]. Artificial Intelligence (AI) offers powerful tools to drive innovation, boost productivity, and strengthen Europe's global competitiveness. The use of digital monitoring at work and algorithmic management of work processes are transforming how the work is organised, coordinated, monitored and managed[28]. When responsibly designed and implemented, the use of AI and algorithmic management systems in the workplace can increase efficiency, streamline recruitment, reduce

[27] See Eurofound, *European Working Conditions Survey 2024: First findings*, Publications Office of the European Union, Luxembourg, 2025.
[28] In 2024, 37% of EU workers were digitally monitored for working hours and 36% for entry/exit movements. Also, survey data show that 24% of EU workers have their working times allocated automatically.

bias, and enhance job quality[29]. However, these tools need to be appropriately managed to properly address concerns about heightened work pressure, constant monitoring, potential biases, and data protection risks for workers. In this regard, the AI Act sets out a clear set of risk-based rules for AI developers and deployers. These cover specific uses of AI, guaranteeing safety, fundamental rights and human-centric AI, while strengthening uptake, investment and innovation in AI across the EU[30]. Moreover, the Apply AI Strategy, which fosters adoption of AI in 10 EU's industries and the public sector, recognizes the importance of a responsible and beneficial use of AI in the workplace.

Correctly identifying the employment status and promoting transparency, fairness, human oversight, safety and accountability in algorithmic management is key for platform workers and to enhance job quality. The reference point is the Platform Work Directive[31]. In 2025, 43 million workers are expected to work through one or more digital labour platforms in the European Union. Platform work offers flexibility and additonal, or even primary, income. It may also lower entry barriers into the labour market for young people, migrants or persons with disabilities. However, platform work is also associated with precariousness, low earnings, limited access to social protection, and challenges related to opaque algorithmic management. Moreover, as most work through digital platforms takes places online, cross-border workflows are challenging to track and in many cases hidden. The majority of people working through platforms in the EU are considered self-employed, though in reality up to 5.5 million persons are estimated to be wrongly classified as such[32].

Approximately 55% of platform workers earn less than the minimum wage. To improve the working conditions in platform work, the Platform Work Directive entered into force in December 2024 and Member States have two years to tranpose it into national law. The Directive issues such as misclassification of employment status, algorithmic management, and transparency related to cross-border work. Its objective is to ensure decent working conditions and job quality in platform work while supporting the sustainable growth of digital labour platforms in the EU.

Digital innovation holds the potential for more productive and higher-quality jobs but can also lead to work intensification and blur boundaries with private life. For instance, digital technologies have enabled the growth of telework. In 2024, around 20% of employees worked from home at least some of the time. According to a 2025 Eurofound survey, in 2024, more than 50% of respondents expressed a preference to work from home multiple times a week, while 24% expressed the desire to exclusively work from home.

Technological advancements and related remote and hybrid working models can also impact working time patterns. Generally, working time schedules deviating from normal full-time working hours, which can negatively weigh on job quality, have improved in the EU. In 2024, 6.6% of all employed people (20-64) worked long hours compared to 7.1% in 2023. The share of those working at atypical working hours, however, remained high, at

[29] See 2025 Eurobarometer survey.

[30] See Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence.

[31] Directive of the European Parliament and of the Council on improving working conditions in platform work. See European Council, Platform workers: Council adopts new rules to improve their working conditions - Consilium.

[32] European Commission, Executive summary of the impact assessment report accompanying the proposal for a Directive of the European Parliament and of the Council On improving working conditions in platform work, 2021.

33.6% of total employment (20-64). Following the inconclusive negotiations of European cross-industry social partners on the update of their 2002 Framework Agreement on telework, as well as the European Parliament's 2021 Resolution on the right to disconnect[33], the European Commission conducted a formal two-stage social partner consultation on the right to disconnect and telework.

Access to adequate social protection across contract types and employment statuses remains a challenge, especially for non-standard workers and self-employed. Access to social protection is another key feature of job quality. Formal coverage gaps for at least one group of non-standard workers were observed in eighteen Member States, particularly for unemployment, sickness and maternity or paternity benefits. For the self-employed, coverage gaps were found in nineteen Member States and were most pronounced for unemployment, accidents at work and occupational diseases. Moreover, for some groups of workers or self-employed, access is only voluntary (opt-in schemes), with very uneven take-up across Member States.

In around a quarter of EU countries, non-standard workers in need of social protection were less likely to receive social benefits than those in standard employment. The self-employed remained the least likely of all groups to receive social benefits. Monetary poverty was significantly more prevalent among temporary (13.4%) and part-time workers (13.8%), and the self-employed (20.9%), compared to permanent employees (6.3%). Implementing the 2019 Council Recommendation on access to social protection for workers and the self-employed is key to closing the remaining gaps in coverage and promoting adequate and transparent systems.

Significant regional variation is recorded in NEET rates across the EU and within Member States

NEET rate at 11.1% in 2024 in the EU

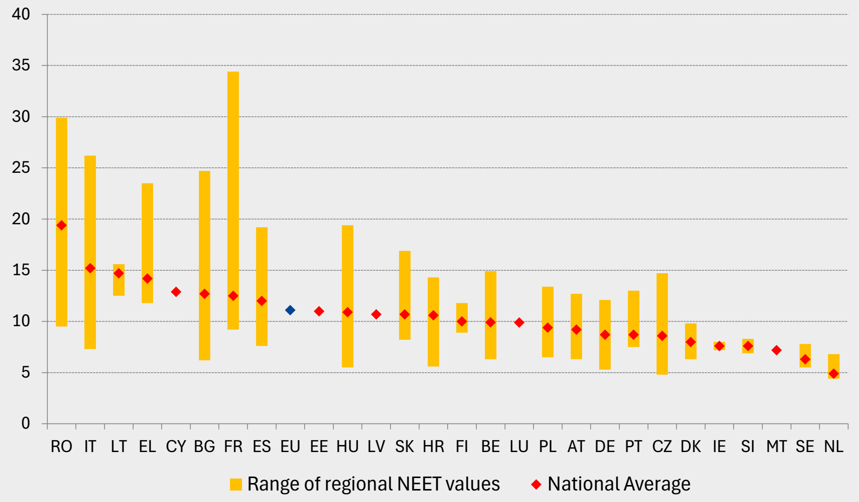
Higher for **women (12.1%)**, **born outside the EU (18.4%)** and in **rural areas**

NEET rates in 2024:

- ranged **from 4.4% to 19.4%** across EU countries

  but ranged **from 4.4% to 29.9%** across regions (NUTS 2 regions)

Range of NEET rates (15-29) at regional level (NUTS 2 regions) by Member State and Member State averages, 2024



Note: No available regional data (NUTS2) for CY, EE, LV, LU and MT.
Source: DG-EMPL calculations; Eurostat [edat_lfse_22].

The share of young people neither in employment nor in education and training continued to decline in the EU. It decreased from 11.3% to 11.1% in 2024. However, young

[33] European Parliament, European Parliament resolution of 21 January 2021 with recommendations to the Commission on the right to disconnect, 2021.

NEET rates (15-29) continue to be higher among women than men, and among those born outside the EU compared to the native born, as well as in rural areas compared to cities, towns and suburbs. On the other hand, after steadily recovering since COVID-19, the youth unemployment rate (15-24) increased slightly to 14.9% in 2024, and remains still more than twice as high as the overall unemployment rate. It is also particularly high among young people with lower levels of qualifications and those born outside the EU. The employment rate of recent VET and tertiary graduates (20-34) declined in 2024 in the EU (to 80.0% and 86.7% respectively), possibly pointing to increased difficulties in their labour market entry. The situation underlines the need for continued action to tackle structural challenges that hinder young people's entry in the labour market, in light of lost potential and longer-term risks to career prospects. The reinforced Youth Guarantee supports NEETs offering quality employment, further education, apprenticeships or traineeships within four months of becoming unemployed or leaving formal education[34].

Longer working lives contribute to active ageing, reducing labour and skills shortages and the capacity to maintain strong social protection systems. In 2024, the employment rate of people aged 55-64 increased to 65.2%. Significant disparities persist across Member States. From 2030, the EU is projected to record an annual reduction in its working-age population of 1.2 million until 2050. The old-age dependency ratio is estimated to increase from 36% in 2022 to 55% by 2050 and further to 59% by 2070. Important determinants include pension incentives, health issues and conditions like inflexible workplaces and age discrimination. On the former, the recently adopted Supplementary Pension Package aims to enhance the participation and savings in occupational and personal pension schemes and improve the contribution of pension funds to the financing of innovative and productive investments.

Older women were more likely to be outside the labour force than men, often due to early retirement and long-term absences driven by care giving obligations. People aged 55-64 make up a significant proportion (28.1%) of the working-age population outside the workforce, despite progress over the last decade. To address these challenges, a comprehensive set of policies is needed, including pension reforms, activation and training initiatives. The EU has taken steps, such as the adoption of Directive 2000/78/EC[35] to combat employment discrimination, and the development of a demography toolbox. Also, in June 2025 the Council called on Member States and the Commission to take steps to support older people in staying active and reaching their full potential in the labour market and in society[36]. Against current and projected demographic developments and sizeable skills and labour shortages, harnessing the potential of older workers is key to support the EU's growth potential and social model.

The persisting gender employment and pay gaps require more efforts to address persisting inequalities in the labour market. When accounting for the greater prevalence of part-time work among women, the gap widens further. The gender employment gap has narrowed slightly in the EU over recent years, reflecting a bigger increase in employment for women. It nonetheless remains substantial (at 10.0 pps in 2024). It displays large disparities

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

[35] Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation, OJ L 303, 2.12.2000, pp. 16–22.

[36] Council Conclusions on supporting older people in reaching their full potential in the labour market and in society.

across Member States and regions, showing that in parts of the EU the urgency is greater. Gender employment gaps are also wider for women with children. This is the more critical in a context of labour and skills shortages, and population ageing.

The EU gender pay gap is substantial at 12.0% (in 2023). It has narrowed by 4 pps over the past decade. Pay gaps are driven by gender differences in economic activities and occupations, under-representation of women in senior positions, over-representation in part-time and non-permanent forms of employment, difficulties in reconciling work with care responsibilities, as well as discrimination and non-transparent wage structures. These earning gaps also lead to substantial gender gaps in pensions later in life.

There is scope for sustained policy action to address barriers to women's labour market participation, in line with the EU Gender Equality Strategy 2020-25[37]. This could include improving the provision and accessibility of quality and affordable early childhood education and care and long-term care. Also, targeted reforms of the tax system could create better incentives for women to work. Such actions would be in line with the Council Recommendations on early childhood education and care (including the new Barcelona targets) and on access to affordable high-quality long-term care[38].

Tackling barriers to the labour market integration of people born outside the EU can contribute to mitigating labour and skills shortages, addressing demographic change, and fostering social cohesion. People born outside the EU make up more than one tenth of the EU labour force. However, their labour force participation and employment rates remain lower compared to the other groups. As a result, approximately 7.4 million of them who are in working age are outside the EU's labour force. This is despite the prevailing shortages. This shortfall is due to several obstacles related to their labour market status and social integration. These include low educational attainment and language proficiency, discrimination, as well as poor health conditions. Migrants with tertiary educational attainment (about a third of them) have better employment prospects, yet difficulties with the recognition of their qualifications remain a major obstacle, often pushing them into lower-skilled jobs. Increasing the labour market integration of migrants can additionally contribute to reducing gender employment gaps by filling shortages in the care sector.

[37] A Union of Equality: Gender Equality Strategy 2020-2025, COM(2020) 152 final.
[38] Council Recommendation of 8 December 2022 on early childhood education and care: the Barcelona targets for 2030 2022/C 484/01, OJ C 484, 20.12.2022, pp. 1–12, and Council Recommendation of 8 December 2022 on access to affordable high-quality long-term care 2022/C 476/01, OJ C 476, 15.12.2022, pp. 1–11.

Educational inequalities are on the rise with a relative worsening of basic skills levels among disadvantaged pupils over the past decade

The **share of well-performing pupils from disadvantaged background** fell:

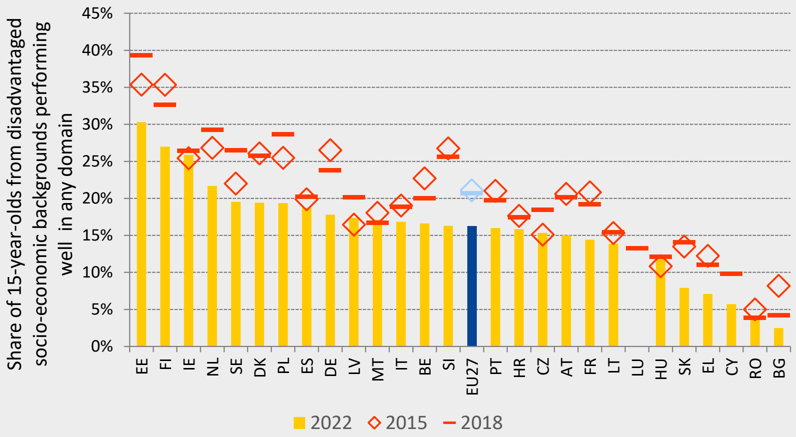
- **from 21.1%** in 2015
- and **20.8%** in 2018
- **to 16.3%** in 2022

vs **59.0%** of **those from advantaged background**

Almost all Member States worsened over the last decade

Large differences remain across EU countries

Share of 15-year-olds from disadvantaged socio-economic backgrounds performing well in reading, mathematics or science (2022, 2018, 2015)



Note: Caution is required when interpreting 2022 data for DK, IE, LV and NL because one or more PISA sampling standards were not met. LU only participated in PISA 2018.
Source: European Commission (2024).

The sharp decline in basic skills amongst students shows the urgency of action in our education and training systems to address this negative trend. Based on PISA 2022, a sharp decline in the basic skills of students is evidenced by a significant increase in the share of the underachievers (29.5%, up from 22.9% in 2018, in mathematics). The data shows also a drop in the share of the top performers (7.9%, down from 11%, in 2018, in the same field). Moreover, only 16.3% of students from disadvantaged socio-economic backgrounds performed well in basic skills[39] in 2022, compared to 59.0% of students from advantaged backgrounds. The lack of basic skills is a major obstacle for upskilling later in life and hinders productivity growth.

Low levels of digital literacy, including AI literacy, and civic competences among students are causes for concern, in particular in a context of an increasing incidence of information manipulation and disinformation. Only 63% of students have an adequate civic knowledge (ICCS 2022) and 43% lack basic digital skills (ICILS 2023). Poor digital skills impair learners' ability to thrive in the digital age, navigate technological change, counter disinformation and engage safely with emerging technologies such as AI. Digital skills are also essential for digital wellbeing, helping learners to develop healthier, more balanced relationships with technology. To advance young people's and teachers' digital skills, the Commission is implementing the 2021-27 Digital Education Action Plan and is currently preparing a Roadmap on the future of digital education and skills. Under the Union of Skills, the Commission launched an Action Plan on Basic Skills[40], with a broad range of initiatives aimed at addressing basic skills gaps.

On a positive note, early leaving from education and training is down and tertiary educational attainment is up. By 2024, the rate of early leaving from education and training in the EU almost halved (9.4% among 18-24-year-olds) compared to 2002. However, 3.1

[39] Reaching at least level 4 on the OECD's PISA scale in any of reading, mathematics, or science.
[40] Commission Communication on the Action Plan on Basic Skills, COM(2025) 88 final, of 5/3/2025.

million young adults still attain only lower secondary education or below, with persons with disabilities, third-country nationals and Roma disproportionately represented in the group. This results in lower employment rates and lower participation rates in further training. This puts at risk the ability of individuals to fulfil their full potential. This also implies over time increased associated public spending and reduced public revenues. A diploma in vocational education and training (VET) or degree in higher education can strongly improve people's labour market prospects. In VET this is particularly true for recent graduates who experienced work-based learning. The Union has seen a substantial rise in young people with a tertiary degree (from 36.5% to 44.1% for 25-34-year-olds between 2015 and 2023), spurred by a wider access to universities, a growing demand for high skills on the labour market, the perspectives for lower unemployment and higher earnings.

Graduates with the right skills to work in strategic sectors remain in short supply. In particular, skills shortages in specific fields such as science, technology, engineering and mathematics (STEM) persist. These skills are particularly needed for a successful green transition and in other strategic sectors such as security and cybersecurity, defence and space, AI, clean tech, advanced manufacturing, biotech and healthcare. Moreover, they are key for the technological sovereignty of the EU, including its digital leadership. Against this background, the Commission proposed EU targets by 2030 of at least 32% and 45% of students enrolled in STEM fields, in tertiary education and in initial medium-level VET, respectively. As part of the Union of Skills, the STEM Education Strategic Plan[41] aims to boost enrolment, support skills development and close the gender gap in STEM. Moreover, the forthcoming EU Strategy on Vocational Education and Training aims to make VET more attractive, inclusive and responsive. Finally, the European Alliance for apprenticeships contributes to developing apprenticeships for girls and women in STEM fields, aiming at attracting them to STEM studies and retaining them on the labour market.

[41] Commission Communication on a STEM Education Strategic Plan: skills for competitiveness and innovation, COM(2025) 89 final, of 5/03/2025.

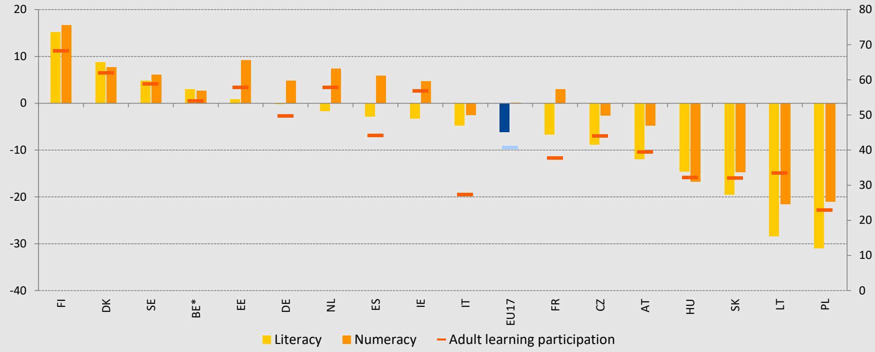
Adults' literacy proficiency has fallen over the past decade, especially in countries with low participation in adult learning

1 in 5 adults were **low performers in literacy and numeracy** in 2023

Literacy declined on average, while **numeracy** remained **largely stable**

Significant decrease in **literacy and numeracy** in countries where **lower participation in adult learning**

Change in literacy and numeracy scores among adults (16-65) between 2013 and 2023 (pps, left axis) and participation in adult learning (% of adults, right axis)



Note: Data on education and training participation is a special extraction aligned to the AES and EU-LFS definition; BE only covers Flanders

Source: OECD Survey of Adult Skills (2023)

Around one in five adults in the EU were considered low performers in both literacy and numeracy in 2023[42]. Significant decreases in adults' literacy and numeracy skills were recorded precisely in the countries with lower participation rates in adult learning. Large variation is recorded in adult learning participation also across population groups (for the highly vs low skilled, or the employed vs the unemployed and those out of the labour force), as well as by ooccupation[43]. Varying degrees of participation across groups suggest persisting barriers. Personal training budgets, such as Individual Learning Accounts (ILAs)[44], are important to stimulate the demand for learning. To bolster learning opportunities, the Union of Skills includes initiatives such as ILAs, the expansion of micro-credentials[45] and innovative community learning spaces, especially for the low skilled. Overall, the Union of Skills presents a wide-ranging approach to lift adult participation rates and equip the EU's workforce with the right skills for the future.

Boosting the participation of adults in learning is key to address shortages, enhance productivity, competitiveness and social cohesion. Data for 2022 from the Adult Education Survey (AES) showed a slight rise in participation in adult learning (excluding guided on-the-job training[46]) over the previous 12 months in the EU, from 37.4% in 2016 to 39.5% in 2022. A further possible rise is suggested by the data in the Labour Force Survey (LFS) between 2022 and 2024. Still, the level remains too low in light of the big transformations that Europe is facing, and disparities across Member States remain too wide.

In 2024, the income position of households increased substantially and the share of people at risk of poverty or social exclusion declined slightly in the EU, with no clear

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[42] See OECD, *Do Adults Have the Skills They Need to Thrive in a Changing World?: Survey of Adult Skills 2023*, OECD Skills Studies, OECD Publishing, Paris, 2024.
[43] While 60.9% of managers, professionals, technicians and associate professionals participated in learning activities in 2022, much lower participation was recorded among clerical, manual and elementary occupations.
[44] See Council Recommendation on individual learning accounts of May 2022.
[45] See Council Recommendation on a European approach to micro-credentials for lifelong learning and employability of June 2022.
[46] These figures are from a special extraction of the AES, excluding guided on-the-job training, used to monitor progress towards the 2030 adult learning target (see also Annex 2).

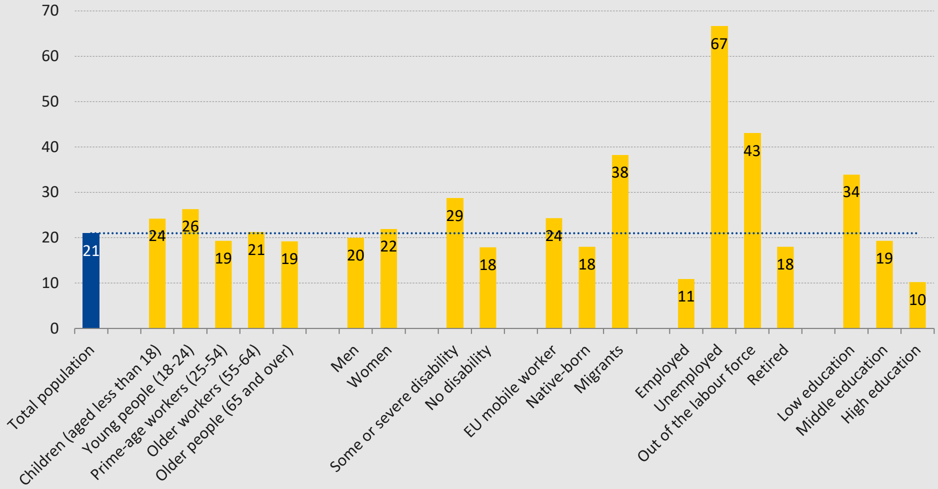
sign of upward convergence in the latter. The real gross disposable household income (GDHI) per capita index (2008=100) increased substantially at the EU level in 2024, to 141.3, i.e. 2.5 points higher than in 2023, driven chiefly by the growth of compensation of employees. This is the largest increase since 2021-22 and continued also in the first half of 2025. The overall number of people at risk of poverty or social exclusion (AROPE) decreased by around 2.9 million compared to 2019 (against a 2030 target of at least 15 million). This implies one in five people remained at risk of poverty or social exclusion in 2024 in the EU. Poverty risks differ by population groups, with children, older people, persons with disabilities, the low-skilled, non-EU born and Roma more affected. The heterogeneity also persisted between and within Member States (both across regions and between rural and urban areas). Joblessness remains a key driver of poverty, while social benefits do not reach all households in need.

Poverty or social exclusion rates vary significantly with socio-demographic characteristics

One in five people and **one in four children at risk of poverty or social exclusion** in the EU in 2024

Beyond children, **older people**, the **unemployed**, the **low skillled**, **persons with disabilities**, **non-EU born** and **Roma** more affected

At-risk-of-poverty or social exclusion (AROPE) rates by socio-demographic characteristic (%), EU, 2024.



Notes: 2024 values refer to 2023 incomes for all Member States The definition differs for the AROPE rate of people aged less than and over 65 years as the latter excludes the Very Low Work Intensity component.
Source: Eurostat [ilc_peps01n] [ilc_peps06n] [ilc_peps02n] [ilc_peps04n] [hlth_dpe010].

Despite recent improvements, in almost all Member States minimum income support is not sufficient to lift people out of poverty. Social protection benefit expenditures are estimated to have increased in real terms in 2024 in almost all Member States. Recently reforms have been proposed to enhance minimum income benefits' role in supporting recipients to participate in active labour market policy measures (ALMPs) and actively search for jobs. At the same time, the impact of social transfers (excluding pensions) on poverty reduction slightly decreased on average in the EU in 2024 (reflecting the contraction of social protection spending in real terms in 2023), with strong reductions in some Member States with high levels. Energy poverty (when measured by the indicator 'share of people unable to keep their home adequately warm') decreased in 2024 for the first time since 2022, reflecting a combination of factors, including falling gas and electricity retail prices, a mix of energy efficiency measures as well as other support measures. It nonetheless remained significantly higher for people experiencing poverty or social exclusion risks. Assessing the distributional impacts of reforms and investments remains particularly important to factor in effects on poverty risks and income inequality and appropriately inform policy design ex ante.

The share of children at risk of poverty or social exclusion in the EU slightly declined but remained higher than for the overall population. The number of children (0-17) at risk of poverty or social exclusion decreased from 19.96 million in 2023 to 19.52 million in 2024 (24.2% on average in the EU). Even though 2024 is the second consecutive year of decrease in absolute numbers, the incidence of child poverty is still 3.2 pps higher than for the total population. Overall, almost one in four children in the EU were at risk of poverty or social exclusion in 2024. Lifting them out of poverty and social exclusion is instrumental to help them realise their full potential in society and in the labour market, and break the cycle of intergenerational transmission. Implementing the European Child Guarantee[47] in all Member States is key in this respect.

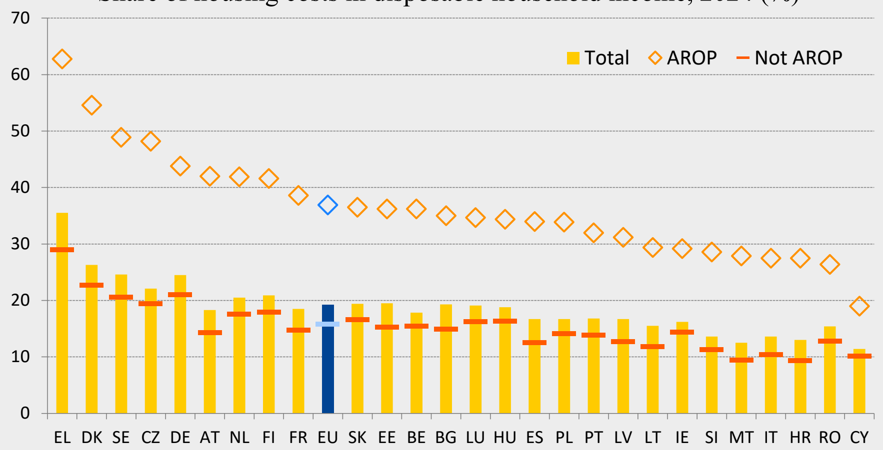
The share of older people (65+) at risk of poverty or social exclusion continued to decline in the EU in 2024. The situation remains very diverse across Member States though. The decrease, to 19.4%, was driven by an improvement for women (who nonetheless continue to face substantially higher risks than men). The decline also reflects reduced monetary poverty and severe material or social deprivation among older people. The aggregate replacement ratio for pensions remained stable at EU level in 2024. Across Member States, the situation with regard to old-age poverty and income replacement remained nonetheless very different. In some countries, the income poverty risk of the 65+ was even two times higher than for the working-age population.

Households experiencing poverty commit a significant share of their disposable incomes to housing expenses, with large variation across Member States

In 2024, in **more than a third of Member States**, households spend **around or above a fifth of their disposable income on housing costs**

Households experiencing poverty risks were **twice as much overburdened by housing costs** in almost all Member States

Share of housing costs in disposable household income, 2024 (%)



Note: Provisional data for LT.

Source: Eurostat [ilc_mded01], EU SILC.

Housing affordability remains an important challenge, which disproportionally affects people at risk of poverty. Over the last decade, house prices in the EU have grown around 10% faster than incomes on average, reducing affordability[48]. Considerable variation across Member States, and regions/major urban centres, nonetheless exist. As many as 8.2% of the EU population lived in a households where total housing costs represented more than 40% of

[47] Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee, OJ L 223, 22.62021, p. 14-23).

[48] See Cousin G., Frayne C., Dias Martins V. and B. Vasicek (2025), Housing in the European Union: Market Developments, Underlying Drivers, and Policies, European Economy Discussion Paper 228/October 2025.

their total disposable household income, i.e. were overburdened by housing costs[49]. This rate reached 31.1% for people at risk of poverty compared to 3.8% for the rest of the population. While social housing is unevenly developed across EU Member States, definitions, providers, eligibility and allocation mechanisms vary. Its further development can contribute to improving access to housing[50]. Increased costs of construction, land and financing are commonly reported challenges for social housing provision. While differences in definitions and data collection methods hamper cross-country comparability, a rising trend is identifiable in homelessness in many Member States.

The Treaties fully recognise the key role of social dialogue in the EU's social market economy. The importance of social dialogue is also enshrined in the European Pillar of Social Rights and the Employment Guidelines. Building on the 2024 Val Duchesse Social Partner Declaration[51], the Commission and European cross-industry social partners signed a Pact for European Social Dialogue in March 2025[52]. As part of a renewed commitment to strengthen social dialogue in a time of global transformation, the Pact identifies actions to be taken by the Commission and the social partners to boost and create the right conditions for mobilising the full potential of social dialogue at all levels. As such, the pact aims to offer a framework for social dialogue to prosper at all levels, including national and European, cross-sectoral and sectoral.

The 2023 Council Recommendation on strengthening social dialogue in the EU provides guidance to Member States on how to best promote social dialogue and strengthen collective bargaining[53]. Among others, the Commission has been working together with the social partners on a Quality Jobs Roadmap. It commited to consult them also on policy initiatives that do not fall under the scope of Articles 153 and 154 TFEU[54] but are of particular relevance for them. At the EU level, both social partners and civil society organisations are actively involved in the European Semester, with regular exchange of views and thematic discussions in areas of particular relevance. The involvement and consultation of both social partners and civil society organisations are key for policy-making and for driving sustainable and inclusive change.

Member States should take action to address the employment, skills and social policy challenges identified in this Joint Employment Report. In particular – in line with the Employment Guidelines:

- Enhance the lifelong up- and re-skilling of adults to ensure competitiveness, address labour and skills shortages, adapt to the changing labour market situation and outlook, and foster the fair green and digital transitions, in line with the Union of Skills. This includes integrating the use of skills intelligence tools; strengthening the provision of individual training entitlements, such as individual learning accounts; and fostering the

[49] Both housing costs and income are net of allowances. See more details on the indicator in Annex 2.
[50] The process of deinstitutionalisation of persons with disabilities is stalling for lack, among others, of accessible housing solutions.
[51] Tripartite Declaration for a Thriving European Social Dialogue.
[52] Pact for European Social Dialogue.
[53] COUNCIL RECOMMENDATION of 12 June 2023 on strengthening social dialogue in the European Union (C/2023/1389)
[54] Article 154 of the TFEU provides for a two-stage consultation of European social partners on a range of social policy issues set out in Article 153 of the Treaty, such as working conditions, and occupational health and safety.

development, implementation and recognition of micro-credentials in accordance with national circumstances, in line with the Council recommendations on individual learning accounts and on a European approach to micro-credentials.

- Strengthen active labour market policies and the capacity and effectiveness of public employment services – including by investing in digital infrastructure and services, enhanced lifelong career guidance, counselling services, skills intelligence and staff training – with a view to increasing labour market participation, notably of underrepresented groups, supporting quality job creation, mobility and transitions.
- Promote fair mobility within the EU and consider attracting and retaining skilled third country national workers. In addition, take measures to facilitate legal migration of third country nationals in shortage occupations or study fields in strategic sectors, while ensuring respect and enforcement of labour and social rights, supported by an effective integration policy, in complementarity with harnessing labour supply and skills from within the Union.
- Ensure the availability of job retention support schemes, as a fall-back emergency tool, designed in a way to preserve jobs (and businesses) in case of crisis, including restructurings, and further develop human capital via associated upskilling and reskilling.
- Provide adequate support to workers and households most affected by the economic and social impacts from the adaptation to climate change and new green and digital technologies, in particular to vulnerable workers and households – including through effective employment services and employment programmes, hiring and transition incentives; adequate income security with an active inclusion approach; protection of workers' rights against risks related to AI, algorithmic management and climate change; and the promotion of entrepreneurship, in line with the Council Recommendation on ensuring a fair transition towards climate neutrality.
- In line with national laws and/or practices and in full respect of the role and autonomy of the social partners, promote wage developments that support upward social convergence, taking into account productivity developments, quality job creation, and safeguarding competitiveness.
- Adapt labour market regulations and tax and benefit systems to reduce labour market segmentation and gender gaps in the labour market and foster quality job creation, including a possible reduction of the tax wedge notably for low-earners without hindering the transition toward higher-paying jobs and a shift away of taxation from labour to other sources more supportive of employment and inclusive growth.
- Ensure healthy, safe and well-adapted working environments as a key dimension of job quality.
- Promote collective bargaining and social dialogue, in line with the Council Recommendation on strengthening social dialogue and the Pact for European Social Dialogue, together with timely and meaningful social partners' involvement in relevant policy-making at EU and national level, also with a view to improve job quality, and including in relation to the implementation of Member States' recovery and resilience plans and in the context of the European Semester.
- Ensure adequate and sustainable social protection for all, in line with the Council Recommendation on Access to Social Protection; improve the protection of those who are not sufficiently covered, such as workers in non-standard forms of employment, including platform work, and the self-employed, also as a key dimension of job quality;

more generally, improve the adequacy of benefits, the transferability of rights and the access to quality services while safeguarding the sustainability of public finances; and effectively support the labour market integration of those who can work.

- Enhance the labour market prospects of young people – including through inclusive and quality vocational education and training and tertiary education; targeted employment services' support (comprising mentoring, guidance and counselling); and quality apprenticeships and traineeships, in line with the reinforced Youth Guarantee and the European Alliance for Apprenticeships.
- Adopt comprehensive measures to improve basic skills, and more broadly the development of key competences (including transversal skills) of pupils, and tackle structural challenges linked to performance and equity of education and training systems, including through effective teaching, learning and assessment approaches. Support the preparation of basic skills improvement plans at school level, with special attention to tutoring and mentoring programmes, personalised support and continuing professional development of teachers. Promote excellence in basic skills though differentiated teaching and learning.
- Boost excellence and enhance labour-market relevance of vocational education and training and tertiary education through stronger cooperation with industry, links with skills intelligence systems and greater use of micro-credentials. Improve procedures for the mutual recognition of qualifications to address skills shortages and mismatches. Enhance access to higher education for VET graduates and underrepresented groups.
- Increase the number of graduates in STEM disciplines, in particular in ICT fields (including AI), in areas with major labour gaps and in strategic areas, reduce gender gaps, and reinforce cooperation with business, VET providers and universities to become actors of change in the green and digital transitions. Enhance teacher training in STEM subjects to address shortages.
- Boost the digital skills of pupils and adults of all ages including media and digital (and AI) literacy, enhance critical thinking and increase the digital talent pool in the labour market by developing digital education and training ecosystems supported by key enablers, such as high-speed connectivity for schools, equipment, and teacher training; and support institutions with know-how on digitalisation with a special focus on inclusion and on reducing the digital divide. Boosting the financial literacy knowledge and skills of pupils and adults of all ages should also be considered.
- Strengthen initial and continuous teacher education with a focus on basic skills teaching, in partnership with teacher education providers. Reduce teacher shortages and increase the attractiveness of the teaching profession by improving working conditions, offering attractive career pathways, mentoring of novice teachers, attracting experienced teachers in disadvantaged schools through incentives and support; and by facilitating lateral entry to the profession.
- Ensure non-discrimination, promote gender equality, improve equality mainstreaming and strengthen the labour market participation of women and disadvantaged groups, by fostering equal opportunities and career progression, ensuring equal pay for equal work, or work of equal value, transparency in pay structures, and promoting the reconciliation of work, family and private life – including through access to affordable and high-quality care (early childhood education and care, and long-term care), and family-related leave and flexible working arrangements for parents and other informal carers, in line with the European Care Strategy, as well as by ensuring accessibility in the work place.

- Provide all children at risk of poverty or social exclusion with free and effective access to healthcare, early childhood education and care, and education, training and school-based activities; as well as effective access to healthy nutrition and adequate housing, in line with the European Child Guarantee and the related national action plans.
- Foster equal opportunities for children to tackle the high levels of child poverty and make the best use of EU and national resources. Speed up the implementation of the European Child Guarantee including by providing affordable and high quality early childhood education and care and by addressing early school leaving. Support access to quality education of children and young people from disadvantaged groups and remote areas, improve their learning outcomes and promote training at all qualification levels.
- Provide and, where necessary, strengthen minimum income schemes that guarantee adequate support and pursue an active inclusion approach, in line with the Council Recommendation on adequate minimum income ensuring active inclusion and labour market integration for those who can work; and foster access to enabling and essential services, including energy, especially for low-income and vulnerable households.
- Assess the distributional impacts of reforms and investments on the income of various groups across the population, in line with the Communication on better assessing the distributional impact of Member States' policies.
- Support sufficient housing supply to meet demand, and access to affordable housing, social housing and/or adequate housing assistance, where appropriate; prevent and tackle homelessness as the most extreme form of poverty and address social exclusion through integrated, person-centered and housing-led strategic approaches; promote the renovation of residential buildings and social housing.
- Invest in the capacity of the healthcare system including as regards prevention and primary care services, as well as public health capacity, coordination of care, healthcare staff and use of eHealth and AI; reduce out-of-pocket payments where relevant; improve healthcare coverage; and promote better working conditions as well as upskilling and reskilling of health workers.
- Strengthen the provision of high-quality, affordable and sustainable long-term care services, in line with the Council Recommendation on access to high-quality affordable long-term care.
- Ensure inclusive and sustainable pension systems, including by developing supplementary pensions, that provide incomes in old age and inter-generational fairness in the context of demographic ageing.

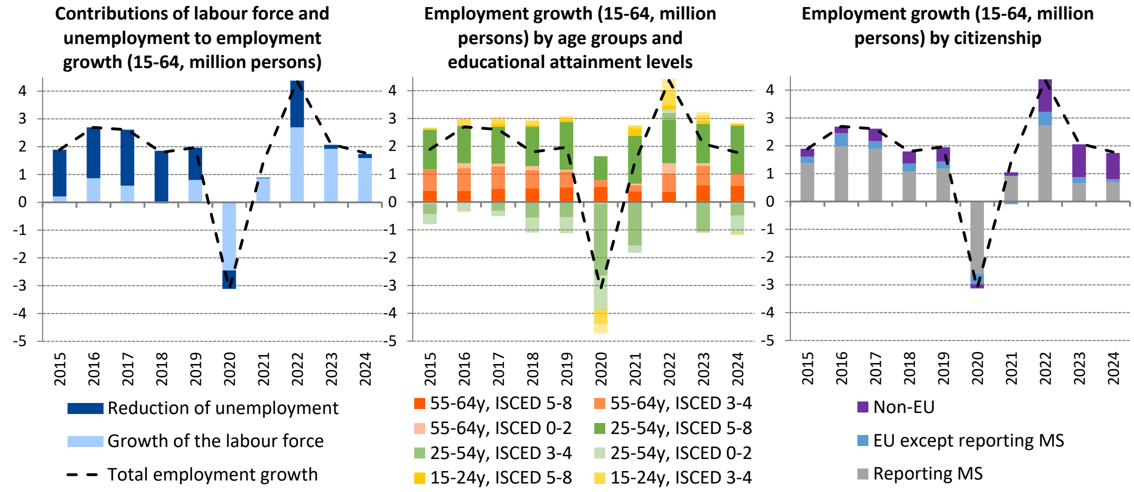
EU funding, including through the ESF+, the RRF, the ERDF, the JTF, Erasmus+, the TSI, as well as the Social Climate Fund, for eligible investments and reforms, supports Member States to step up policy action in these domains.

CHAPTER 1. LABOUR MARKET AND SOCIAL TRENDS IN THE EU

Employment growth remained robust in 2024, with a historically low unemployment rate, despite heightened economic and geopolitical uncertainties. Total employment expanded by 1.7 million people, to 219.4 million, implying a somewhat slowing but robust annual growth rate of 0.8% and an employment rate of 75.8% (0.5 pps higher than in 2023, see also target box in section 2.1.1). The energy sector led the expansion with a 7.4% increase, followed by mining (4.3%), water and waste management (4.2%), arts and entertainment (4.1%), accommodation and food services (3.5%), and ICT (2.9%). With the exception of mining, these sectors have been among the fastest-growing sectors over the past decade. Similar to 2023, labour force expansion accounted for 92% of employment growth among those aged 15-64, while the reduction in unemployment contributed only 8%, in a context of a historically low unemployment rate of 5.9%. Short-term employment expectations (for the next 3 months) fell below their long-term average in 2024 and continued to decrease – notably in services – while rising and being much more positive in the construction sector. Overall employment growth is forecast to slow down further, to 0.5% in 2025 and 2026, then to 0.4% in 2027[55].

Figure 1.1: Employment growth in 2024 was driven by increased participation of third-country nationals and older persons, and concentrated among tertiary-educated workers

Employment growth (15-64) decomposed into labour force growth and unemployment reduction, and further broken down by age group, educational attainment and citizenship



Note: Break in the employed persons by citizenship series in 2021.
Source: Own calculations based on Eurostat [lfsa_agan], [lfsa_ugan], [lfsa_egaed], [lfsa_egan].

Third-country nationals and older persons continued to drive employment growth, while outcomes for youth, low-skilled workers and persons with disabilities showed signs of stagnation or deterioration. In 2024, third-country nationals accounted for two-thirds (68.0%) of labour force growth and more than half (54.2%) of employment growth in the 15-64 age group, similar to 2023. Their share in the labour force increased from 5.5% to 6.5% between 2022 and 2024, and 29.9% had a tertiary education diploma in 2024, compared to 20.6% a decade earlier. Their employment rate reached 64.3% but remains low and is characterised by a high part-time share, with a large gender gap in both cases. Women remain

[55] See: *European economic forecast – Autumn 2025*, Publications Office of the European Union, 2025

underrepresented in the labour market overall, but their outcomes continued to improve, with the total gender employment gap falling to 10 pps for the first time. Older persons (aged 55-64) continued to record the strongest percentage gains in employment and labour force participation of all age groups, with their employment rate rising further to 65.2% and their unemployment rate (55-74) declining to 4.1% in 2024, the lowest among all age groups. Given their growing population share and increasing life expectancy, there is scope for further increasing their labour market participation. On the other hand, the improvement in the share of young people (aged 15-29) that are neither in employment nor in education and training (NEET) has slowed down significantly, having decreased by a mere 0.4 pps (to 10.9%) since early 2023. This occurred despite rising participation in education and training in line with lower early school leaving and higher tertiary enrolment. The youth unemployment rate for people aged 15-24 rose to 14.9% in 2024, the first annual increase in over a decade (excluding the COVID-19-related increase in 2020). Young workers also remain more than twice as likely as average workers to hold involuntary temporary (13.0%) and part-time (6.4%) contracts, with nearly two-thirds of their temporary contracts lasting less than 18 months in 2024. Their in-work at-risk-of-poverty rate is elevated (10.9% vs 8.2% for all workers). Across all age groups, employment growth continues to be concentrated among tertiary-educated workers. By contrast, low-skilled employment grew only among those aged 15-24, and the employment gap between low- and high-skilled people (25-64) remains large, at 28.7 pps. In addition, persons with disabilities also experienced a sharp increase of their employment gap in 2024, from 21.4 pps to 24.0 pps, approaching its historical peak of 24.4 pps recorded in 2019 and 2020.

Labour and skills shortages have eased, but further progress remains constrained by structural factors. The share of employers reporting labour shortages declined to 18.2% in Q2-2025 from a peak of 27.8% in Q2-2022[56]. The vacancy rate also continued to decrease across all sectors in 2024 and fell below pre-pandemic levels for the first time in Q2-2025 (2.1% vs 2.2% in Q4-2019), but it remains elevated in administrative and support services (3.0%). These improvements largely reflect weaker employment and business expectations, moderating labour hoarding[57] and a continued inflow of third-country nationals. Declining education-related mismatches (as measured by macroeconomic skills mismatches[58] and overqualification rates) and sectoral mismatches (as measured by the dispersion of sectoral vacancy rates) may have also contributed, consistent with a lower vacancies-to-unemployed ratio. Nevertheless, long-term structural challenges persist, including demographic change, evolving labour market needs linked to the green and digital transition and job quality concerns[59].

Real wages rebounded in 2024, supporting household purchasing power and reducing inequality, but remained below pre-pandemic levels. After turning positive in the second half of 2023, real wage growth strengthened in 2024 to 2.7% on an annual basis, contributing to solid real gross household disposable income growth of 2.3%. In 2024, purchasing power had not returned to 2019 levels. Real wage growth is projected to decelerate to 1.3% in 2025 and 1.1% in 2026, held back by economic uncertainty[60]. In-work poverty fell to 8.2% in

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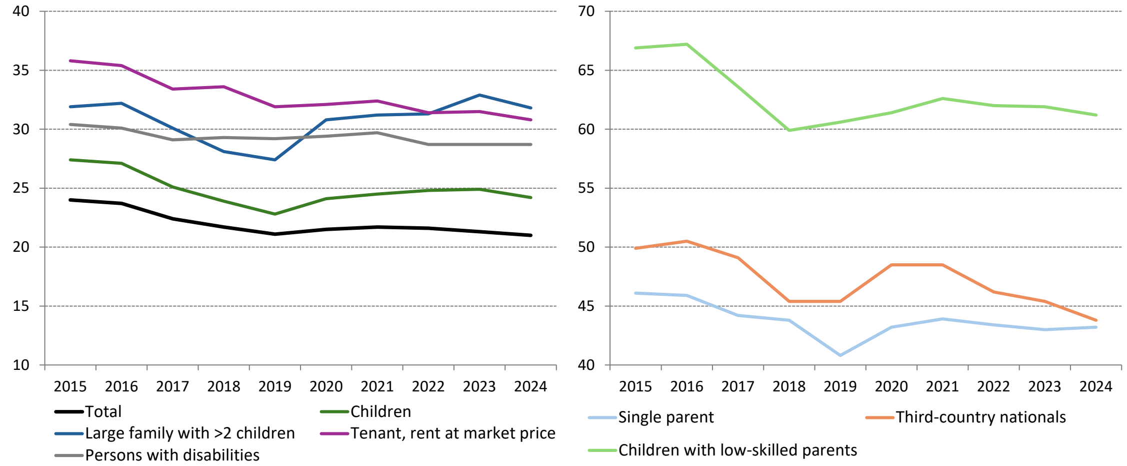
[56] European Business and Consumer Survey
[57] European Business and Consumer Surveys. The indicator reflects the share of firms which expect their output to decrease, but their employment to increase or remain unchanged.
[58] See European Commission (2015), Analytical web note – Measuring skills mismatch – 7/2015, Publications Office of the European Union, Luxembourg.
[59] Eurofound, 2025: Living and working in Europe 2024, chapter 2
[60] Based on European Commission's Spring Forecast.

2024, after strong minimum wage increases in recent years helped counteract the impact of inflation on low-income workers. Income inequality (as measured by the S80/S20 ratio) also declined to 4.66 in 2024, in line with the overall trend over the past ten years.

Figure 1.2: The poverty and social exclusion rate remains high, particularly for vulnerable groups

At-risk-of-poverty-or-social-exclusion rates for the overall population and vulnerable groups (%)



Source: Eurostat [ilc_peps01n], [ilc_peps03n], [ilc_peps05n], [ilc_peps07n], [ilc_peps60n] [hlth_dpe010].

Poverty and social exclusion rates decreased modestly but remain elevated, particularly among vulnerable groups. The share of people at risk of poverty or social exclusion (AROPE) fell below pre-pandemic levels for the first time in 2024 (to 21.0%, vs 21.1% in 2019), following a 0.3 pps drop largely due to a broad reduction in severe material and social deprivation (SMSD) across age groups[61]. However, child poverty risks remain high: the AROPE rate for children stood at 24.2%, still 1.4 pps above pre-COVID-19 levels, despite an improvement of 0.7 pps from 2023 and a high impact of social transfers for this age group. Children of parents with low educational attainment are nearly six times as likely to be at risk of poverty or social exclusion than those with highly educated parents (61.2% vs 11.0%), while single parent households face by far the highest risk of all household types (43.2%). AROPE rates are also elevated among persons with disabilities (28.7%) and third-country nationals (43.8%) (see Figure 1.2). While rates have improved rapidly for the latter since 2021, outcomes for people with disabilities have stagnated, and Roma people[62] continue to face very high poverty risks. The depth of poverty (poverty gap) decreased slightly in 2024, except for older persons (65+). The EU's Anti-Poverty Strategy (see Pillar box 8) calls for significant further efforts in view of reaching the EU 2030 poverty reduction target, including the child poverty reduction sub-target (see target box in section 2.4.1), and for the eradication of poverty by 2050.

House price growth has exceeded income growth over the last decade, putting affordability under pressure. Over this period, house prices in the EU grew by around 10% faster than incomes on average, reducing affordability, – particularly in the context of higher

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[61] All data in this paragraph is based on incomes from the income reference year that is the survey year for Ireland and the year before for all other Member States. Eurostat's Flash estimates referring to 2024 incomes indicate that AROP rates were stable in the EU on average and in most Member States (see Eurostat, Flash estimates of income inequalities and poverty indicators for 2024 (FE 2024), Experimental results. Version 1 – June 2025).

[62] See: EU Agency for Fundamental Rights, Rights of Roma and Travellers in 13 European countries, 2024.

interest rates during the end of the period. At the same time, underdeveloped rental markets often failed to provide effective alternatives. The share of people facing housing cost overburden eased somewhat in the EU in 2024 amid easing energy and utility price growth but was still about eight times as high for those living in households at risk of poverty or social exclusion (31.1%) as for those in other households (3.8%). Overcrowding worsened for the first time on record (excluding 2020), reaching 16.9%. By contrast, the share of households unable to keep their homes adequately warm declined to 9.2%, driven by a decrease in energy-related costs, but remained significantly above its 2021 level (6.9%). Moreover, homelessness is rising across the EU, posing a growing social challenge.

CHAPTER 2. EMPLOYMENT AND SOCIAL REFORMS – MEMBER STATES' PERFORMANCE AND ACTION

2.1 Guideline 5: Boosting the demand for labour

This section looks at the implementation of the employment guideline no. 5, which recommends Member States to provide the conditions that promote labour demand and job creation, in line with Pillar principles 4 (active support to employment) and 6 (wages). Section 2.1.1 focuses on key labour market developments, also reflecting on their competitveness implications and the impact of the recent increased in economic uncertainty. Section 2.1.2 reports on the measures implemented by the Member States in these areas, with a special emphasis on policies aimed at increasing employment and supporting job creation in a context of labour and skills shortages.

2.1.1 Key indicators

The EU labour market remained resilient in 2024 and early 2025, with moderating but still robust employment growth, and some upward convergence across Member States. Over 900 000 additional workers were employed in Q2-2025 compared to Q2-2024, bringing total employment to 220.1 million. The employment rate (20-64 age group) reached 75.8% in 2024 (up by 0.5 pps from 2023) and a record high of 76.2% in Q2-2025. Thereby, the EU headline target of at least 78% in employment by 2030 is within reach[63] – see Target Box 1. While employment growth decelerated further (from 1.2% in 2023 to 0.8% in 2024), it remained positive, underscoring the resilience of the labour market in recent years, despite heightened economic and geopolitical uncertainties. The employment rate increased in 21 Member States, most strongly in Croatia, Greece and Malta – see Figure 2.1.1. Decreases were, on the contrary, recorded in Finland, Sweden, Luxembourg, Estonia and Latvia. Italy, Romania, Spain and Belgium are in a 'critical situation', with relatively low employment rates (below 72.5%) and below-average improvements (Belgium). France, Luxembourg and Finland are 'to watch', following only slightly above-average improvements from relatively low levels (France) or declines from already below-average levels (Luxembourg) and to below-average levels (Finland). Conversely, the Netherlands, Malta and Czechia are 'best performers', with employment rates above 82%. Overall, a gradual convergence of employment rates across Member States can be observed. The gender employment gap narrowed further by 0.2 pp between 2023 and 2024, as the rate for women increased slightly faster than for men (from 70.2% to 70.8% vs from 80.4% to 80.8%, respectively).

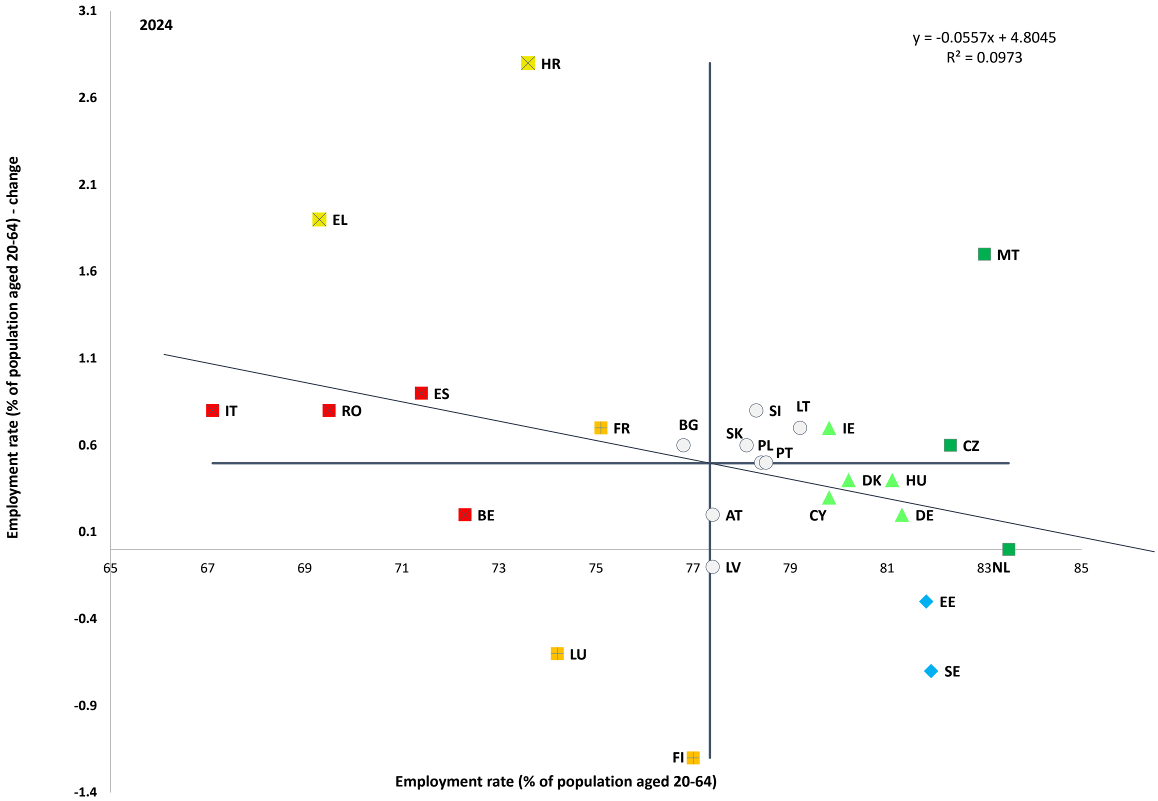
Employment growth was driven by rising labour force participation and a decline in unemployment, with job creation concentrated in services and the public sector. In 2024, the working-age population (20-64) in the EU was 259.8 million, practically unchanged from 2023. According to Labour Force Survey data, the labour force participation rate (age group 20-64) rose to 81.5% in 2024 (from 81.1% in 2023). In 2024, according to national accounts data, 0.94 million jobs were created in the private sector, mostly in the wholesale, retail, accommodation, transport and IT sectors[64]. The public sector also contributed significantly.

[63] See European Commission, Porto Declaration and targets, 2021.

[64] European Commission (2025), European economic forecast: spring 2025, Publications Office of the European Commission, Luxembourg.

Figure 2.1.1: Employment continued to increase in most Member States in 2024

Employment rate (age 20-64), 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR. Break in series for BG.
Source: Eurostat [lfsi_emp_a], EU LFS.

Significant regional disparities persist between and also within Member States, including outermost regions. At the NUTS 2 level, the highest employment rates in 2024 were recorded in the Finnish Åland region (86.4%) and Polish capital region of Warszawski stołeczny (86.2%), while the lowest rates were observed in the southern Italian regions of Campania (49.4%) and Calabria (48.5%). Many of the regions with relatively low employment rates are rural, sparsely populated or peripheral regions, particularly in southern Spain and Italy, much of Greece, parts of Romania and France's outermost regions. These areas typically suffer from limited employment opportunities, especially for people with intermediate and high skills levels[65]. Employment outcomes also vary within Member States. Variation is highest in Baltic and central European countries and lowest in the south of the EU (with the exception of Bulgaria, Cyprus and Malta) (see Figure 5 in Annex 5). In 2024, all Eastern countries as well as Lithuania, Denmark, Ireland, Portugal and Spain, reported their highest employment rates in their capital regions. By contrast, in Belgium, Germany and Austria, capital regions recorded some of the lowest employment rates. The outermost regions of Spain and France have employment rates below 67.3%, with Guyane as low as 51.1%. In contrast, the Portuguese outermost regions have employment rates around the EU average.

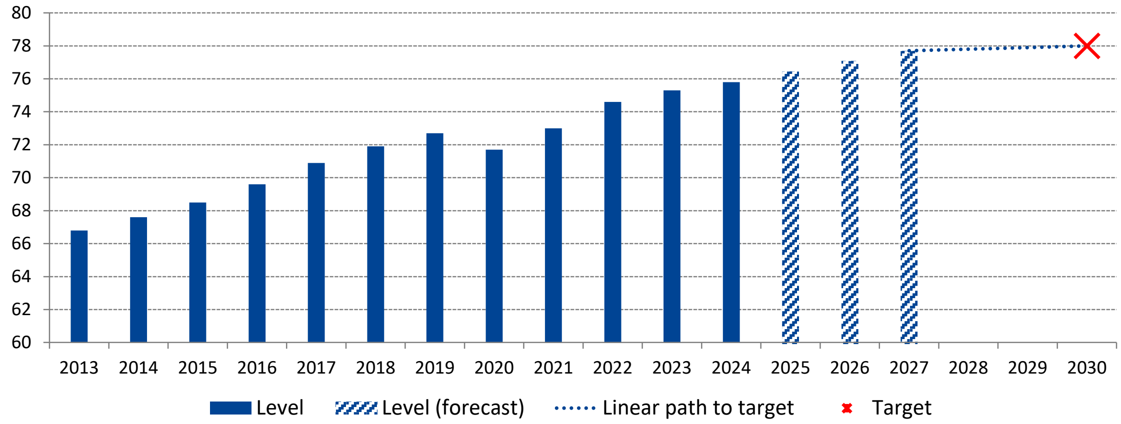
[65] Labour market statistics at regional level - Statistics Explained - Eurostat

Target Box 1: Progress towards the 2030 employment rate target

Employment growth moderated in 2024, but the EU remains currently on track to meet its headline employment target by 2030. The EU employment rate rose at a slower pace in 2024 than in 2023, with a increase of 0.5 pps to 75.8%, leaving a gap of only 2.2 pps to the 78% target, with six years remaining. Based on Eurostat's latest demographic projections, an average annual employment growth rate of 0.35% between 2024 and 2030 would be sufficient to meet the target. In comparison, employment grew by 1.1% per year on average during the pre-pandemic period (2013-19; see the Figures below). According to the Commission Autumn 2025 Forecast, employment is projected to expand above the required pace over the forecast horizon, i.e. by 0.5% in both 2025 and 2026 and 0.4% in 2027. Overall, the EU is progressing well towards its 2030 employment target.

The EU is on track to reach its headline employment target by 2030

Employment rate in the EU-27 and the related 2030 EU headline target (20-64, % of population)



Note: Values for 2025, 2026 and 2027 based on projected employment growth from the Commission Autumn 2025 Forecast as well as projected population and working-age population growth from Eurostat's 2023 population projections.
Source: Eurostat [lfsi_emp_a]; employment growth forecast, European Commission Autumn Forecast 2025; Eurostat population projections, Europop 2023.

Most Member States made further progress towards their national employment targets in 2024[66]. In seven countries – Slovakia, Ireland, the Netherlands, Estonia, Denmark, Poland and Czechia – the employment rate in 2024 was already higher than the respective 2030 target (see Figure above), while Sweden slipped slightly below its target. Among the 20 countries still facing gaps, 16 narrowed them in 2024, and 14 are now within 3 pps of their targets. The largest remaining gaps are in Belgium (7.7 pps), Italy (5.9 pps), Romania (5.2 pps) and Spain (4.6 pps). Three quarters of Member States experienced employment growth below the pre-pandemic average (2013-19; see Figure below)[67], against a background of higher employment rates and a shrinking working-age population. Nevertheless, in 19 Member States, annual

[66] In October 2022, the Indicators Group of the Employment Committee agreed on a methodological approach for the monitoring of progress towards the national targets on employment in the context of the European Semester. This section has been prepared on the basis of the agreed methodology. See the Employment Committee's Annual Employment Performance Report 2025 and the Employment Performance Monitor 2025.

[67] Due to population decline, the majority of Member States are found to need lower minimum annual employment growth than in the pre-crisis period to reach their national targets. See the Employment Committee's Annual Employment Performance Report 2025.

employment growth remained at or above the pace needed to reach the national target[68]. Only Luxembourg, Finland, Sweden, Belgium, Bulgaria, Hungary and Latvia recorded 2024 growth below both the pre-pandemic average and the rate needed to reach the target, though Sweden remains close to its target.

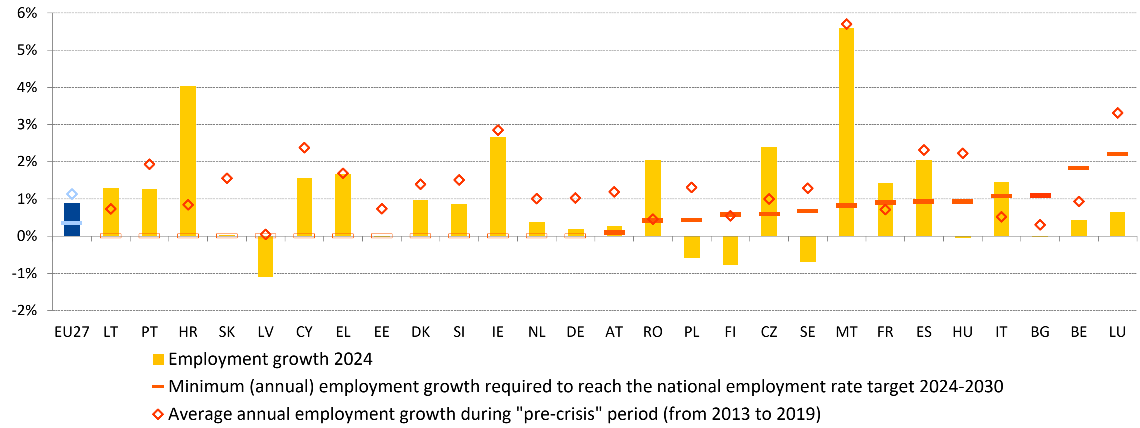
One-fourth of Member States exceeded their national targets in 2024, and half were within 3 pps

Employment rate (2020 and 2024, 20-64, % of population); national and EU 2030 targets

Source: Eurostat [lfsi_emp_a] and table on 2030 national targets in Annex 1.

In over two-thirds of Member States, employment growth in 2024 was on track to reach the 2030 national target

Employment growth in 2024 (20-64, annual % change) versus average annual employment growth over 2013-19 and minimum annual employment growth needed to reach the 2030 national employment rate target



Note: Definition differs for ES and FR. Break in series for BG in 2024. Member States that have already reached or surpassed their national targets or are expected to reach them (under a 'no policy change' scenario) primarily due to a shrinking working age population are indicated with zero minimum annual employment growth needed. *Source*: DG EMPL calculations based on Eurostat [lfsi_emp_a] and Europop 2023.

Total hours worked increased at almost the same pace as employment in 2024 with average hours worked per employee on a long-term downward trend. In 2024, hours worked had surpassed 2019 (pre-COVID-19 levels) in all Member States except Germany,

[68] For some Member States, such minimum required employment growth is negative, reflecting a projected decline in the working-age population and/or the fact that their national targets have already been reached.

Latvia, Hungary, Austria and Slovakia. Yet, as employment expanded in recent years without a corresponding increase in total hours worked, average hours per employee remain below 2019 (pre-COVID-19 levels) in most countries. In 2024, there was a 0.2-hour decrease in full-time work (38.8 hours) and a 0.1-hour increase in part-time (21.8 hours)[69]. In 2024, 6.6% of employees worked long hours (>49 hours/week), 0.5 pps less than in 2023, reflecting structural shifts such as the rising share of women among those employed, less likely to work long hours[70]. Growing concerns about job quality (see section 2.3.1), including psychosocial risks, well-being, work-life balance, digitalisation and intensified work, may also play a role.

Low labour productivity growth remains a challenge in the medium term. In 2024, labour productivity per hour rose by 0.3% (vs 0.7% GDP per capita growth), following a decline of 0.7% in 2023[71]. Over the past two and a half decades, labour productivity growth has steadily slowed, averaging 1.5% annually in 2000-07, 1.2% in 2010-19 and 0.1% in 2021-24. Forecasts predict improvements in 2025, 2026 and 2027 that could in most Member States offset the losses since 2023. However, structurally low labour productivity poses a risk to competitiveness, especially in the context of population ageing, with implications for growth, job creation and living standards[72]. Since 2018, the share of manufacturing's added value has declined faster than its share of employment, resulting in lower productivity growth compared with the rest of the economy. This is a notable change from historical patterns and has, in turn, increased the reliance on the services sector to sustain productivity growth. Tackling low productivity growth requires faster technology adoption and a stronger focus on innovation and knowledge-driven activities[73]. As emphasised in the Draghi report, adapting education and training systems to evolving skills needs, particularly for the twin transition, and prioritising adult learning and vocational education and training are also essential for boosting competitiveness. Reducing administrative barriers, fostering innovation and supporting effective collective bargaining can help secure productivity gains while sustaining wage growth and competitiveness.

Labour shortages, while easing since their post-pandemic peak, remain elevated and continue to constrain firm activity in key sectors. The EU job vacancy rate decreased from 3.1% in Q2-2022 to 2.1% in Q2-2025. Although this is below the quarterly average of 2.9% for the period 2022-23, it remains above the pre-pandemic average of 1.7% recorded between 2013 and 2019. In Q2-2025, the Netherlands, Belgium and Austria had the highest vacancy rates (above 3.4%), while Spain, Poland and Romania had the lowest (below 0.8%). A significant share of managers report that labour shortages continue to constrain production with only a slight improvement compared to a year earlier[74]. The sectors most affected by shortages include accommodation, administrative and support services, professional, scientific and technical activities, construction, and information and communication[75]. Structural factors – including demographic change and new skills demands from the green

[69] See European Commission, Employment and Social developments in Europe 2025, Publications Office of the European Union, 2025..

[70] Eurostat [lfsa_qoe_3a2], EU LFS.

[71] Eurostat [nama_10_pl_ulc], National Accounts.

[72] See: European economic forecast – Autumn 2025, Publications Office of the European Union, 2025.

[73] European Commission, Labour Market and Wage Developments in Europe, Annual review 2025, Publications Office of the European Union,2025.

[74] European Commission's business and consumer surveys. The shares of managers in the construction, services and industry sectors reporting labour shortages as a constraint are 27.4%, 23% and 18.2%, respectively, in Q2-2025.

[75] Statistical classification NACE Rev. 2, categories B-S.

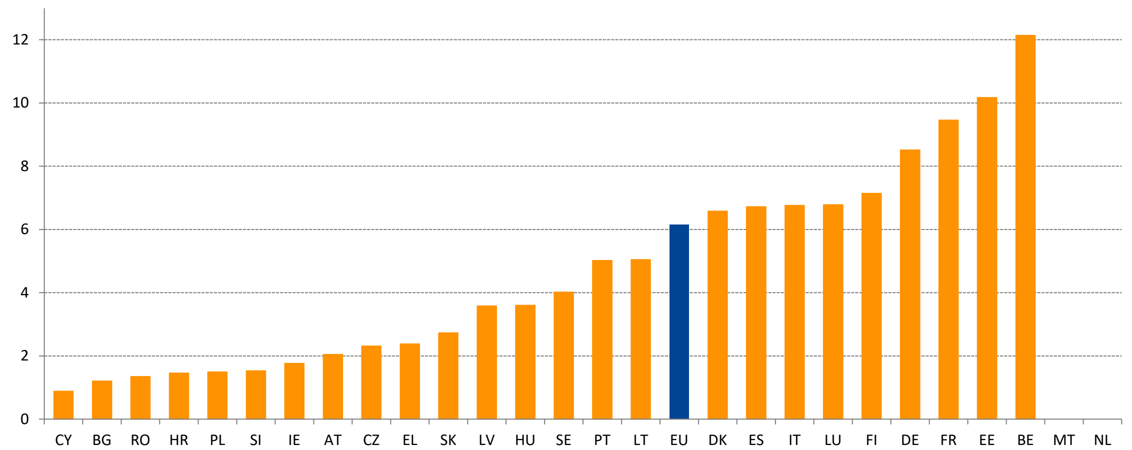
and digital transitions – are likely to sustain shortages in certain sectors[76]. Despite declines in early 2025, labour hoarding – a situation where firms retain more employees than are immediately needed for current production levels – has remained elevated since 2023, potentially slowing future employment growth, though persistent shortages in high-growth sectors, including ICT and care, suggest continued job creation potential provided good working conditions are ensured.

Pillar Box 1: The mid-term review of the Social Economy Action Plan

The social economy is an important contributor to the EU social market economy model and to sustainable prosperity. The overarching objective of the social economy is to prioritise social and environmental goals over profit. It therefore reinvests most profits into good causes serving the collective interest and follows democratic or participatory governance. In the EU[77], the social economy ecosystem is made up of more than 4.3 million entities in the EU. Social economy entities have different business and organisational models and operate across diverse sectors, including agriculture, construction, trade, energy, ICT, finance, health, education, social services, and culture. Such entities can help fill service gaps and offer innovative, tailored solutions, e.g. in health and social care (where 3.3 million out of the 11.5 million people employed in the EU social economy work). To help develop the ecosystem, the European Commission adopted in 2021 the Social Economy Action Plan with three main objectives: i) creating the right framework conditions, ii) opening up opportunities (including access to finance) and support for capacity building, iii) enhancing recognition of the social economy and its potential[78].

The share of persons employed in the social economy varies across EU Member States

Share of persons employed in social economy entities in the EU (% of total employment), 2023



Notes: Data for MT and NL are not available. The data should be treated as minimum values since few Member States provide national statistics devoted to social economy. Different national definitions and levels of recognition of social economy result in difficulty in identifying all social economy organisations in the data.
Source: Benchmarking the socio-economic performance of the EU social economy.

More efforts are needed to help mobilise the full potential of the social economy. The level of recognition of the social economy, the framework conditions for its functioning and

[76] See: European economic forecast – Autumn 2025, Publications Office of the European Union, 2025.
[77] See European Commission et al., *Benchmarking the socio-economic performance of the EU social economy – Improving the socio-economic knowledge of the proximity and social economy ecosystem*, Publications Office of the European Union, 2024
[78] See: Social Economy Action Plan.

access to financing differ among Member States. About 6.3% of the EU employed population were working in the social economy in 2023. Significant variation is observed in the share of people working in the social economy. In Belgium and Estonia this share was above 10%, while in seven other Member States (Cyprus, Bulgaria, Romania, Croatia, Poland, Slovenia, Ireland) it was lower than 2% (see Figure above). This highlights the uneven development of the social economy across the EU, but also its untapped potential for growth and job creation in many Member States and regions, which could be activated if supported by adequate measures.

In 2026, the European Commission will carry out a mid-term review of the Social Economy Action Plan to assess progress and address new challenges. Most of the 63 EU-level actions included in the Action Plan have already been implemented or are ongoing. A key milestone was the 2023 Council Recommendation on social economy framework conditions, supporting Member States in promoting the social economy across policy areas. The EU Social Economy Gateway was launched as a one-stop shop for relevant information and resources. Since 2022, multiple financial products under the Social Investment and Skills Window (SISW) of InvestEU have been deployed. With strong demand (EUR 1.54 billion of the SISW guarantee approved by end-2024), the EU guarantee was boosted in 2025[79]. The mid-term review will take stock of all the achievements and align the plan to the new challenges, keeping the 2030 horizon.

Several Member States have recently taken steps to adopt legislative frameworks or strategies for the social economy. In **Czechia** the act on Work Integration Social Enterprises entered into force in January 2025, and in July 2025 the government approved the Strategic Framework for Social Entrepreneurship for the period 2026-30. **Ireland** adopted in July 2024 'Trading for Impact', the National Social Enterprise Policy 2024-27. In **Belgium**, Flanders is pursuing investments enabling the creation of 1 000 additional subsidised jobs in the social economy by the end of the 2024-29 legislative term. **Spain** amended its Law on Cooperatives to clarify the types of entities in the sector and update the objectives for public policy support. In June 2024, it also launched the EUR 400 million Social Impact Fund to support social and environmental investments, including in social economy entities. **Poland** proposed amending the Social Economy Act to broaden the definition of social economy, ease rules for social enterprises, improve support tools, and strengthen reintegration and coordination efforts. **Romania** launched in April 2025 an ESF+ project on 'Promoting monitoring and evaluating the evolution of the social economy and of the social entrepreneurship', which aims at developing a national strategy for the social economy.

Short-time work schemes, supported by the SURE instrument, provide lessons for managing future economic shocks. According to the final evaluation of the EU's temporary Support to mitigate Unemployment Risks in an Emergency (SURE) instrument[80], job retention schemes – including those financed through SURE – are estimated to have saved between 1.03 million and 1.66 million jobs in 2020 across beneficiary Member States. Estimates indicate that such schemes protected the equivalent of 13.3% and 1.1% of employment in 2020 and 2021, respectively[81]. In the current context of heightened uncertainty, driven by geopolitical tensions, and planned job cuts in key sectors, several

[79] See InvestEU Indicators .
[80] See SWD(2025) 47 final.
[81] European Commission, *Labour market and wage developments in Europe – Annual review 2021*, Publications Office of the European Union, 2021 and Eurofound, *Weathering the crisis: How job retention schemes preserved employment and incomes during the pandemic*, Publications Office of the European Union, 2024.

Member States have increased reliance on short-time work schemes. Drawing on the diverse strategies employed during the pandemic is essential for refining the design and effectiveness of such programmes across the EU. Evidence suggests that short-time work schemes are most effective during temporary crises, prioritising vulnerable firms and workers while avoiding support for non-viable jobs in the long term[82].

Self-employment in the EU has been on a steady decline, with sectoral and country variations. The share of self-employed in total employment (20-64) declined from 13.2% in 2010 to 10.6% in 2024. It decreased most in agriculture, forestry and fishing, as well as in wholesale and retail trade, while increasing significantly in the public and near-public sectors (including public administration, education and health) as well as in ICT. The skills profile of the self-employed has also shifted, with 40% of them holding tertiary education in 2024 compared to 28% in 2010. However, poverty risks remain significant: at-risk-of-poverty rates (18-64) among the self-employed (22.3%) are more than double those of employees (9.2%) (see section 2.3.1). Country variations in the share of self-employed are substantial, ranging from around 20% in Italy and Greece to under 9% in Denmark, Germany, Cyprus, Luxembourg and Sweden. Between 2014 and 2024, the share of own-account workers (approximately 70% of the self-employed in most Member States) in total employment declined from 10.0% to 8.9%, as younger cohorts entered self-employment in lower numbers, insufficient to offset the exit of older workers.

Unemployment, already at record lows, declined further in 2024 and early 2025 and shows signs of upward convergence across Member States. The unemployment rate in the EU (15-74) decreased to 5.9% in 2024, down from 6.1% in 2023, marking the lowest level on record. In September 2025, the EU unemployment rate stood at 6.0%. The largest yearly declines (at or above 1 pp) were registered in Italy, Croatia and Greece, while Denmark, Estonia, Finland, Luxembourg and Sweden recorded rises of more than 0.7 pps – see Figure 2.1.2. Finland and Sweden face a 'critical situation' due to both high unemployment rates and significant increases from 2023, while France, Lithuania, Latvia, Denmark, Luxembourg and Estonia are 'to watch', reflecting high rates and below-average progress. Spain (11.4%) and Greece (10.1%) remain 'weak but improving' with well above-average improvements yet still high unemployment levels. Czechia, Poland, Germany and Malta are 'best performers', with unemployment rates between 2.6% and 3.4%. Cross-country differences, while still large, are narrowing as countries with high unemployment rates – such as Spain or Greece – register stronger improvements.

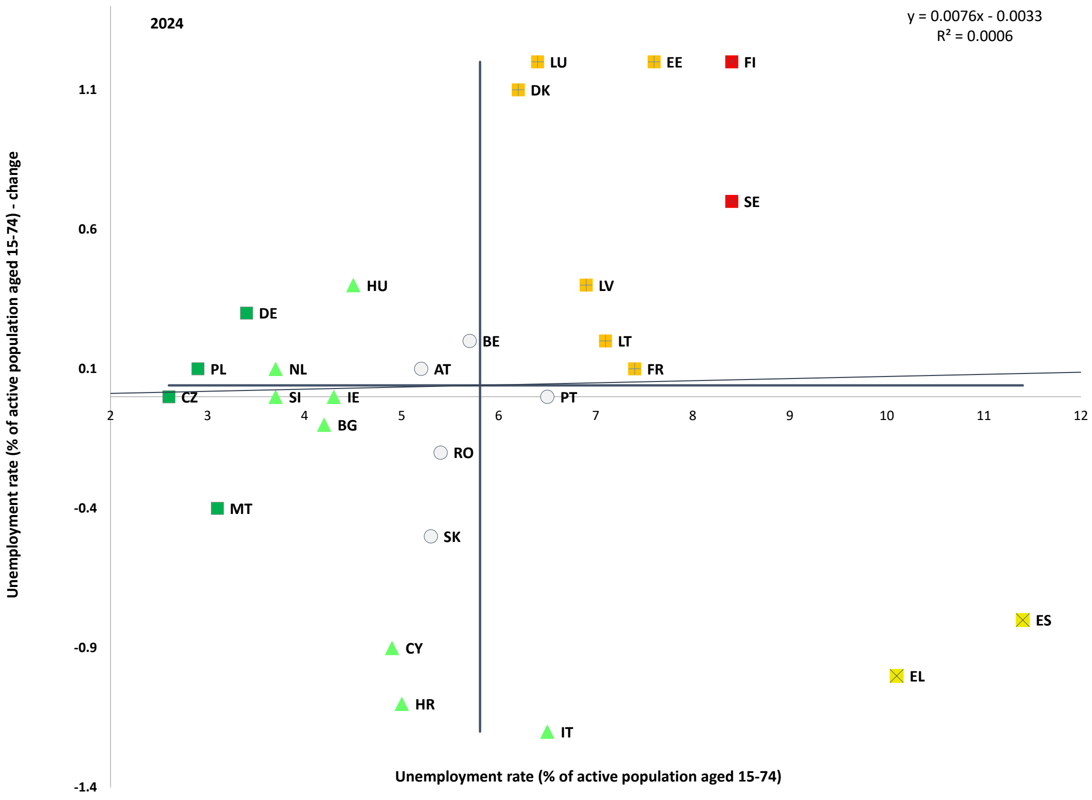
Unemployment rates show significant variation by gender and at the regional level[83]. Unemployment remains higher for women (6.2% in 2024) than for men (5.7%) Regional disparities persist: in 2024, rural areas (5.1%) had the lowest rates, followed by towns/suburbs (5.6%) and cities (6.7%). Differences across NUTS 2 regions mirror those in employment rates (see above), with the exception of Sweden, which performs less favourably in terms of unemployment (see Figure 6 in Annex 5). Some outermost regions - Guadeloupe, Martinique, Guyane, La Réunion, Mayotte and Canary islands - have among the highest unemployment rates in the EU.

[82] European Commission, Labour Market and Wage Developments in Europe, Annual review 2025, Publications Office of the European Union,2025.

[83] More detailed analysis on the gender differences in employment and other dimensions at regional level is available on the JRC EU Regional Gender Equality Monitor.

Figure 2.1.2: Unemployment decreased in nearly half of the Member States in 2024

Unemployment rate (age 15-74), 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR. Break in series for BG.
Source: Eurostat [une_rt_a], EU LFS.

The share of green occupations is increasing across the EU, with some of these occupations facing labour shortages due to new skills demands. Employment in the environmental goods and services sector rose from 2.2% in 2015 to 3.1% in 2022, with significant variation in the employment share of this sector across countries in 2022 (from 1% in Hungary to 5.7% in Luxembourg)[84]. Alternative estimates suggest that green jobs could already account for up to 11.3% of the EU workforce[85]. At the same time, emission-intensive sectors[86] still employ 3.1% of EU workers (ranging from 0.9% in Cyprus to 7.1% in Czechia). Recent analysis[87] identified 24 occupations relevant to the green transition with labour shortages across multiple Member States. Occupations that are relevant for the green transition and where labour shortages are most widespread across countries include plumbers

[84] Eurostat [env_ac_egss1], [nama_10_a10_e].
[85] Based on calculations of the Joint Research Centre done under the GreenJobs project, following the operationalisation of the ONET task-based approach proposed by Gili, Verdolini and Vona (2020) to measure green jobs employment in the EU.
[86] Emission-intensive industries in this context are mining and quarrying (NACE code: B), manufacture of chemicals and chemical products (C20), manufacture of other non-metallic mineral products (C23), manufacture of basic metals (C24), and manufacture of motor vehicles, trailers, semi-trailers and of other transport equipment (C29).
[87] An occupation is classified as facing 'widespread shortages' if at least five Member States report shortages for it. This is a key performance indicator of the Clean Industrial Deal.

and pipe fitters (20 Member States), insulation workers, civil engineers and air conditioning and refrigeration mechanics (14), civil engineering technicians (12) and roofers (11). These occupations require highly technical and manual expertise that is essential to the green transition.

Fair and inclusive transition policies that target those that are particularly affected by the green transition can support worker mobility, alleviate labour shortages and ensure that the benefits of the green transition are broadly shared. Moving to a circular, low-carbon economy requires retraining workers from fossil fuel industries into expanding sectors such as net zero industries, renewable energy generation, construction, waste management and manufacturing, while electrification and rising raw material demand are also boosting employment in electricity and energy-intensive sectors. In 2023, around 30% of all workers in the EU (including 30 million in manufacturing, 15 million in construction, 10 million in transportation and storage) were employed in transforming sectors[88]. Yet, sectoral mobility remains limited, with only 1.8-3.9% of workers switching sectors annually, a rate broadly unchanged since 2016. The persistence of shortages in climate-relevant occupations underlines the need for policies that help workers adapt to evolving skills demands or transitioning sectors. The green transition also provides opportunities to improve job quality as new and emerging green occupations (e.g. renewable energy engineers and green policy planning managers) tend to offer higher wages and more stable contracts[89]. However, benefits are uneven and mostly for high-skilled roles[90]. Increased demand for technical and manual jobs[91] (e.g. electrical and mechanical engineers, electrical line installers and repairers) may be accompanied by higher physical risks and lower access to workplace resources and autonomy. To make these jobs more attractive, policies should seek to address job quality issues, notably related to working conditions, pay and resource access. Active labour market policies, including skills development, employment incentives, and job search support, play a crucial role in supporting workers in job transitions during economic shifts.

The digital transition continues to reshape economies and labour markets, generating new opportunities while amplifying the need for up- and reskilling. The number of ICT specialists in the EU has risen steadily since 2013 (by 59.3%), reaching over 10.3 million in 2024[92]. Women remain nonetheless significantly underrepresented, accounting for only 19.5% of ICT specialists. At the current pace, the number of ICT professionals will reach about 12 million by 2030, well below the EU's target of 20 million, amid intensifying competition for digital and skilled talent (see Section 2.2.1)[93]. In a recent Eurobarometer survey[94], most respondents view digital technologies, including Artificial Intelligence (AI), as, as having a positive impact on their jobs, the economy, society and quality of life. Moreover, 62% of respondents view robots and AI positively at work, and 70% believe they

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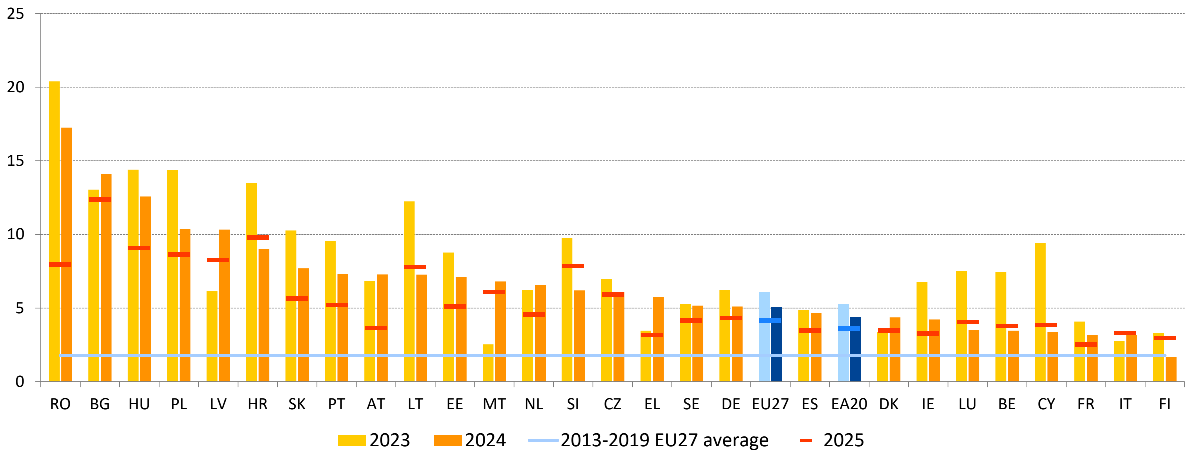
[88] Fulvimari A. et al., Estimating labour market transition costs and social investment needs of the green transition – a new approach, Publications Office of the European Union, 2025. 'Transforming sectors' include the selection of sectors that (i) are key to transition to climate neutrality for their role in implementation of climate targets, or (ii) are expected to experience significant employment-related changes due to decarbonisation, or (iii) both.
[89] OECD, Employment Outlook 2024: The Net-Zero Transition and the Labour Market, Paris, 2024.
[90] Eurofound, Job quality side of climate change, Working conditions and sustainable work series, Publications Office of the European Union, Luxembourg, 2024.
[91] Jobs that will see rising labour demands due to the increase in demand for green products and services but do not necessarily change in task content.
[92] Towards Digital Decade targets for Europe - Statistics Explained – Eurostat.
[93] Europe's digital decade: 2030 targets | European Commission.
[94] Artificial Intelligence and the future of work - February 2025 - - Eurobarometer survey.

improve productivity. Still, concerns persist: 84% of respondents think that AI requires careful management to protect privacy and ensure transparency in the workplace. . Between 2012 and 2023, employment shifted markedly from low- to high-wage jobs, accompanied by an increase in the share of employment in low-productivity growth sector [95]. This shift appears to be driven primarily by the adoption of new technologies and automation as high-productivity growth sectors require fewer workers to maintain output, leading to gradual reallocation of employment towards low productivity growth sectors. Available evidence on the impact of AI on the labour market is not yet conclusive.

Figure 2.1.3: Wages continued to rise in 2024, with significant cross-country differences

Nominal compensation per employee, annual percentage change



Note: Note: EA-20, the 20 countries that have adopted the euro. Nominal compensation per employee is calculated as the total compensation of employees divided by the total number of employees. Nominal compensation includes, in addition to gross wages, employer contributions. Data for 2025 reflects projections calculated on the basis of the Commission's European Autumn 2025 Economic Forecasts.
Source: AMECO database [HWCDW] and Eurostat, National accounts [namq_10_gdp], [namq_10_a10_e].

Wage growth in the EU remained robust in 2024, but developments differed markedly across Member States. Annual growth in nominal compensation per employee reached 5.1%, after its historical high of 6.1% in 2023, in a context of decreasing inflation and still tight, though easing, labour markets[96]. The highest increases (year-on-year) were observed in Central and Eastern European Member States, exceeding 10% in Bulgaria, Romania, Hungary, Poland and Latvia, ranging between 7.0% and 10.0% in Croatia, Slovakia, Portugal, Austria, Lithuania and Estonia – see Figure 2.1.3. In many of these Member States, inflation remained relatively high, in particular Romania, Croatia, Poland and Hungary. By contrast, wage growth was more moderate, between 3.0% and 5.0%, in Belgium, Cyprus, Denmark, France, Ireland, Italy, Luxembourg and Spain, where inflation was lower. It was below 2.0% in Finland.

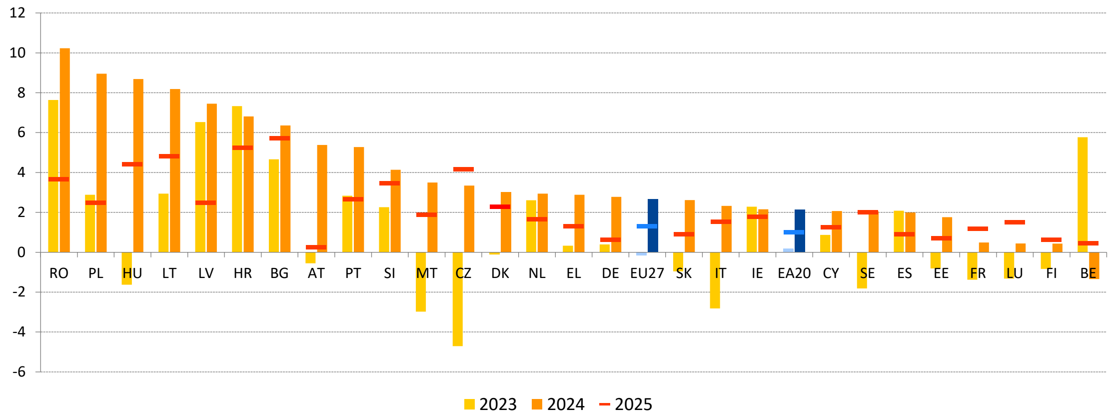
Negotiated wage growth has been strong since mid-2023, reflecting efforts to recover real income losses, but signs of moderation are emerging[97]. In the euro area, negotiated

[95] European Commission, *Labour Market and Wage Developments in Europe, Annual review 2025*, Publications Office of the European Union, 2025.
[96] Inflation in the EU dropped from 6.4% in 2023 to 2.6% in 2024, with forecasts of 2.5% for 2025 and 2.1% for 2026. See: European economic forecast – Autumn 2025, Publications Office of the European Union, 2025.
[97] Negotiated wage growth represents the direct outcome of the wage bargaining between social partners. It includes both newly negotiated and previously agreed wages. As a general rule, it excludes bonuses, overtime and other individual compensations that are not linked to collective bargaining. Compared with wages paid,

wage growth peaked at 5.4% (year-on-year) in Q3-2024, driven by heightened collective bargaining activity as trade unions sought to offset earlier declines in purchasing power since late 2021[98]. Negotiated wage growth has started to ease into 2025, in line with a decline in inflationary pressure.

Figure 2.1.4: Real wages rebounded in 2024 across most Member States

Real gross wages and salaries per employee, annual percentage change



Note: EA refers to EA-20, the 20 countries that have adopted the euro. Real wages were computed using the harmonised index of consumer prices as a deflator. Data for 2025 reflects projections calculated on the basis of the Commission's European Spring 2025 Economic Forecasts.
Source: European Commission, AMECO database, Nominal gross wages and salaries per employee [hwwdw], deflator: Harmonised index of consumer prices [AMECO 5000 ZCPIH]. Total employment (domestic concept) [namq_10_a10_e]. The update for gross wages and salaries per employee [AMECO code: hwwdw] with the Autumn forecast was not available on 19 November when the last update was possible.

Real wages are bouncing back, supported by easing inflation and sustained nominal wage growth, but the pace of recovery differs across Member States. Following a significant 3.7% decline in 2022 and a more modest 0.1% decrease in 2023, real wages rebounded in 2024, rising by 2.7%[99]. This recovery was primarily driven by declining inflation and robust nominal wage increases. The rebound was the strongest (over 8%) in Romania, Poland and Hungary and Lithuania, as well as (over 6%) in Latvia, Croatia and Bulgaria – see Figure 2.1.4. In Belgium, real wages decreased by 1.3% in 2024. In 2024, real wages in the EU remained 0.7% below their 2019 levels on average, with large differences across countries reflecting different nominal wage and inflation dynamics. In 2025, real wages in the EU have broadly recovered their pre-pandemic levels, but in Czechia, Germany, Italy, Finland and France they would remain below.

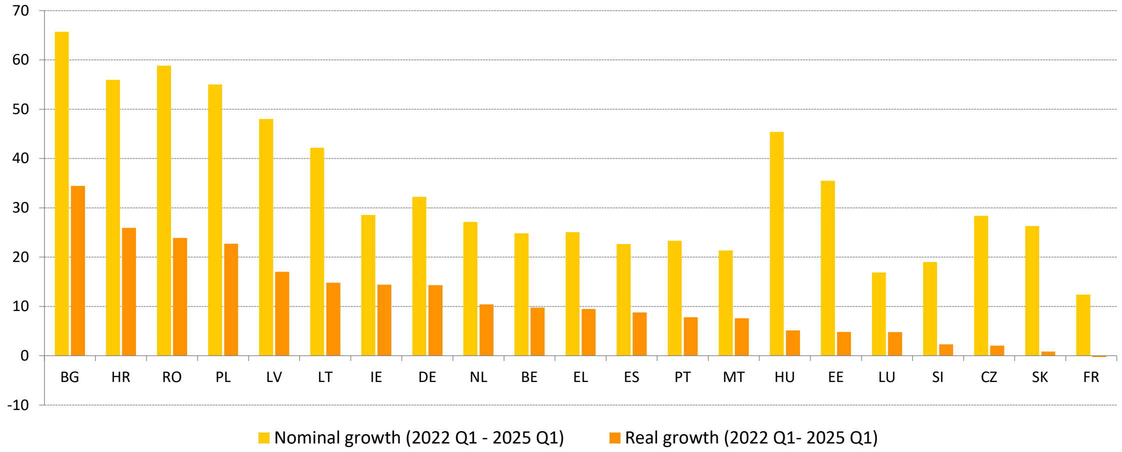
negotiated wages are also not sensitive to the number of hours worked (as they are set on a full-time basis) and represent a wage floor in some sectors.

[98] European Commission, *Labour market and wage developments in Europe – Annual review 2021*, Publications Office of the European Union, 2021 and Eurofound, *Weathering the crisis: How job retention schemes preserved employment and incomes during the pandemic*, Publications Office of the European Union, 2024.

[99] Real wages are calculated using the harmonised index of consumer prices as a deflator.

Figure 2.1.5: Increases in statutory minimum wages supported offsetting purchasing power losses of minimum wage earners

Minimum wages developments in Member States with statutory minimum wages (% change)



Note: Cyprus was excluded as the statutory minimum wage was introduced in 2023.
Source: Eurofound and Eurostat [earn_mw_cur, prc_hicp_midx].

Recent minimum wage increases in the EU have helped counteract the impact of inflation on low-income workers. Between January 2022 and January 2025, statutory minimum wages grew by more than 20% in all Member States where such wages are in place[100], with the exception of France, Luxembourg and Slovenia. Increases ranged from 12.4% in France to 65.7% in Bulgaria, and exceeded 40% in six other Member States (Romania Croatia, Poland, Latvia, Hungary and Lithuania)[101] – see Figure 2.1.5. In real terms, these countries also tended to register the highest increases despite elevated inflation. In contrast, real minimum wages grew by less than 5% in Luxembourg, Czechia, Slovakia, Estonia and Slovenia, and slightly decreased in France. Meanwhile, in countries where minimum wages are determined through collective agreements, real wage growth in 2024 also supported purchasing power, particularly in low-paid sectors[102]. Recent research shows that national minimum wage increases boost overall wage growth, support collective bargaining and lift wage floors in low-paid sectors[103].

[100] 22 Member States have statutory minimum wages: Belgium, Bulgaria, Croatia, Cyprus, Czechia, Estonia, France, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia and Spain.

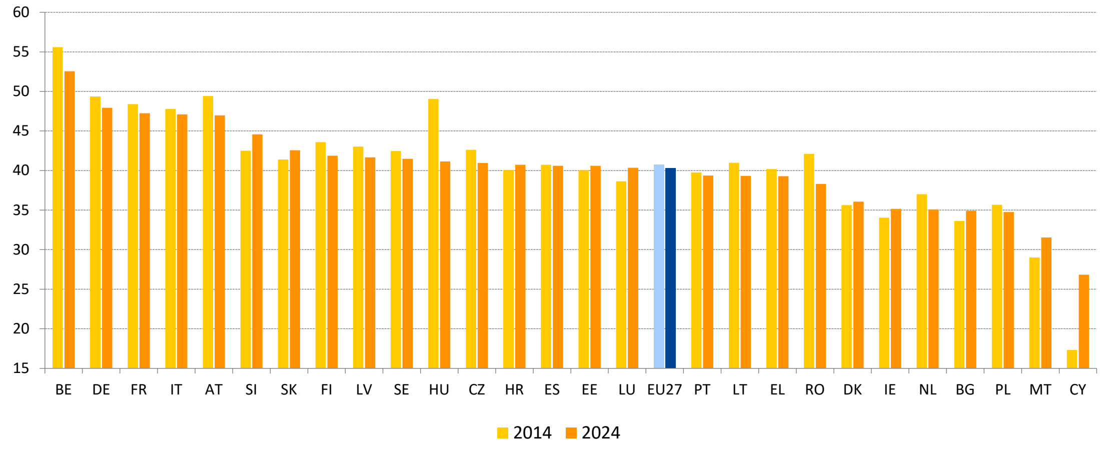
[101] Minimum wages are often updated annually, at the beginning of the year. Between January 2022 and January 2025, the largest increases were registered in Poland (49%), Bulgaria (44%), Latvia (40%), and Croatia (34%). They increased between 20% and 30% in Belgium, Germany, Estonia, Ireland, Lithuania, Hungary, the Netherlands and Romania.

[102] Eurofound, Industrial relations and social dialogue. Minimum wages in 2025: Annual review, 2025.

[103] Emprical results indicate that a 1% minimum wage increase raises wages for the lowest 25% of earners by 0.31%. See: Eurofound, Impact of national minimum wages on collective bargaining and wages for low-paid workers, Publications Office of the European Union, Luxembourg, 2025.

Figure 2.1.6: In 2024, the tax wedge for a single person earning the average wage was lower than a decade earlier in most Member States

Tax wedge for a single person earning the average wage (%,)



Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax/benefit model (updated May 2025).

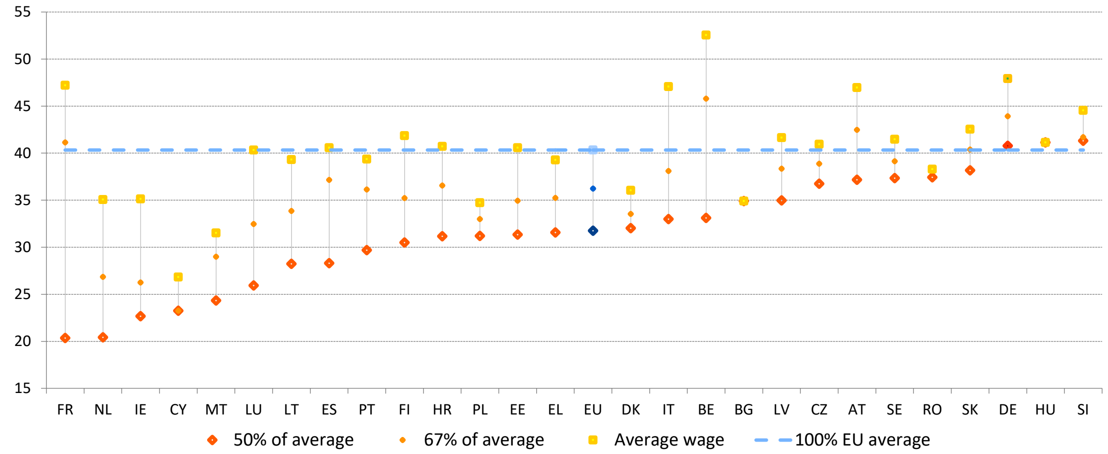
Labour taxation continues to influence work and hiring incentives across the EU. The tax wedge – defined as the difference between employers' labour costs and employees' net take-home pay, expressed as a percentage of total labour costs – affects both labour supply and demand, particularly for groups like second earners whose labour supply is more responsive to taxation. Since 2014, the tax wedge for a single person earning the average wage has decreased by 0.4 pps in the EU, reaching 40.3% in 2024, which is still well above the OECD average of 34.9% – see Figure 2.1.6[104]. It decreased by more than 1 pp in 11 Member States, with the strongest declines in Hungary (-7.9 pps), Romania (-3.8 pps) and Belgium (-3.0 pps). Conversely, over the same period, the tax wedge for average earners increased in 10 countries, notably Cyprus (+9.5 pps), Malta (+2.5 pps) and Luxembourg (+1.7 pps) (see 2.2.1 for details). For lower-income earners (50% of the average wage), the average tax wedge in the EU for a single person stood at 31.8% in 2024, increasing by 0.3 pps from 2023 but marking a decline of 2.2 pps since 2014.

Personal income tax systems are generally progressive, with lower tax wedges for low-income earners. Progressivity is particularly pronounced in France, Belgium, the Netherlands, Luxembourg and Italy, while Bulgaria and Hungary apply flat-rate systems – see Figure 2.1.7. Lower tax burdens on low-income earners reduce labour market distortions and support the employment of low-skilled workers, but tax systems should be designed to avoid discouraging transitions into higher-paying jobs.

[104] OECD, Taxing Wages 2025: Decomposition of Personal Income Taxes and the Role of Tax Reliefs, OECD Publishing, Paris, 2025.

Figure 2.1.7: The tax wedge is lower for low-wage workers

Tax wedge for a single low-wage earner (50% & 67% of average wage) compared to average wage in 2024 (%)



Notes: Member States are ranked in descending order by the level of progressivity (tax wedge average wage-tax wedge 50% of average wage).
Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax/benefit model (updated May 2025).

Inflation can create distortions in tax systems, affecting both progressivity and fairness. Rising prices can erode fixed nominal thresholds – such as tax brackets and credits – often leading to so-called 'bracket creep' in progressive systems, whereby taxpayers are pushed into higher tax brackets and the real value of deductions and credits declines. Such effects can reduce disposable income and increase poverty risks. Adjustments, via automatic indexation or discretionary updates, can mitigate these distortions. In 2024-25, many Member States revised their personal income tax systems to counter inflation-driven distortions – see Section 2.1.2.

Shifting the tax burden from labour to environmental taxes can boost labour market incentives, fairness and climate goals. The recent Action Plan for Affordable Energy[105] calls for completing the revision of the Energy Taxation Directive (under discussion since 2021) ensuring that the most polluting fuels are taxed the highest while advancing decarbonisation. Similarly, the Clean Industrial Deal[106] encourages tax reforms that support electrification and phase out fossil fuel subsidies. The 2022 Council Recommendation for a fair transition towards climate neutrality[107] also advocates decreasing the tax burden on labour, particularly for low- and middle-income groups, and shifting revenues towards environmentally sustainable sources. While carbon taxes can have regressive effects, these can be mitigated through carefully designed compensatory measures. However, environmental taxes represent just 5.2% of total tax revenues in the EU (2023) – 1.5 pps lower than in 2013 – with shares above 10% only in Bulgaria (11.2%) and Greece (10.6%), and below 5% in 9 countries. Only Belgium, Bulgaria and Romania have seen increases in environmental tax shares since 2013. Measures such as tax incentives for energy savings and for reducing fossil fuel consumption can help align climate and fairness goals.

[105] Action Plan for Affordable Energy: Unlocking the true value of our Energy Union to secure affordable, efficient and clean energy for all Europeans - European Commission.
[106] Clean Industrial Deal - European Commission
[107] Council Recommendation on ensuring a fair transition towards climate neutrality 2022/C 243/04.

2.1.2 Measures taken by Member States

Several Member States have introduced or expanded hiring incentives and subsidies to boost employment, focussing on underrepresented groups. In **Poland**, a new act adopted in March 2025 provides subsidies for employers that hire senior employees, covering up to half the minimum wage per senior employee for 12 months (for workers aged 50-65) or one month (for retirement-age seniors, renewable). After the subsidy period ends, employers must pay the full salary and continue to employ the person for six months or one month, respectively. In **Italy**, the 2025 Budget Law extended to 2025 and 2026 the tax deduction for enterprises and self-employed workers recruiting staff under permanent contracts. It also introduced a temporary tax exemption for employer-paid housing costs (rent and maintenance) of up to EUR 5 000 annually during the first two years of employment for permanent workers earning up to EUR 35 000, while remaining subject to social security contributions. **Portugal**'s 'Employment + Talent' programme provides financial incentives to employers hiring, at a minimum salary of EUR 1 442.57, unemployed tertiary-educated youth (18-35) registered with Institute for Employment and Vocational Training (IEFP) or those returning from abroad after at least 12 months. In **Greece**, a subsidised employment programme launched at the end of 2024 and running for 18 months, with support from the RRF, provides for the recruitment of 1 000 persons with disabilities in local government, covering up to 75% of salary and contributions (up to EUR 13 500 per person), to promote their labour market integration.

Short-time work schemes have been further developed to enhance labour market resilience and protect employment during economic shocks. For example, the **Netherlands** launched a temporary job retention scheme ('*Crisisregeling Personeelsbehoud*') in January 2024 that will remain in place until December 2025. The scheme subsidises reduced working hours for firms facing demand shocks to preserve jobs and support household incomes. In June 2025, **Slovenia** adopted, as part of its RRP, legislation establishing a permanent short-time work programme for use in case of extraordinary unforeseen circumstances, including support for temporary part-time workers and enhanced access to education and training to boost employability amid digitalisation and automation.

Minimum wage frameworks are being updated across the EU to ensure that wage adjustments better reflect economic conditions. **Greece** adopted in December 2024 a legal framework to introduce from 2028 a new methodology to set statutory minimum wages using a formula based on changes in the annual Consumer Price Index (CPI) for the lowest-income 20% of households and a wage purchasing power index[108]. Consultative committees will be able to propose deviations from this automatic indexation, subject to a set of criteria and a reference value of 60% of the gross median wage. In **Latvia**, a new minimum wage regulation, effective since November 2024, links annual minimum wage adjustments to factors including the national average wage, macroeconomic forecasts, tax changes, labour cost indices and poverty thresholds. In **Romania**, the RRF supported a new framework for minimum wage setting, also effective since February 2025, which introduced an annual adjustment formula based on inflation, productivity and wage benchmarks, accompanied by yearly adequacy assessments and tripartite consultations. In **Luxembourg**, a draft law presented in December 2024 aims to strengthen the statutory minimum wage framework through clearer adequacy criteria, biannual reviews and a consultative body composed of social partners, to advise on annual adjustments. In **Portugal**, a tripartite agreement covering

[108] The period from 2025 to 2027 is considered transitional and provides for the continued application of the same system for determining the minimum wage as in 2024.

2025-28 sets targets for raising the minimum and average wages and provides for productivity and performance bonuses for workers, profit-sharing as well as support measures for young workers. It also offers tax incentives for companies to raise wages and retirement savings of workers.

Several Member States have introduced measures to revise their collective agreement frameworks, with a view to improving coverage, flexibility and transparency. In **Italy**, the 2025 Budget Law includes provisions for the renewal of collective agreements in public administrations with targeted wage increases and sector-specific incentives, for instance in healthcare and education. **Poland** proposed a draft Collective Agreements Act in early 2025 mandating employers with more than 50 employees to negotiate with unions every two years, expanding collective agreements to modern workplace issues, and introducing digital procedures and a national register for collective agreements. In **Finland**, a new legislation in force since January 2025 seeks to increase opportunities for bargaining at the company level, including for firms not affiliated with employer associations or those without a shop steward. After the reform, derogations from generally applicable collective agreements will be possible for all companies, with certain checks to ensure representative local bargaining.

Labour taxation reforms are being introduced to enhance progressivity and fairness. Lithuania reformed its income tax system to make it more progressive by replacing the flat personal income tax rate of 15% by three rates of 20%, 25% and 32%, where higher rates apply to higher incomes, also applicable to certain self-employed workers. In **Ireland**, the government revised income tax credits and bands as part of the 2025 budget. The standard rate band was raised by EUR 2 000 to EUR 44 000 for a single person, with proportional increases for married couples and civil partners. The 4% rate of the Universal Social Charge (USC) was reduced to 3% from January 2025, alongside higher tax credits for disadvantaged groups.

Personal income tax parameters have been adjusted across several Member States to mitigate inflation-driven 'bracket creep' and further enhance fairness[109]. In **Latvia**, the non-taxable income amount was raised to EUR 510 per month (EUR 6 120 per year) and to EUR 1 000 per month (EUR 12 000 per year) for pensioners. Deductions for education, medical expenses and donations were also increased, and a new 3% tax rate was introduced on dividends and other capital income over EUR 200 000 per year. **Finland** increased the basic allowance, while **Ireland** raised the personal tax credit, income credit, employee tax credit and rent tax credit for single persons and joint assessed couples. To counter inflation and improve tax fairness, **Luxembourg** and the **Netherlands** adjusted their personal income tax brackets. **Hungary** doubled family taxbase allowances (by 50% from July 2025 and by an additional 50% from January 2026).

2.2. Guideline 6 – Enhancing labour supply and improving access to employment, lifelong acquisition of skills and competences

This section looks at the implementation of employment guideline no. 6, which recommends that Member States create the conditions to enhance labour supply, promote the acquistion of skills and competences throughout people's lives, foster equal opportunities for all, remove

[109] See: European Commission, Annual Report on Taxation 2024, Publications Office of the European Union, 2024.

barriers to and provide incentives for participation in the labour market, in line with principles 1 (education, training and life-long learning), 2 (gender equality), 3 (equal opportunities), 4 (active support to employment), 9 (work-life balance), 11 (childcare and support to children) and 17 (inclusion of persons with disabilities) of the European Pillar of Social Rights. Section 2.2.1 analyses developments in the field of education, from early childhood education and care, student performance, and vocational education and training to tertiary education and early school leaving. The chapter delves into labour and skill shortages, mismatches, and skills development among adults, including digital competencies. Additionally, it provides an analysis of the labour market conditions for young people, older workers, migrants, and persons with disabilities. Section 2.2.2 reports on policy measures of Member States in these policy areas.

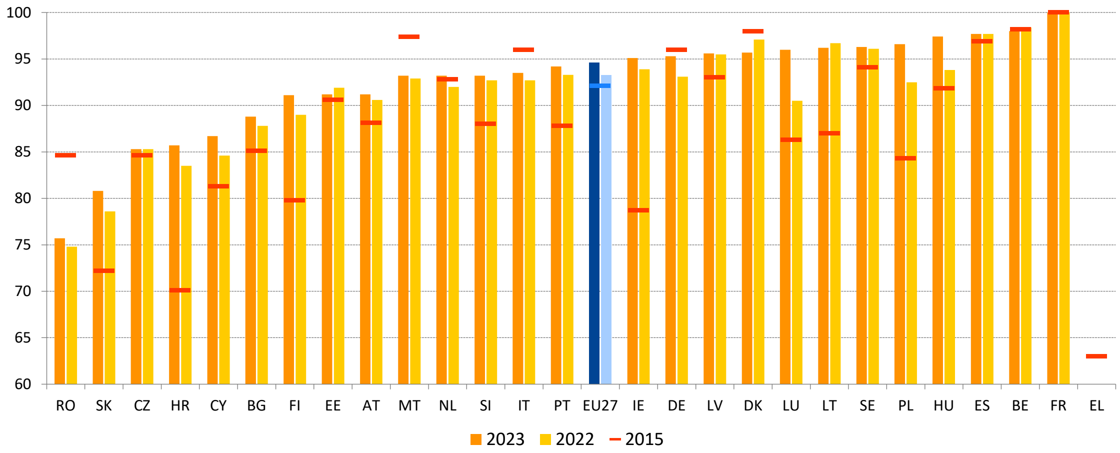
2.2.1 Key indicators

Participation in early childhood education and care (ECEC) between the age of 3 and starting primary education continues to climb in the EU, with large variation remaining among Member States. In 2023, 94.6% participated, just 1.4 pps below the 2030 EU-level target set at 96%. To date, eight Member States have reached this target, while most countries top 90%. The best-performing countries are France (100%), Belgium (98%) and Spain (97.7%). Romania (75.7%), Slovakia (80.8%) and Czechia (85.3%) rank lowest – see Figure 2.2.1. The EU average increased by 1.3 pps from the previous year, though there was a decrease in four countries between 2022 and 2023, notably among Member States with rather high participation. Progress to increase participation among 3-year-olds specifically has been made in almost all Member States, and the rate reached 90.6% in 2023 (+5.4 pps since 2015)[110]. However, increasing participation among 3-year-olds remains a challenge in some of them, and rates are particularly low in Romania (68.1%) and Slovakia (68.9%). Affordability and capacity shortages, including staff shortages, are still barriers to access, particularly for younger children and those from disadvantaged backgrounds. In particular, only 53% of Roma children participate in ECEC, which is still far below the EU average for all children, despite an improvement of about 11 pps between 2016 and 2023[111].

[110] Eurostat [educ_uoe_enrp07].
[111] See: EU Agency for Fundamental Rights, Rights of Roma and Travellers in 13 European countries, 2024.

Figure 2.2.1: Participation in ECEC continues to climb higher at EU level, but there is large variation across Member States

Participation in ECEC of children between 3 and the age of starting compulsory primary education (%)



Note: Provisional data for FR in 2023 and PL in 2022 and 2023. Break in series for HU in 2023. Data are not available for EL in 2022 and 2023. Definition differs for BE and EL in 2015, HU in 2023 and PT in 2015, 2022 and 2023.

Source: Eurostat, [educ_uoe_enra21].

Early leaving from education and training is declining across the EU but remains a challenge. In 2024, 9.4% of 18-24-year-olds left education or training early, down by 0.2 pps from 2023. This is 1.7 pps lower than a decade earlier, with five countries (Italy, Greece, Malta, Spain and Portugal) achieving reductions of more than 5 pps over this period. However, this still translates into approximately 3.1 million 18-24-year-olds in the EU who remain disengaged from education and training without having attained at least upper secondary education[112]. Although 17 Member States have already reached the European Education Area (EEA) target of reducing early leaving to below 9% by 2030, more progress is needed in some Member States. In Romania, Spain and Germany, where the rate remains above 12 pps, there was little or no progress over the previous year, meaning all three countries remain in a 'critical situation' – see Figure 2.2.2. Lithuania recorded the largest deterioration in 2024 (by 2.0 pps), followed by Slovakia, Luxembourg, Estonia and Cyprus, where the share of early leavers from education and training grew by at least 0.9 pps. These situations are 'to watch', along with Denmark and Italy, where levels remain too high despite no change or a decrease. On the other hand, Croatia, Ireland, Greece and Poland were the 'best performers'. Despite a slightly positive trend overall, there is no sign of upward convergence among Member States.

Rates of early leaving vary substantially across groups, and are particularly high for people born outside the EU, Roma and persons with disabilities. While the rate of young women and young men leaving early both decreased by 1.7 pps over the previous decade, young men are still much more likely to leave education or training early (11.0%) than young women (7.7%). Young people born outside the EU or in another Member State remain much more likely (20.1% and 18.6% respectively) to leave early than those born in the Member State in question (8.2%)[113]. The situation is particularly concerning for young Roma (18-24), with almost two-thirds (64%) leaving education and training before reaching the upper

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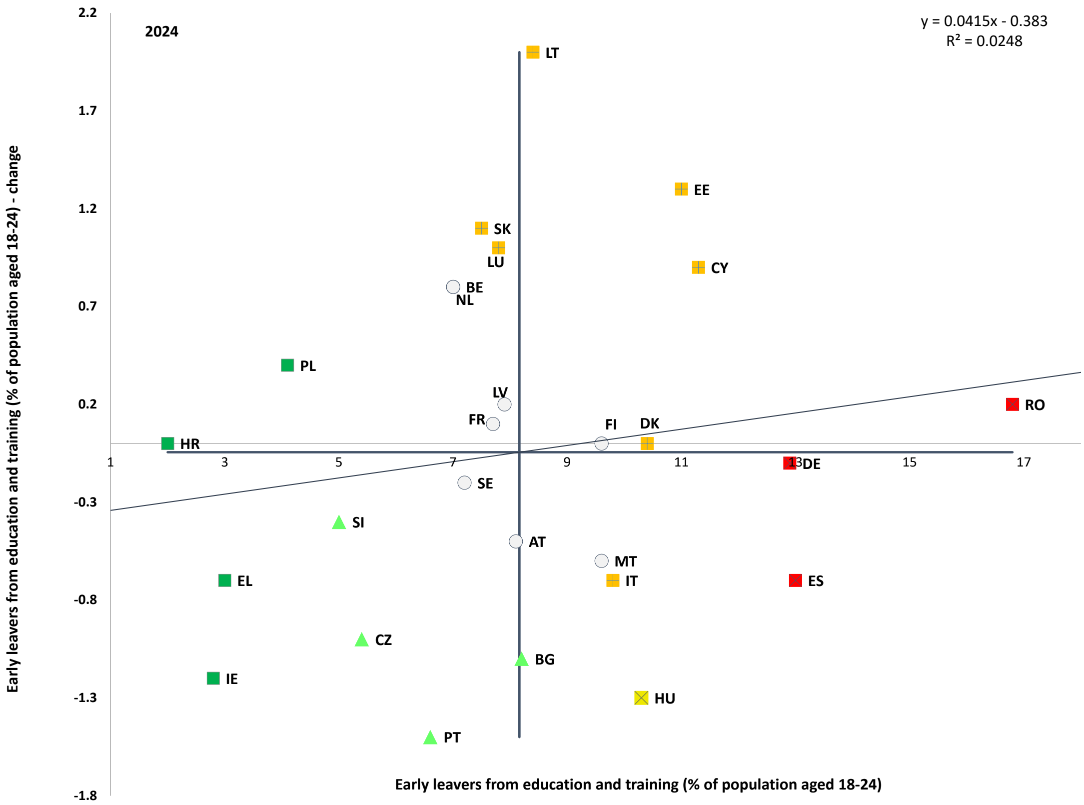
[112] DG EAC calculations. See European Commission, Education and Training Monitor 2025. Later references to 'DG EAC calculations'

[113] Eurostat [edat_lfse_02], EU LFS.

secondary level in 2024[114]. The situation for young persons with disabilities of the same age group is also concerning with a rate of early leaving of 19% in 2023[115]. The biggest challenges can be observed in Romania and Hungary, which recorded the highest rates (33% and 46% respectively), and to a smaller extent in Italy (27%).

Figure 2.2.2: The share of early leavers from education and training continues to decrease slowly, with considerable differences across Member States

Early leavers from education and training (age 18-24), 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for BE, BG, DE, EL and IE. Low reliability data for HR and LU.
Source: Eurostat [edat_lfse_14], EU LFS.

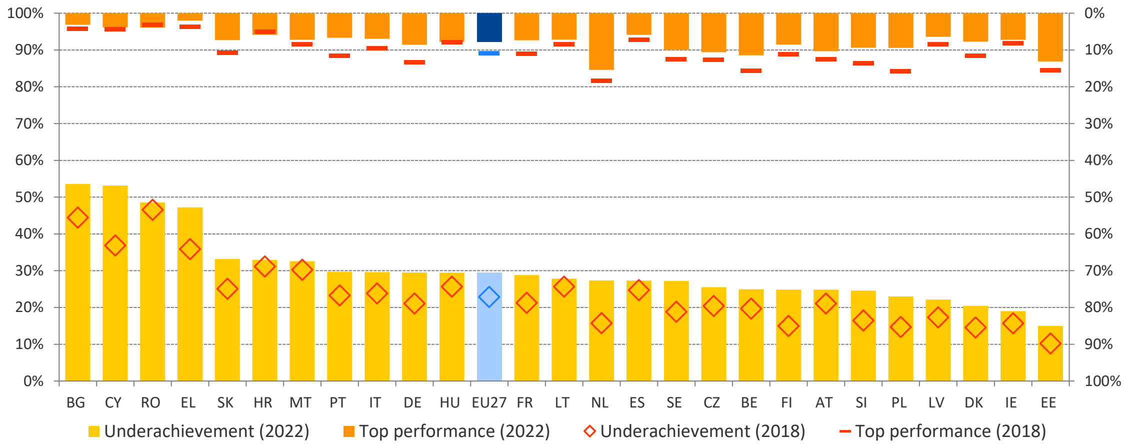
Regional disparities in early leaving from education and training are significant between and also within Member States. Across the EU, the regional rate ranges from 1.2% (in Kentriki Makedonia in Greece) to 26.2% in (in Sud-Est in Romania), highlighting the great variation masked by figures at Member State-level. There is also significant variation across regions within the same Member State, for example in Bulgaria, France, Hungary, Portugal, Romania and Spain (see Figure 1 in Annex 5), including outermost regions. Within a single Member State, the widest range between regions is from 5.0% to 26.0%. By contrast, at Member State-level the range goes from 2.0% to 16.8%. A small number of Member States have rates below the EU-level target of 9% in all regions. However, in Member States which perform well overall there is still scope for reducing regional variation. Moreover, location plays a role, with young people living in cities being

[114] See: EU Agency for Fundamental Rights, Rights of Roma and Travellers in 13 European countries, 2024.
[115] European Commission, European Disability Expertise Statistical Report 2025 (forthcoming).

less likely to leave early (8.3%) than those living in towns and suburbs (10.3%) and in rural areas (10.1%).

Figure 2.2.3: Underachievement in mathematics increased substantially across all Member States, while top performance decreased

Students not achieving Level 2 in mathematics (left axis) and achieving at least Level 5 (right axis) in 2018 and 2022 (%)



Note: Caution is required when interpreting 2022 data for DK, IE, LV and NL because one or more PISA sampling standards were not met.
Source: OECD, PISA 2018, 2022; DG EAC calculations.

Underachievement in basic skills has risen across the EU, with worrying trends in student performance in mathematics According to results from the OECD's latest Programme for International Student Assessment (PISA), between 2018 and 2022 the share of low achieving 15-year-olds in mathematics increased by 6.6 pps, reaching a record level of 29.5% – see Figure 2.2.3. This is higher than the 26.2% recorded in reading and the 24.2% in science, which grew by 3.7 and 2 pps, respectively. The performance gap across Member States is large. In mathematics, more than 45% of students in Bulgaria, Cyprus, Romania and Greece are low achievers. Only Estonia has already met the 2030 EU-level target of keeping underachievement below 15%. Top performance has also fallen more sharply in mathematics than in reading or science. In 2018, 11% of EU students reached the highest PISA levels in mathematics, but this share dropped to 7.9% in 2022. The range now spans from just 2.0% in Greece to 15.4% in the Netherlands. In reading, the decline was not as large (from 8.1% to 6.5%), while top performance in science grew slightly. Falling performance of students raises concerns about preparing them sufficiently for subsequent study and the labour market.

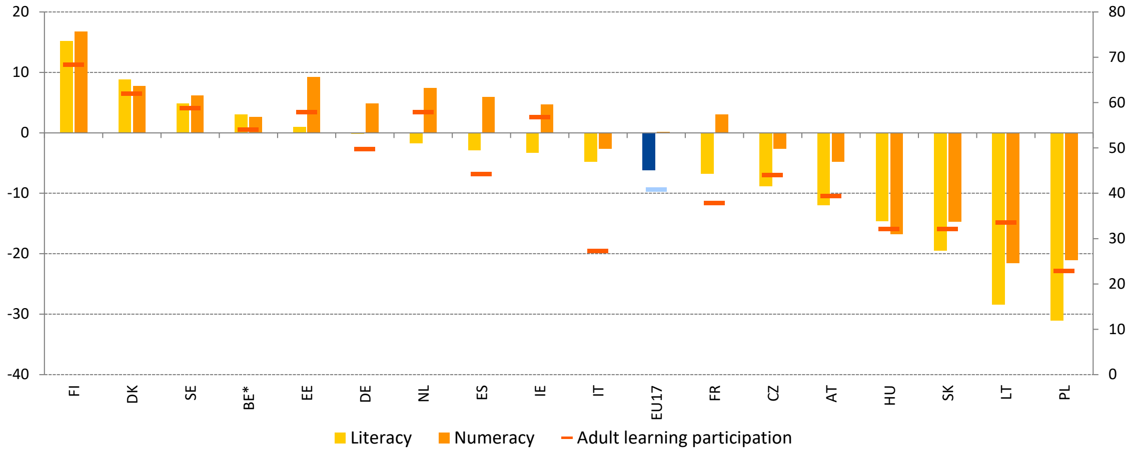
Persistent challenges are reported in adult literacy and numeracy. Among adults, reading comprehension has fallen in the last decade, according to data collected in the 17 Member States which participated in the OECD's Programme for the International Assessment of Adult Competencies (PIAAC) in 2013 and 2023. While numeracy skills remained stable, almost one in five adults were considered low performers in both literacy and numeracy in 2023. Mathematics skills matters for Europe's future competitiveness and innovative capacity. Performance in mathematics at school-level is an important step to studying STEM subjects at higher level and for addressing shortages in key STEM sectors – see Pillar Box 2. These results underline the need to improve basic skills at all ages.

Pillar Box 2: The Union of Skills in focus – Building skills, upskilling and reskilling of adults

Skills are key to prepare and empower the workforce and a key driver of productivity, innovation,competitiveness and resilience, yet Member States face common challenges in finding people with the necessary skills. Labour and skills shortages are driven by various factors, including demographic change, new skills needs linked to technological developments and decarbonisation of the economy, as well as poor working conditions in some sectors and occupations[116]. Moreover, the current geopolitical shifts, including increased defence and security needs, and industrial transformation are expected to add further pressures. To address these challenges, the European Commission has committed to further develop an overarching EU-level skills strategy under the Union of Skills. One of its key pillars focusses on upskilling and reskilling. It aims, along other objectives, to further support individual learning accounts (ILAs), a personal training budget for all adults, to expand the use of micro-credentials, and to pilot a Skills Guarantee to aid workers to transition from declining to growing sectors, also as a consequence of the digital and green transitions. One action, peer learning activities on innovative learning spaces, directly targets basic skills development as a foundation for further learning.

Adults' literacy proficiency has fallen while their numeracy proficiency has remained largely stable, with bigger falls in countries with low participation in adult learning

Change in literacy and numeracy scores among adults (16-65) between 2013 and 2023 (pps, left axis) and participation in adult learning (% of adults, right axis)



Source: OECD Survey of Adult Skills (2023)
Notes: Data on education and training participation is a special extraction aligned to the AES and EU-LFS definition; BE only covers Flanders

Basic skills of adults are declining in the EU, with a negative impact on skills shortages and on workers' ability to adapt to labour market needs through up- and reskilling. Adults' participation in learning is key to ensure that the ageing population and the workforce more broadly can keep up with the fast-changing labour market. This is why EU Member States have committed that by 2030 at least 60% of adults should participate in learning every year. This is particularly important as evidence shows a declining trend in basic skills among

[116] In 2024, the most widespread shortage occupations were in trades, the health sector and hospitality. See European Labour Authority, *EURES Report on labour shortages and surpluses 2024*, Publications Office of the European Union, Luxembourg, 2025 and related documents.

the adult population (see the Figure)[117]. Over the last decade, literacy proficiency among adults in the 17 EU Member States surveyed has declined, while numeracy proficiency has remained largely stable. As a result, around one in five adults in the EU is considered a low performer in both literacy and numeracy in 2023. Women scored higher in literacy, while men scored higher in numeracy and adaptive problem solving. Furthermore, participation in adult learning was lower in countries which have observed a significant decrease in their literacy and numeracy skills[118].

The Union of Skills underlines the importance of addressing the lack of skills among adults and sets out measures to support and stimulate up- and reskilling. Several Member States are piloting ILAs as a demand-driven approach to training. **Latvia** offers funded ILAs up to EUR 500 and a single online portal to improve access to training. Micro-credentials are emerging as flexible options for continuing education. **Luxembourg** is piloting a national framework for micro-credentials at university level for continued education, in cooperation with the Dutch-Flemish accreditation agency. To align skills with labour market needs, several countries are improving their processes for assessing and recognising knowledge and skills, as well as skills intelligence. **Bulgaria** has updated its list of professions with a focus on green and digital skills in the context of a broader VET reform as part of the RRP, while **Germany** now enables the certification of non-formally acquired professional skills under its VET Act.

Despite considerable efforts by Member States, educational inequalities are on the rise as achievement among socio-economically disadvantaged pupils has fallen. While education and training systems should promote inter-generational social mobility by decoupling educational achievement from socio-economic background, the results of the 2022 PISA survey confirmed some worrying trends. Socio-economic background remains a strong predictor of education outcomes in the EU with underachievement being much more frequent among disadvantaged students than among their advantaged peers[119]. Moreover, the share of students from disadvantaged socio-economic backgrounds that perform well in basic skills (i.e. reaching at least level 4 on the PISA scale in any of the domains reading, mathematics or science) was only at 16.3% in 2022, down from 20.8% in 2018 and 21.1% in 2015 – see Figure 2.2.4[120]. This share fell in nearly all Member States over that period. In the best-performing countries, Estonia, Finland and Ireland, the share of students from a disadvantaged background performing well was not much higher than 25% in 2022. In comparison, across the EU, 59.0% of students from advantaged backgrounds performed well in basic skills. To track progress on structural inequalities, the Commission has proposed a new equity indicator and 2030 target based on good achievement of disadvantaged students

[117] See OECD, Do Adults Have the Skills They Need to Thrive in a Changing World?: Survey of Adult Skills 2023, OECD Skills Studies, OECD Publishing, Paris, 2024.

[118] See OECD, *Trends in Adult Learning: New Data from the 2023 Survey of Adult Skills*, Getting Skills Right, OECD Publishing, Paris, 2025.

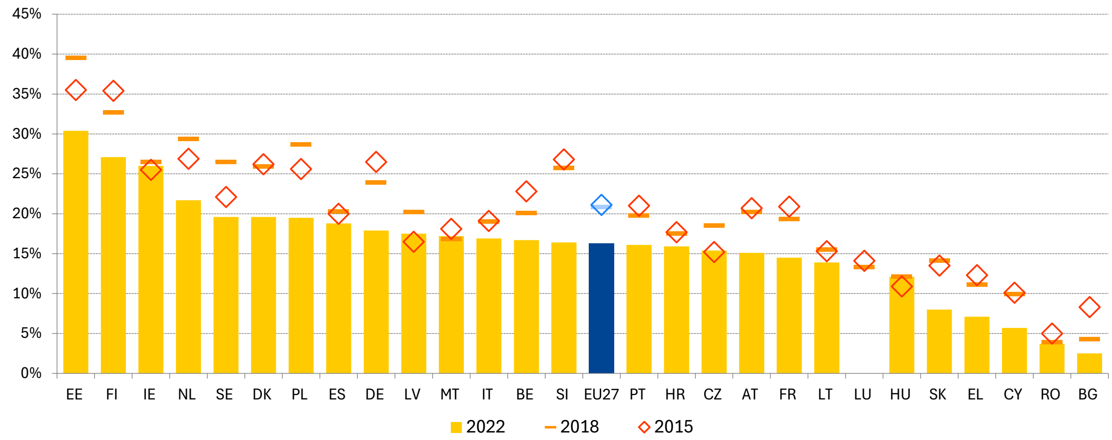
[119] European Commission, The twin challenge of equity and excellence in basic skills in the EU, Publications Office of the European Union, 2024.

[120] In PISA, this is captured by the index of economic, social, and cultural status (ESCS). The advantaged socio-economic background category comprises 25% of all students with the highest ESCS scores in the given country, whereas the disadvantaged socio-economic background category comprises 25% of all students with the lowest ESCS scores.

in the PISA test. At the EU level, the aim is for at least 25% of disadvantaged students to have achieved level 4 or higher in one domain[121].

Figure 2.2.4: Basic skills among disadvantaged pupils have fallen in the last decade

Students from disadvantaged backgrounds achieving level 4 or higher in reading, mathematics or science (%)



Note: Caution is required when interpreting 2022 data for DK, IE, LV and NL because one or more PISA sampling standards were not met. LU only participated in PISA 2018.
Source: OECD, PISA 2015, 2018, 2022; DG EAC calculations.

Low levels of digital literacy and civic competences among students are causes for concern, in particular in a context of spreading disinformation. The EU has committed to reducing the proportion of underachieving eighth-grade students (13-14 years of age) in digital competences to below 15% by 2030. In the 22 EU countries which participated in the International Computer and Information Literacy Study (ICILS) in 2023, 42.5% of students score below the minimum proficiency threshold in computer and information literacy. Some countries, such as Czechia (28.0%) and Denmark (32.2%), are approaching the target, while others, like Romania (74.0%) and Greece (60.4%), are far behind. Rapid technological advancements, such as generative AI, coupled with rising polarisation and the spread of dis- and misinformation, make cultivating citizenship skills early on more crucial than ever. In 2022, 63.1% of eights-graders in general school education demonstrated an adequate level of civic competence on average among Member States participating in the International Civic and Citizenship education Study (ICCS)[122], with some Member States reporting over 70% of students reaching an adequate level of civic competence and others below 50%. Students possessing an adequate level understand democratic institutions, systems, principles and participation practices. This enables them to reason about civic issues and actively engage in democratic life.

Vocational education and training (VET) aims to prepare learners for the labour market, though the employment rate of recent graduates declined for the first time since 2020. VET provides training for many occupations that are in persistent shortage and are key to Europe's competitiveness and preparedness – see also Pillar Box 3. In 2024, nearly two-thirds (65.2%) of recent medium-level VET graduates (aged 20-34) in the EU experienced

[121] European Commission: Directorate-General for Education, Youth, Sport and Culture, Interim evaluation of the 2021-2030 European Education Area strategic framework – Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Publications Office of the European Union, 2025.

[122] The participants were: BG, DK, DE, EE, ES, FR, HR, IT, CY, LV, LT, MT, NL, PL, RO, SI, SK, SE.

work-based learning as part of their curriculum[123]. This rate exceeds the 2025 EU-level target of at least 60%[124]. There are large and persistent differences across countries, however. Nearly all graduates (over 90%) take part in work-based learning in Germany, the Netherlands and Spain. By contrast, very few VET graduates experience work-based learning as part of their VET curriculum in Romania, Czechia or Greece[125]. The employment rate of recent VET graduates declined from 80.9% in 2023 to 80.0% in 2024. This is a setback in view of the target of reaching at least 82% by 2025[126]. The drop was larger for graduates from medium-level education with general orientation (from 67.8% to 62.8%) and for those having left education before completing upper secondary education (from 61.9% to 52.1%) – both characterised by significant variation across Member States. Recent VET graduates who have experienced work-based learning are much more likely to be employed (84.4%) than those who have not (67.9%).

Europe has seen a large rise in young people with a tertiary degree, driven by wider access to university and a growing demand for high-level skills in the labour market. Over the last decade, the average share of those aged 25-34 with a tertiary degree increased significantly to 44.1%, with a 1 pp rise in the last year alone – see Figure 2.2.5. The expected rate of return on education is a critical factor in the decision to pursue higher education, and this driver has remained stable over the past decade, despite a significant increase in the number of highly educated people[127]. In 2024, the unemployment rate for people aged 25-34 with tertiary education was 5.2%, compared to 6.7% for those with upper secondary educational attainment and 15.3% for lower levels of educational attainment. Additionally, tertiary educated workers earn 52% more than those with upper secondary attainment. Although those with tertiary education enjoy higher levels of employment, recent graduates from tertiary level education experienced a decline in employment rates, falling from 87.6% in 2023 to 86.7% in 2024. This drop can be observed across all education levels and might point towards a decrease in hiring for entry level positions.

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[123] Eurostat, [tps00215].

[124] The target was set in the Council Recommendation of 24 November 2020 on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience.

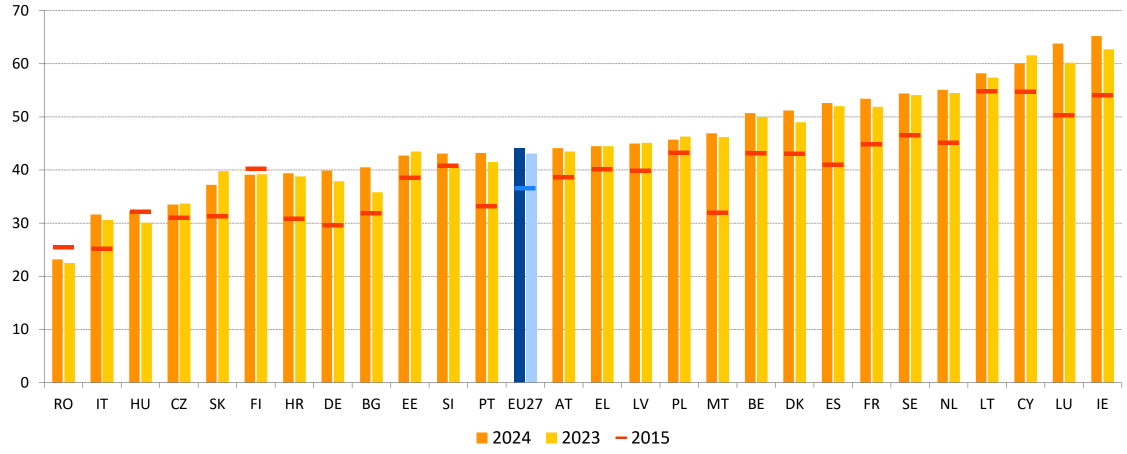
[125] Data flagged as ‘low reliability’ for Germany, Latvia, Malta, Poland and Finland.

[126] The target was set in the Council Recommendation of 24 November 2020 on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience.

[127] See Education and Training Monitor 2025, Publications Office of the European Union.

Figure 2.2.5. The proportion of young adults with tertiary education has grown in the last decade

Proportion of people (age 25-34) with a tertiary education degree (ISCED 5-8, %)



Notes: Break in series for BG in 2024, for SI in 2023 and for LU in 2015.
Source: Eurostat, [edat_lfse_03].

Boosting mobility of higher education students and graduates remains a key priority to enhance skills and expand horizons, but it has been declining in recent years. The outward mobility rate[128] decreased by 2.3 pps between 2020 and 2023. Only 11.2% of the 4 million tertiary education graduates originating from EU countries experienced some form of learning mobility in 2023, with 4.5% going for a full degree abroad and around 6.6% going for credit mobility[129]. As such, average graduate outward mobility in the EU remains far below the 23% target set for 2030. Multiple data limitations persist, however, which may lead to an underestimation of progress towards reaching the target, such as incomplete reporting on mobility of less than three months[130]. As part of the Union of Skills, the 'Choose Europe for Science' pilot initative assists the internationalisation of higher education institutions by supporting academic and non-academic organisations in the recruitment of postdoctoral researchers.

Europe's growing shortage of skilled workers has emerged as a major threat to prosperity and competitiveness. The shortage of skilled staff has become one of the primary barriers to investment in 2024, with 77% of firms citing it as a constraint[131]. The problem is especially pronounced in construction and manufacturing, where labour bottlenecks undermine both the EU's capacity to accelerate the green transition and growth potential. The strategic importance of skills for Europe's prosperity and competitiveness was highlighted in both Enrico Letta's Report on the Future of the Single Market and Mario Draghi's Report on EU Competitiveness[132]. Addressing this challenge requires large-scale upskilling and reskilling efforts across the EU's workforce. This is a key element of the Union of Skills, a

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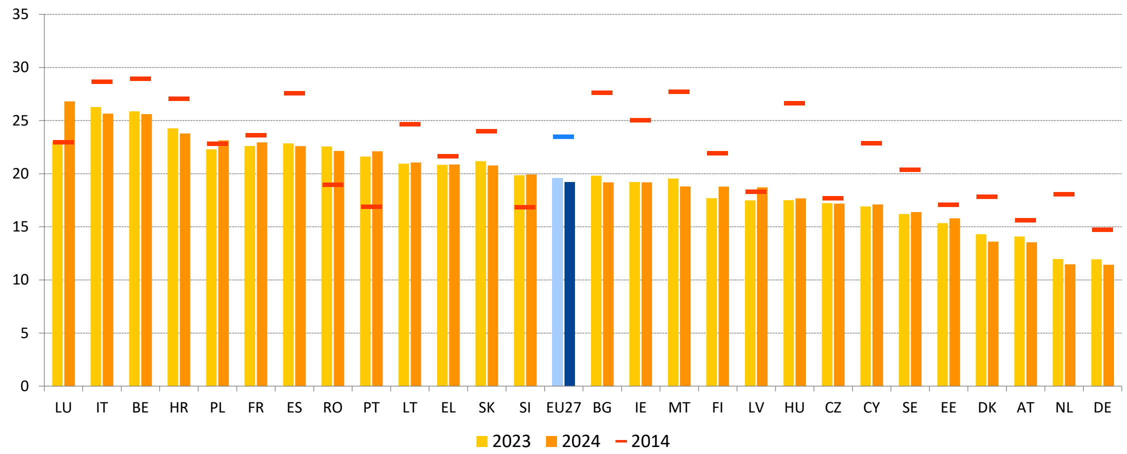
[128] The outward mobility rate of a country is the number of degree- and credit-mobile graduates from that country divided by the number of graduates originating from the country.
[129] DG EAC calculations.
[130] See p. 61 of Education and Training Monitor 2024, Publications Office of the European Union.
[131] Based on the EIB Investment Survey. Reporting by firms is higher only on 'uncertainty about the future' is higher with 79% and 'energy costs' with 77%.
[132] More Than A Market, Enrico Letta, April 2024; The future of European competitiveness, Mario Draghi, September 2024.

comprehensive skills strategy adopted in March 2025 as part of the EU's Competitiveness Compass.

Skills mismatches at the macroeconomic level continue to fall across the EU, but there is variation across Member States. The macroeconomic skills mismatch indicator reflects the degree of misalignment between the demand and the supply of skills across the workforce[133]. In particular, it highlights the relative difficulty of people with different educational attainment levels in entering the labour market. Since 2014, the indicator has been declining in most Member States, driven largely by rising educational attainment levels. However, macroeconomic skills mismatches remained high (above 23%) in certain countries in 2024, including Italy, Belgium, Croatia and Poland, well above the EU average of 19.2% – see Figure 2.2.6. Conversely, Austria, Denmark, Germany and the Netherlands show the lowest rates, with figures below 15%. Overall, skills shortages and mismatches may be linked to challenges regarding the quality, equity and labour-market relevance of education and training systems, as well as to persistent labour shortages. Promoting higher educational attainment and strengthening support for upskilling and reskilling could better align the supply of skills with labour market demands.

Figure 2.2.6: Skills mismatches at the macroeconomic level continue to fall across the EU but vary across Member States

Relative dispersion of employment rates of workers with different educational attainment levels, weighted by the share of each group in the total working-age population (age 20-64)



Note: This indicator highlights the relatively higher difficulty of the low- and medium-qualified in entering the labour market, as compared to the high-qualified.
Source: DG EMPL calculations based on Eurostat data [lfsg_egaed; lfsq_pgaed; lfsq_agaed], EU LFS.

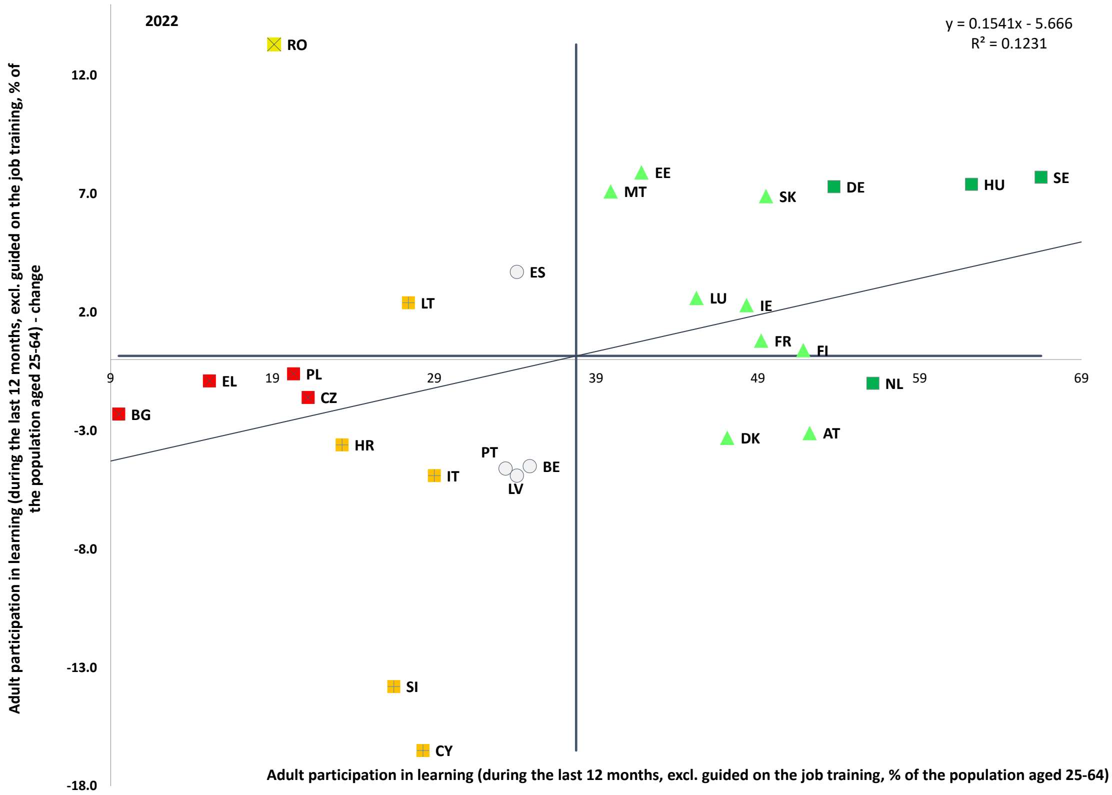
Participation in adult learning is relatively low and varies widely across Member States. The most recent figures from the Adult Education Survey (AES) indicated a slight increase in the share of adults participating in learning in the EU (excluding guided on-the-job training), from 37.4% in 2016 to 39.5% in 2022, well below the 2030 EU headline target of 60% – see Target Box 2 on Skills – and with wide disparities across Member States. The highest participation rates were reported in Sweden, Hungary, the Netherlands and Germany, making them 'best performers' – see Figure 2.2.7. All these countries recorded increases exceeding

[133] The macroeconomic skills mismatch indicator measures the relative dispersion of employment rates of workers with different educational attainment level (low, medium and high), weighted by the share of each group in the total working-age population (20-64 age group). See European Commission, Analytical web note – Measuring skills mismatch. 7/2015, Publications Office of the European Union, 2015.

6.8 pps between 2016 and 2022, except the Netherlands, where participation fell by 1 pp. By contrast, particularly low levels of participation, reflecting the disparities within the EU, were observed in Bulgaria, Greece, Romania, Poland and Czechia, all of which are in a 'critical situation'. Levels are also below 30% and 'to watch' in Croatia, Cyprus, Lithuania, Italy and Slovenia.

Figure 2.2.7: Adult learning has increased only slightly since 2016, with large variation across Member States

Adult participation rate in learning during the past 12 months (age 25-64), 2022 levels and changes from 2016 (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. In September 2024, the Indicators Group of the Employment Committee reached a provisional agreement on the monitoring framework for the skills target, using AES data excluding guided on-the-job training. See also the Annual Employment Performance Report 2024. The change to 2022 is computed with respect to the 2016 value, the last one available before 2022. Break in time series in 2022 for FR, IT and RO.
Source: Eurostat special extraction from the Adult Education Survey, rate of adult participation in learning during the past 12 months without guided on-the-job training (GOJT).

Target Box 2: Progress towards the 2030 adult learning target

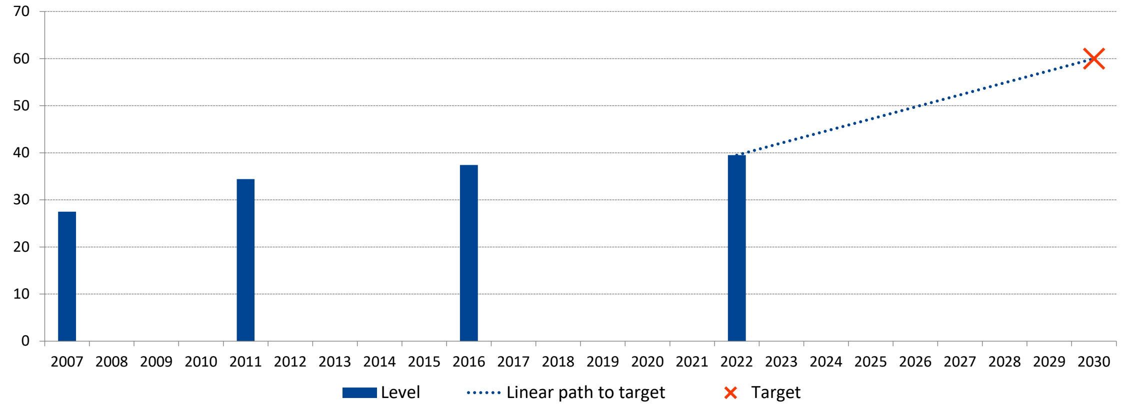
Adult learning participation has increased only marginally, leaving substantial efforts needed to meet the EU headline target by 2030. According to the Adult Education Survey (AES), the EU participation rate (excluding guided on-the-job training) rose from 37.4% in 2016 to 39.5% in 2022 (see Figure below)[134]. Data from the Labour Force Survey (LFS)

[134] In September 2024, the Indicators Group of the Employment Committee reached a provisional agreement on the monitoring framework for the skills target, using AES data excluding guided on-the-job training. See also the Annual Employment Performance Report 2024.

points to an overall increase in adult learning participation between 2022 and 2024. This mild trend is insufficient to achieve the EU headline target of 60% of adults participating in learning every year by 2030. Accelerated progress is crucial to equip the workforce for changing skills needs, mitigate labour and skills shortages and preserve competitiveness and inclusiveness.

Progress in adult learning is insufficient to meet the 2030 EU headline target

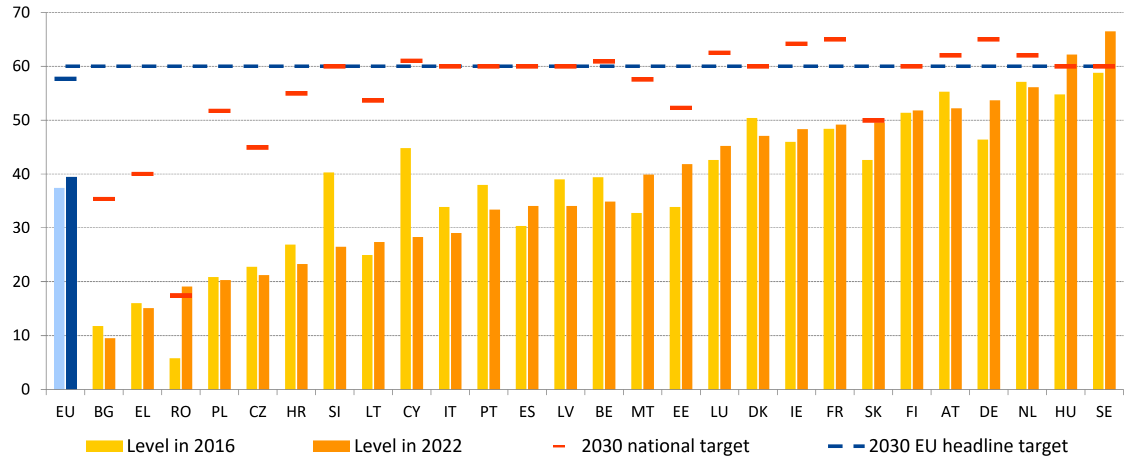
Adult participation rate in learning during the past 12 months in the EU-27 and the 2030 EU headline target (25-64, %)



Note: The 2007 AES survey was a large sample pilot exercise carried out on a voluntary basis in all Member States, except Ireland and Luxembourg, between 2005 and 2008. On this basis, adjustments were implemented in the next wave. As from 2011, the AES is underpinned by a European legal act and thus carried out in all Member States on a mandatory basis[135]. Breaks in series in 2011 for EU, FR, HU, in 2016 for IE, LU, SE and in 2022 for FR, IT, RO.
Source: Eurostat special extraction from the Adult Education Survey, rate of adult participation in learning during the past 12 months without guided on-the-job training (GOJT).

Most Member States need substantial efforts to reach their national targets by 2030

Adult participation rate in learning during the past 12 months in the EU-27 and national 2030 targets for Member States (25-64, %)



Note: Breaks in series in 2016 for IE, LU, SE and in 2022 for FR, IT, RO.
Source: Eurostat special extraction from the Adult Education Survey, rate of adult participation in learning during the past 12 months without guided on-the-job training (GOJT) and table on 2030 national targets in Annex 1.

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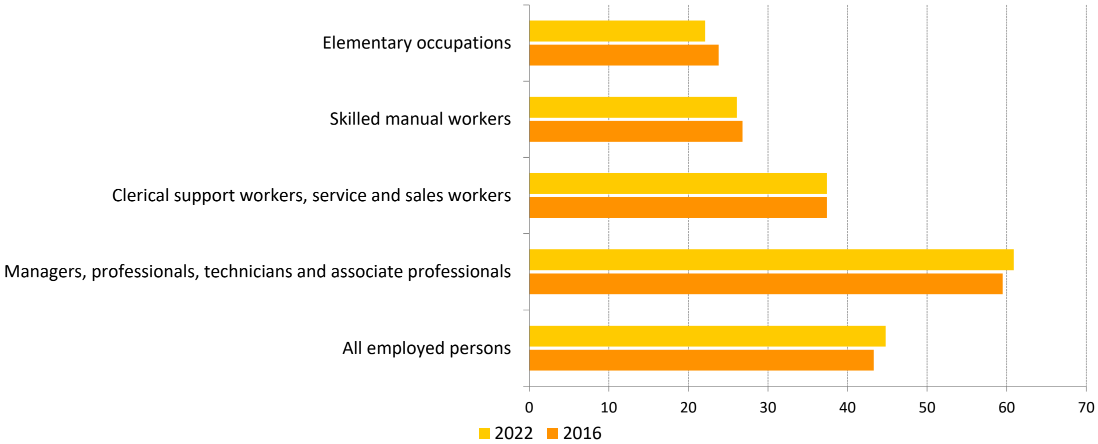
135 Commission Regulation (EU) 823/2010 sets out the implementing measures of the basic legal act (Regulation (EC) No 452/2008 of the European Parliament and of the Council) for the 2011 AES.

Most Member States remain behind on their national adult learning targets, despite notable progress in a few cases. By 2022, Sweden, Hungary and Romania had surpassed their targets, with Slovakia approaching its target (see the Figure above). Romania recorded the strongest increase from a relatively low base, although a break in series complicates comparisons. Among the 24 countries still below target, only a minority of countries recorded meaningful gains.

Figure 2.2.8: Workers in lower-skilled occupations are much less likely to participate in adult learning

Adult participation rate in learning during the past 12 months by occupation class (age 25-64, %)



Note: Breaks in series in 2016 for IE, LU, SE and in 2022 for FR, IT, RO.
Source: Eurostat special extraction from the Adult Education Survey, rate of adult participation in learning during the past 12 months including guided on-the-job training (GOJT).

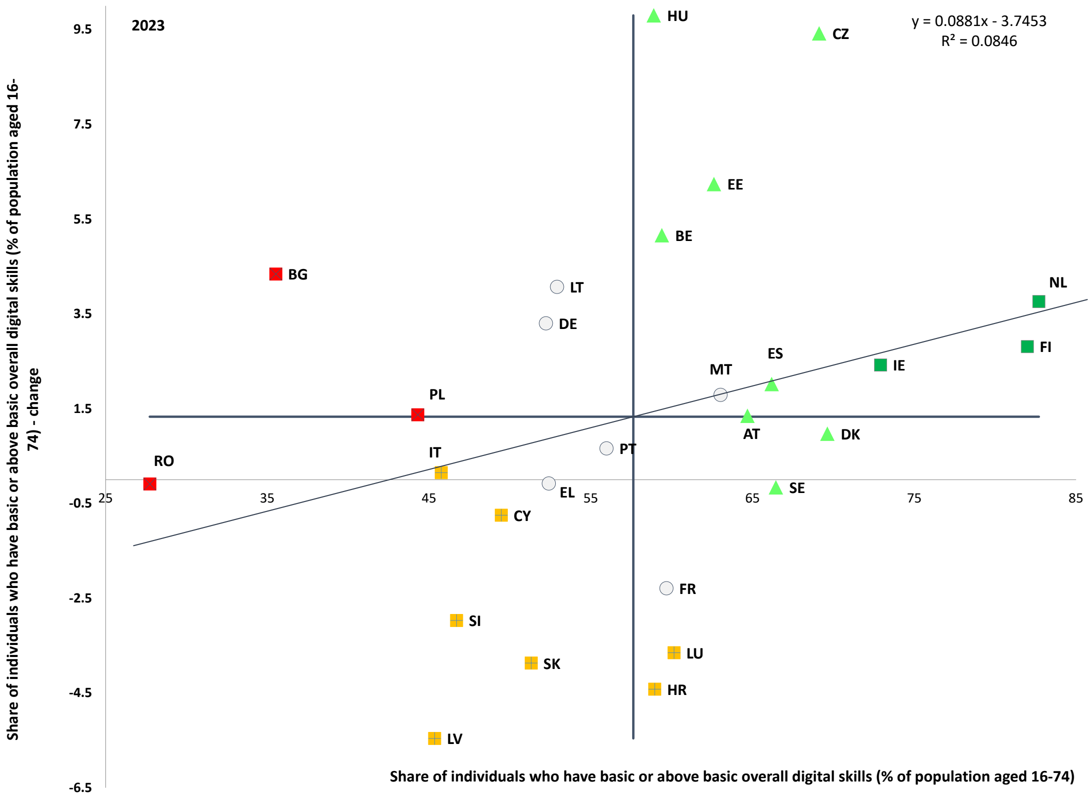
Training opportunities are much less likely to be available to those working in lower-skilled jobs, which leaves them more vulnerable to changes in the labour market. Adult learning participation grew among employed people overall between 2016 and 2022. This can mainly be attributed to the occupational group of 'managers, professionals, technicians and associate professionals', as other groups experienced declines or stagnation. This pattern of participation is observed among most of the Member States with the exception of Slovakia, Sweden, Cyprus, Hungary and Ireland. Slovakia and Sweden observe a very high participation rate among adults in elementary occupations. For Cyprus, Hungary and Ireland, 'skilled manual workers' participate at a similar or higher level than 'clerical support workers, service and sales workers'. One of the key methods for increasing participation are personal training budgets, such as Individual Learning Accounts, which stimulate demand among workers. A recent Eurobarometer survey reveals that a majority (56%) of respondents (15 years or over) are likely to use such a budget. This number rises to nearly three quarters (73%) when considering those currently working or able to start working within the next two years[136]. This interest indicates a recognition of the value of self-selected training opportunities, though the varying degrees of likelihood across different demographic groups suggests potential barriers to access and varying motivation to engage in such programmes. Under the Union of Skills, new initiatives such as the Skills Guarantee pilot and a pilot for transnational university-business partnerships for sectors with severe skills gaps complement existing ones such as Individual Learning Accounts and EU Skills Academies in strategic fields, the expansion of micro-credentials and innovative community learning spaces. These

[136] See European Commission, Special Eurobarometer 559 – Investing in Fairness (January to February 2025).

measures aim to expand learning opportunities and strengthen EU skills frameworks through public-private collaboration, while also aiding workers in transition between sectors and closing skills gaps.

Figure 2.2.9: Large cross-country differences are observed in digital skills of adults

Share of population with basic overall digital skills or above (age 16-74), 2023 levels and changes from 2021 (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Overall digital skills refer to five areas: information and data literacy skills; communication and collaboration skills; digital content creation skills; safety skills; and problem-solving skills. To have at least basic overall digital skills, people must know how to perform at least one activity related to each area. For more information, see Eurostat.
Source: Eurostat, [tepsr_sp410].

Digital skills are low across the EU, and very few Member States have levels near or above the 2030 EU-level target. In a digitally transformed Europe, employment and social inclusion depend on adults having basic digital skills, which is reflected in the target of at least 80% of adults (16-74) having basic digital skills by 2030[137]. More than 90% of people in the EU use the internet at least once per week[138], but this does not necessarily mean they possess the right digital know-how. In 2023, only 55.6% of adults had at least basic digital skills, a modest increase from 2021 (53.9%). At this pace, only 59.8% would have at least basic digital skills by the end of the decade[139]. There are large gaps in performance between Member States. Romania, Bulgaria and Poland are the countries with the lowest shares of

[137] Defined in the European Pillar of Social Rights Action Plan and the Digital Compass for the Digital Decade.
[138] See European Commission, Digitalisation in Europe – 2025 edition, Publications Office of the European Union, 2025.
[139] For the trajectory towards the 2030 target, see European Commission, State of the Digital Decade 2025 report, Publications Office of the European Union, 2024.

adults with at least basic digital skills and are in a 'critical situation' – see Figure 2.2.9. By contrast, the Netherlands (82.7%) and Finland (82.0%) are already above the 2030 EU-level target, and are considered to be 'best performers', together with Ireland. In Cyprus, Italy, Latvia, Slovakia and Slovenia, levels are low, between 45% and 51.3%. These countries, along with Croatia and Luxembourg which witnessed large decreases between 2021 and 2023, are 'to watch'. Overall, the latest data shows that a majority of Member States (17) made progress on improving digital skills between 2021 and 2023.

The level of digital skills varies substantially by population groups and location. The share of young people aged 16-24 with at least basic digital skills is relatively high, though it has slightly declined (from 71.2% in 2021 to 70.0% in 2023), challenging the idea that all young people are 'digital natives'. More generally, digital skills are particularly low among people with no or low formal qualifications (33.6% in 2023), the older population (37.1% at age 55-74), those living in rural areas (47.5%) and the unemployed (47.7%).

The number of ICT specialists is far below the projected need. In 2024, 10.3 million people worked as ICT specialists, representing 5.0% of all those employed. At the current pace, amid growing competition for digitally skilled talent, the number of ICT specialists will reach just 12.4 million by 2030, well below the EU digital decade target of 20 million[140]. This will have potential negative implications for the EU's future competitiveness and innovation. There is scope to increase the number of ICT specialists by reducing the gender gap (only 19.5% of ICT specialists are women) and improving the geographic balance across the EU (the proportion of ICT specialists as a percentage of total employment ranges from 2.5% in Greece to 8.6% in Sweden).

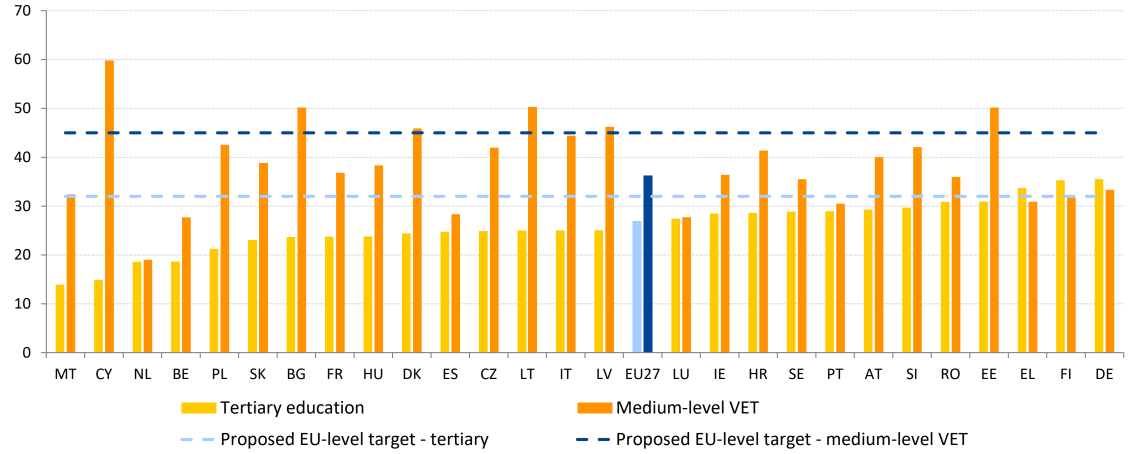
Pillar Box 3: The Union of Skills in Focus - Boosting STEM[141]

Some of the most widespread labour shortages in the EU are in science, technology, engineering and mathematics (STEM) fields, hindering competitiveness and the green and digital transitions. Today, with the rise of AI, renewable energy technologies, biotech, defence and security risks, and complex data analytics, a strong supply of STEM professionals is essential. However, there are widespread labour shortages in STEM fields, the bulk of which concern crafts, construction and engineering (see also section 2.1.1). Shortages are also observed in several ICT-related occupations[142]. In the next decade, shortages are forecast to grow significantly in some STEM occupations, in the context of a shrinking working age population and a need to replace retiring workers as well as the green and digital transitions. The current number of STEM specialists is therefore not sufficient to meet labour market needs and more specialists will be needed to respond to the increase in demand. The STEM Education Strategic Plan, an initiative under the Union of Skills, proposes ambitious actions to address this challenge across the EU and proposes targets on STEM enrolment. For example, by 2030, 45% of VET and 32% of tertiary students should be enrolled in STEM fields and 5% of PhD students in ICT programmes. In this regard, the forthcoming EU Strategy on Vocational Education and Training will set out a forward-looking vision for making VET more attractive, inclusive and responsive to labour market needs. It will aim to strengthen the contribution of VET to lifelong learning, competitiveness and social fairness, with a focus on quality, innovation, green and digital transitions, and international mobility.

[140] See Annex I of State of the Digital Decade 2025.
[141] European Commission (2025). Education and Training Monitor 2025 – *Comparative report.*
[142] EURES (2025). Labour shortages and surpluses in Europe 2024.

Enrolment in STEM progrmmes varies among EU Member States

Share of medium-level VET (ISCED 3-4) and tertiary (ISCED 5-8) students in STEM fields in 2023 (%)



Source: Eurostat [educ_uoe_enra03]; [educ_uoe_enrt03].

Enrolment in STEM programmes has not grown significantly in recent years, and there is scope to increase it, including by attracting more women to it. In medium-level VET, 36.3% of all students across the EU were enrolled in STEM programmes in 2023. The rate is 2.3 pps higher than in 2015, and has fluctuated around 36% since 2020. In tertiary education, 26.9% of students were enrolled in STEM programmes, with the EU average decreasing by 0.7 pps over the last decade. The Figure illustrates great variability among EU countries' STEM enrolment rates at both levels. VET enrolment ranges from 19% in the Netherlands to 59.8% in Cyprus, and from 13.9% in Malta to 35.5% in Germany at tertiary level. Enrolment also varies by STEM subfield[143]. Engineering, manufacturing and construction is the largest subfield in VET and at tertiary level, while the other two STEM fields (information and communication technologies; natural sciences, mathematics and statistics) have much lower participation. Female students are greatly underrepresented in STEM enrolment: they make up only 15.4% of VET students and 32.2% of tertiary students. These gender gaps result from deeply rooted family, school, social and cultural factors that affect female interest and encouragement to pursue careers in STEM from an early age[144]. Deteriorating trends in student performance in mathematics and science, as indicated by PISA 2022[145], as well as teacher shortages, especially in STEM fields, may further impact future enrolment rates.

Member States are taking measures to boost interest in STEM from a young age. It is essential to foster interest in STEM careers early and effectively, with teachers and pedagogical approaches playing crucial roles. **Czechia** is piloting innovative STEM teaching methods in schools by bringing technology experts into the classroom and through tandem teaching. **Bulgaria** is setting up STEM laboratories in over 1 800 schools, together with a national STEM centre and three regional ones, with the support of the RRF. **Estonia** and **Lithuania** are adopting a more integrated and project-based curriculum which has been

[143] STEM fields are: 'natural sciences, mathematics and statistics', 'information and communication technologies' and 'engineering, manufacturing and construction', as defined in the 2013 UNESCO classification of fields of education.

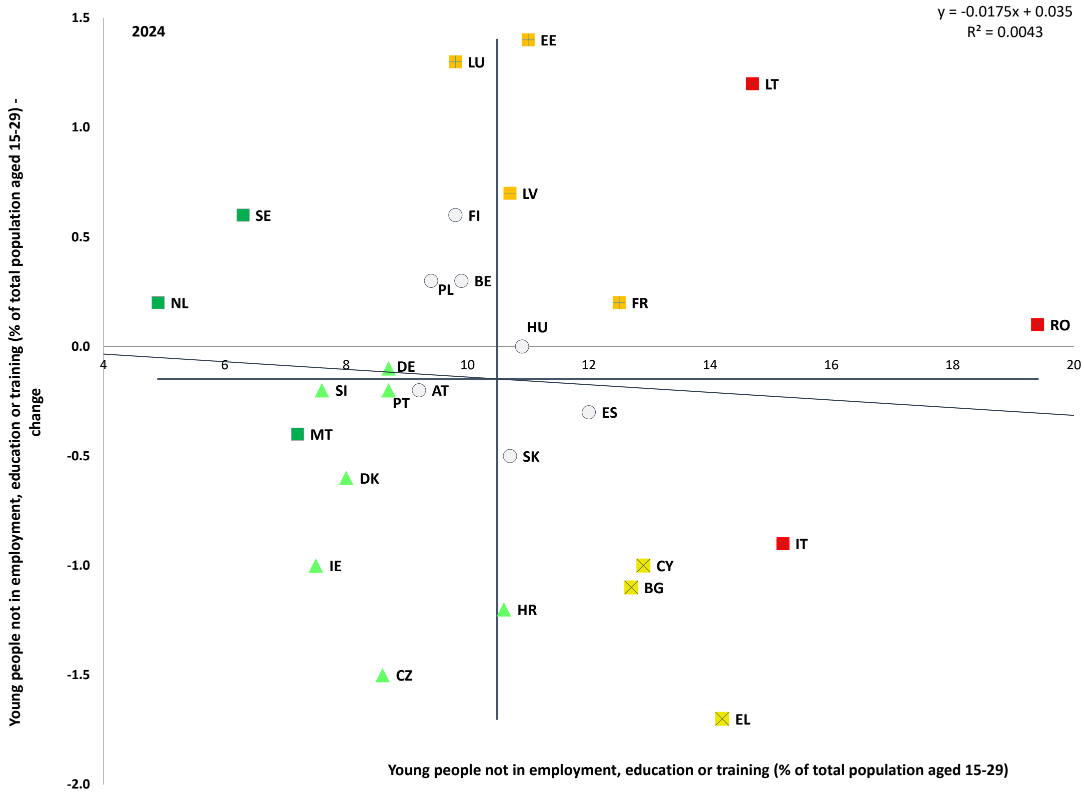
[144] See EENEE (2020). Gender differences in tertiary education: what explains STEM participation? The decision to study STEM depends on many factors, from early life and family environment to career considerations and working conditions. Experience throughout school is very important, including performance in mathematics.

[145] See European Commission (2024). The twin challenge of equity and excellence in basic skills in the EU.

found to enhance interest in STEM. **Denmark** regards STEM as key to the green transition and attractiveness of VET, with substantial investments in modernising standards and curricula, and funding for in-service training of teachers in all VET programmes. **Portugal**, with support of the RRF, is establishing 365 specialised technological centres which focus on high-potential sectors and aim to improve the technological infrastructure of lower-secondary vocational education as well as create new courses for green and digital transitions. **Latvia** has introduced a funding model based on graduate outcomes to incentivise universities to focus on producing qualified graduates, particularly in STEM fields. It also introduced more flexibility in admissions allowing institutions to adjust their needs based on demand for STEM professionals.

Figure 2.2.10: Differences in NEET rates are declining but remain significant

NEET rate (age 15-29), 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



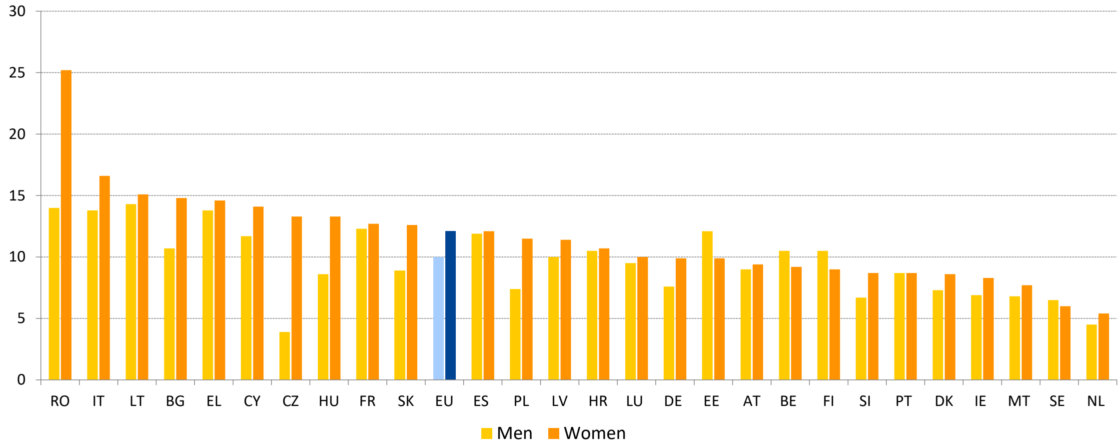
Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR. Break in series for BG.
Source: Eurostat [lfsi_neet_a], EU LFS.

The share of young people neither in employment nor in education and training (NEET) fell marginally but without a clear sign of convergence. After peaking at 14.0% in 2020, the NEET rate (15-29) has fallen progressively in the EU, to 11.1% in 2024. Nevertheless, significant variation is evident across Member States. Romania, Italy and Lithuania recorded the highest NEET rates in 2024 and are in a 'critical situation' – see Figure 2.2.10. The 'best performers', and those countries with the lowest rates, were the Netherlands, Sweden and Malta. The situation in Estonia, Luxembourg and Latvia, where NEET rates rose in 2024, is 'to watch', as it is in France, where rates remains high. Despite these reductions and some but no clear signs of convergence across Member States, the EU remains 2.1 pps away from the 2030 target of 9.0%. The unemployed NEET rate, i.e. those actively seeking and available to work in this age group, fell by 0.1 pps to 4.2% in 2024. This rate was the highest in Greece and Spain, though both showed improvements from 2023 levels. The share of NEETs outside the labour force improved slightly (6.9% in 2024 vs 7.0% in 2023), but it remains high in Romania, Italy, Lithuania and Bulgaria. The share of discouraged NEETs is on a slightly decreasing trend at EU level (from 4.9% in the peak of the pandemic in 2020 to 4.2% in 2024). Against this background, the reinforced Youth Guarantee[146], in its support to NEETs by offering quality employment, further education, apprenticeships or traineeships, and the Aim, Learn, Master, Achieve (ALMA) initiative, in helping disadvantaged NEETs gain professional experience abroad[147], continue to be important initiatives.

Disparities in NEET rates exist within Member States, as well as between continental and outermost regions. The lowest regional rate is 4.4% (in Utrecht in the Netherlands), and the highest continental rate is 29.9% (in Sud-Est in Romania). The disparities within Member States are notable in France, Italy, Poland, Finland and Hungary. The overall highest NEET rate in the EU was recorded in the French outermost region of Guyane at 34.4%. By contrast, Member States such as the Netherlands, Sweden and Austria have low rates overall and low variation between regions. There is an urban-rural divide in the EU. The NEET rate in cities was 10.1%, in towns and suburbs 11.5% and 12.3% in rural areas.

Figure 2.2.11: In nearly all Member States, the NEET rate is higher among women

NEET rates for men and women (age 15-29, %, 2024)



Note: Definition differs for ES and FR; break in series for BG.
Source: Eurostat [lfsi_neet_a], EU LFS.

NEET rates continue to be higher among persons with disabilities, women and for people born outside the EU. The situation of young persons with disabilities has not improved (27.8% were NEET in 2023, vs 27.3% in 2022). In all but two Member States the rate was over 20%, with the highest in Bulgaria, Croatia, Slovakia and Cyprus[148]. In 2024, the NEET rate for women (12.1%) continued to decline (from 13.0% in 2022 and 15.4% in 2020) but remained above that for men – see Figure 2.2.11. It was considerably higher in Romania and Czechia (11.2 pps and 9.4 pps higher than for men respectively). By contrast, the rate for men was slightly higher than for women in Belgium, Estonia, Finland and Sweden. Twice as many NEET women are outside the labour force than are unemployed (8.5% vs 3.6% in 2024, compared to 5.4% vs 4.7% for men). The NEET rate for young

[146] See Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee 2020/C 372/01, OJ C 372, 4.11.2020, p. 1.
[147] Further information available at: ALMA (Aim, Learn, Master, Achieve) - Employment, Social Affairs & Inclusion - European Commission (europa.eu).
[148] European Disability Expertise Statistical Report 2025, Reports - European Commission

people born outside the EU is also much higher than the rate among those born in the Member State in question at 18.4% vs 10.2%. This gap among women born outside the EU is more than 13.1 pps, while for men it is just 3.6 pps. Addressing these disparities could have a major economic benefit. Eurofound estimates that the annual economic loss of a single NEET in 2023 was around EUR 14 600, on average[149].

For the first time since the COVID-19 pandemic, youth unemployment at EU level has increased slightly, breaking a downward trend. After a steady decrease following the peak of the COVID-19 crisis (17.6% in the EU in 2020), a slight increase of 0.3 pps from 14.6% in 2023 to 14.9% in 2024 is observed in the youth unemployment rate (15-24)[150]. At EU level, the youth unemployment rate remains more than twice as high as the unemployment rate for people aged 15-74 (5.9%). Though the magnitude of the year-on-year change varies across Member States, stagnation or an increase is observed in all but seven of them. Relatively large increases are observed in some Member States with high youth unemployment rates, Sweden, Romania and Luxemburg. Others in this group of countries saw large decreases of a similar magnitude, including Greece, Spain and Italy, along with Latvia and Croatia with lower rates. Unemployment is particularly prevalent among young people with low qualifications (20.6%) and those born outside the EU (19.3%). These developments underline the need for continued action to tackle structural challenges that hinder the integration of young people in the labour market, particularly in light of widespread labour and skills shortages and the longer-term risks for young people's career prospects.

The employment rate of older workers continues to climb, building on a decade of growth across all Member States. In 2024, the employment rate of older persons (55-64) rose to 65.2%, an increase of 1.3 pps on the year before. Despite this overall improvement, substantial differences persist across the EU. Whereas in Sweden, Czechia, Estonia, the Netherlands, Germany and Denmark, employment rates of older people were above 75%, Luxembourg, Romania and Croatia had rates below 55% – see Pillar Box 4.

Pillar Box 4 The integration of older people in the labour market in the EU

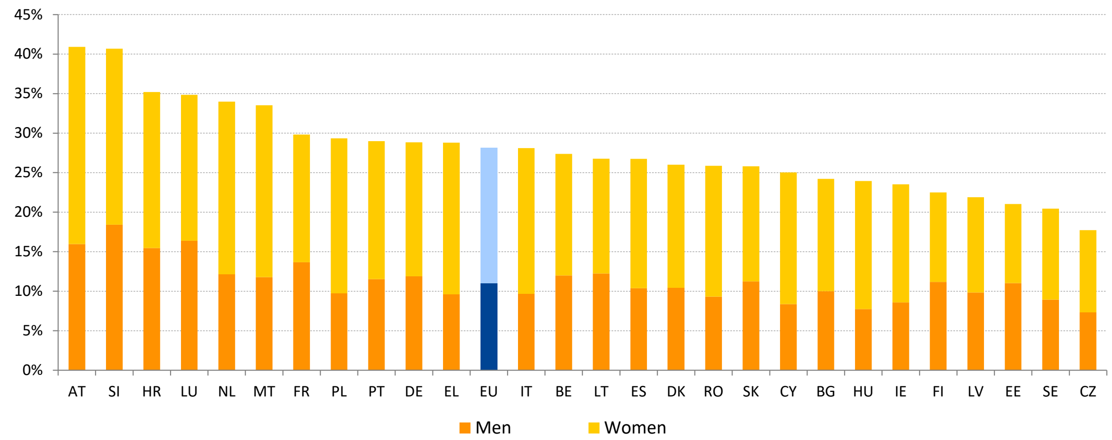
Supporting the extension of working lives can contribute to mitigating labour and skills shortages and the impact of population ageing on the workforce[151]. The EU working-age population is expected to shrink by 1.2 million people per year from 2030, and the old-age dependency ratio[152] to increase from 36% in 2022 to 55% by 2050 and further to 59% in 2070[153]. Without further changes, population ageing could exacerbate labour shortages and represent a considerable challenge to economic growth and the sustainability of living standards[154]. While older people (55-64) working longer could substantially foster EU employment[155], almost half of those exiting the labour market in 2023 went into retirement.

[149] Eurofound analysis featured in European Commission, Employment and social developments in Europe 2025, Publications Office of the European Union, 2025.
[150] Eurostat [tesem140].
[151] See European Commission, Employment and Social developments in Europe 2025, Publications Office of the European Union, 2025.
[152] Ratio of the old-age population to the working-age population.
[153] See European Commission (2024), 2024 ageing report: economic & budgetary projections for the EU Member States (2022-2070). Publications Office of the European Union, 2025, and Eurostat [proj_23ndbi].
[154] See European Commission, Employment and Social developments in Europe 2025, Publications Office of the European Union, 2025.
[155] See Pillar Box 3 in the Joint Employment Report 2025.

Reasons for this include incentives from pension systems, health-related factors, such as illness, disability, but also poor working conditions, lack of workplace flexibility, and facing prejudice based on age. In light of this, a mix of policies appears needed in order to support older workers' participation and employment, which cover among others pension systems, tailored activation and training policies. The EU Directive 2000/78/EC for equal treatment and to fight discrimination in employment, and the demography toolbox developed in 2023, provide useful frameworks for action in this policy area[156]. In June 2025, the Council also approved conclusions on supporting older people in reaching their full potential in the labour market and society. These called on Member States and the Commission to take steps such as incentivising the voluntary extension of professional activity.

Older women are much more likely to be outside of the labour force than older men in nearly all EU Member States

Population aged 55-64 outside of the labour force as a share of total population aged 15-64 outside of the labour force, and its composition by gender (%, 2024).



Note: Definition differs for ES and FR. Break in series for BG.
Source: DG EMPL calculations based on Eurostat [lfsa_igan]

Despite considerable improvements over recent decades, older people are still more likely than other age groups to be outside of the labour force, and this is even more prevalent for women. Since 2009, the labour force participation of older people has increased by over 20 pps, to 68.2% in 2024. Yet, older people (55-64) still accounted for a significant share (28.1%) of adults (15-64) outside of the labour force, ranging from 17.7% in Czechia to over 35% in Austria, Slovenia, and Croatia (see Figure). This variation reflects, among others, differences in retirement schemes and trends. These include a statutory retirement age that ranges from 62.8 years for men in Slovakia and 60 for women in Poland, to 67 for both men and women in Italy, Greece and Denmark[157]. Despite institutional reforms to extend working life, nearly one fifth of EU pensioners aged 50-74 still opted for early retirement with a reduced pension in 2023[158]. This was the most frequent in Cyprus (45.8%), Portugal (28.3%), and Belgium (38.2%), and the least prevalent in Bulgaria (1.8%) and Slovenia (4.6%). Furthermore, nearly all Member States displayed a larger share of older women outside of the labour market. This can be partially explained by a tendency for women to retire earlier (24.7% vs 18.3% for men), but also by a significant share of older

[156] See Demographic change in Europe: a toolbox for action, COM(2023) 577 final.
[157] See European Commission, 2024 ageing report.
[158] While the interviews were conducted in 2023, interviewed pensioners may have retired also before.

women who have never worked or have been outside of the labour force for more than 10 years (64.9%), largely due to caregiving responsibilities[159].

Several Member States have launched or plan to implement new measures to activate older people. In **Austria**, the Employment Initiative 50+ has been promoting employment of people aged 50+ since 2018 through an integration allowance, a combined wage subsidy, social enterprises, and the strengthening of job-related qualifications. In **Belgium**, a new programme since July 2025 allows self-employed working beyond their retirement age without claiming their pension to automatically build up new pension rights if they continue paying social security contributions. In **Bulgaria**, the 2025-26 Plan for the Implementation of the National Strategy of Active Life of Older People supports active employment, community inclusion, healthy and active ageing, as well as building a positive image of older people. In **Cyprus**, the first National Strategy (2025-30) and Action Plan for Active Ageing (2025-27) foster full social inclusion of older people by preventing social isolation, enhancing participation in the economy, society, and culture, and improving financial security. In **France**, the draft law transposing national interprofessional agreements implements two 2024 national agreements on senior employment and social dialogue, notably by introducing a new contract for older jobseekers.

Gender inequalities in the labour market persist, with employment gaps between men and women showing few signs of convergence[160]. In 2024, the employment rate for men was 80.8%, compared to 70.8% for women, resulting in a gender employment gap of 10.0 pps. This is a 0.2 pps fall on 2023, meaning the gap has narrowed by only 1.1 pps in total over the previous decade (from 11.1 pps in 2014). This minor improvement masks divergent trends across Member States. The gap has been almost unchanged over the period and remains wide in Italy, Greece and Romania, all remaining in a 'critical situation' despite small improvements in some cases last year, along with Malta, where the gap is still wide though it has halved over the course of the last decade. The gap widened in Slovakia, Cyprus and Denmark in 2024, leaving these Members States 'to watch', along with Poland that has a relatively wide gap despite some improvement. At the other end of the scale, the gender employment gap was relatively narrow in Finland, Lithuania, Estonia and Latvia. These countries, except for Finland where the gap has widened recently, were among the 'best performers'. On top of the variation between Member States, there are significant regional disparities in gender employment gaps in some Member States, including France and Spain (including their outermost regions) as well as Germany, Hungary, Belgium and Denmark (see Figure 3 in Annex 5). The gender employment gap varies strongly by degree of urbanisation: the gap ranges from 8.3 pps in cities to 10.9 pps in rural areas and 11.3 pps in towns and suburbs. Sustained policy action can help address barriers to women's participation in the labour market, in line with the objectives set out in the EU Gender Equality Strategy 2020-25[161]. Such measures can also contribute to achieving the target of halving the gender employment gap by 2030, as set out in the European Pillar of Social Rights Action Plan.

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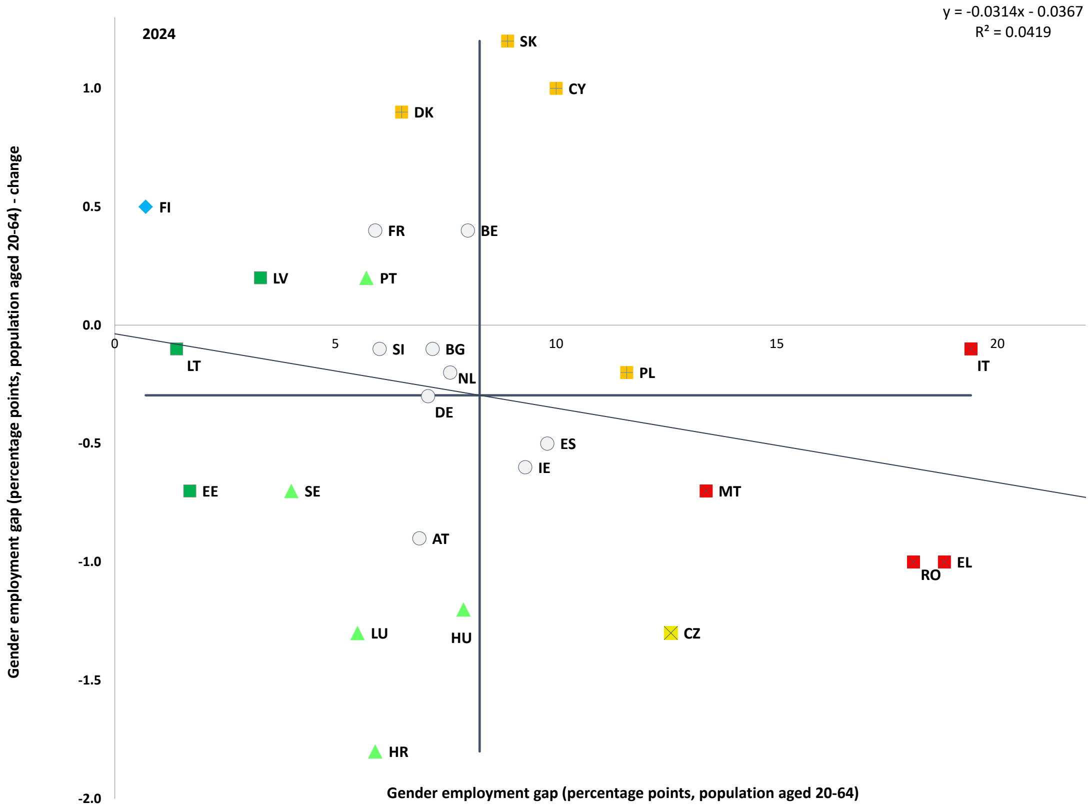
[159] See European Commission, *Labour Market and Wage Developments in Europe – Annual review 2024*, Publications Office of the European Union, 2024 and Spasova, S., Deruelle, T., & Airoldi, F., *Flexible retirement pathways: an analysis of policies in 28 European countries*, Publications Office of the European Union, 2025.

[160] For a longer-term perspective, see European Commission, Employment and Social developments in Europe 2024, Publications Office of the European Union, 2024.

[161] For further information, see European Commission, 2023 report on gender equality in the EU, Publications Office of the European Union, 2023.

Figure 2.2.12: The gender employment gap has narrowed in most countries but remains significant and shows few signs of upward convergence across Member States

Gender employment gap (age 20-64), 2024 levels and changes from previous year (pps, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR. Break in series for BG.
Source: Eurostat [tesem060], EU LFS.

Women work part-time more frequently than men, resulting in a wider gender employment gap when full-time equivalent (FTE) employment is taken into account. In 2024, women (20-64) in the EU were almost four times more likely than men to work part-time (27.8% and 7.7% respectively), resulting in a gender gap in part-time employment of 20.1 pps, unchanged from 2023. The largest gaps in part-time work were recorded in the Netherlands (41.9 pps), Austria (38.9 pps) and Germany (37.2 pps). By contrast, there is no gap in Bulgaria and, in Romania, men are even more likely than women to work part-time (a gap of -0.7 pps). Given the higher prevalence of part-time work among women, taking FTE employment[162] into account can give a more rounded picture of women's employment opportunities. This FTE-adjusted gender employment gap was 15.4 pps in 2024[163], which is more than 50% (or 5.4 pps) wider than the unadjusted gap. The largest FTE-adjusted gaps were in Italy (23.7 pps) and Greece (21.5 pps), both of which have large unadjusted gaps. However, the next three largest gaps were in Austria (18.7 pps), Germany (18.7 pps) and the

[162] The FTE employment rate compares differences between groups in average hours worked. The FTE employment rate is calculated by dividing total hours worked in the economy (first job, second job, etc.) by the average number of hours in a full-time schedule (around 40) and by the number of people aged 20-64. Source: Joint Assessment Framework (JAF), computation based on Eurostat data.
[163] JAF indicator PA7.1.C4.; see the JAF interactive dashboard.

Netherlands (18.4 pps), the three Member States which also have largest gender gaps in part-time employment. In all three Member States, the adjustment widens the gap by at least 10 pps, highlighting the importance of considering hours worked when assessing women's participation in the labour market.

Gender employment gaps are even wider for people with children, with parenthood impacting women's careers more than men's. In 2024, the employment rate for women aged 25-54 with children was 75.4%, compared to 91.9% for men, resulting in a gender employment gap of 16.5 pps among parents[164]. By contrast, among those without children the gender employment gap is just 3.7 pps. Among employed women with children, 31.7% worked part-time, compared to just 5.1% of men[165]. In some Member States, including Greece and Italy, the impact of parenthood is evident in both lower employment rates and higher part-time work among women. The availability of long-term care (LTC) can also enhance gender equality in employment by supporting the labour-market participation of informal carers. In 2019, 17.1% of the total population provided care or assistance at least once a week, with women more likely than men to provide informal care, particularly intensive care. 19.1% of women versus 14.8% of men engaged in informal caregiving[166]. Women often dedicate a significant amount of time to informal caregiving while resorting less to formal provision: 72.5% of male informal carers receive support from formal LTC services compared to 61.4% of women[167]. Improving access to LTC can thus enhance women's participation in the labour market. However, gender disparities in LTC are also reflected in the formal workforce. Women constitute a substantial majority of LTC workers, accounting for more than 4 in 5 of them. Jobs in this sector are characterised by lower pay, higher rates of part-time work and significant mental health challenges[168]. Improving these gender imbalances is essential not only for promoting gender equality but also for addressing workforce shortages, with positive effects on access to LTC services and thus supporting greater labour market participation of informal carers.

The gender pay gap continues to narrow, though it remains substantial in most Member States and leads to higher gender gaps in pensions. In 2023, the gender pay gap in the EU stood at 12.0%, exceeding 15% in Latvia, Austria, Czechia, Hungary, Germany, Estonia, Finland and Slovakia[169]. Gender pay gaps are, among other factors, driven by differences in economic activities and occupations, under-representation of women in senior positions, over-representation in part-time and non-permanent forms of employment, difficulties in reconciling work with care responsibilities, as well as discrimination and non-transparent wage structures[170]. Gender pay gaps have a significant influence on family decision-making, something which affects mothers particularly as they experience cumulative disadvantages that further hinder their employment opportunities. Over time, the pay gap builds up and is compounded by career breaks for childcare, leading to substantial gender gaps in pensions.

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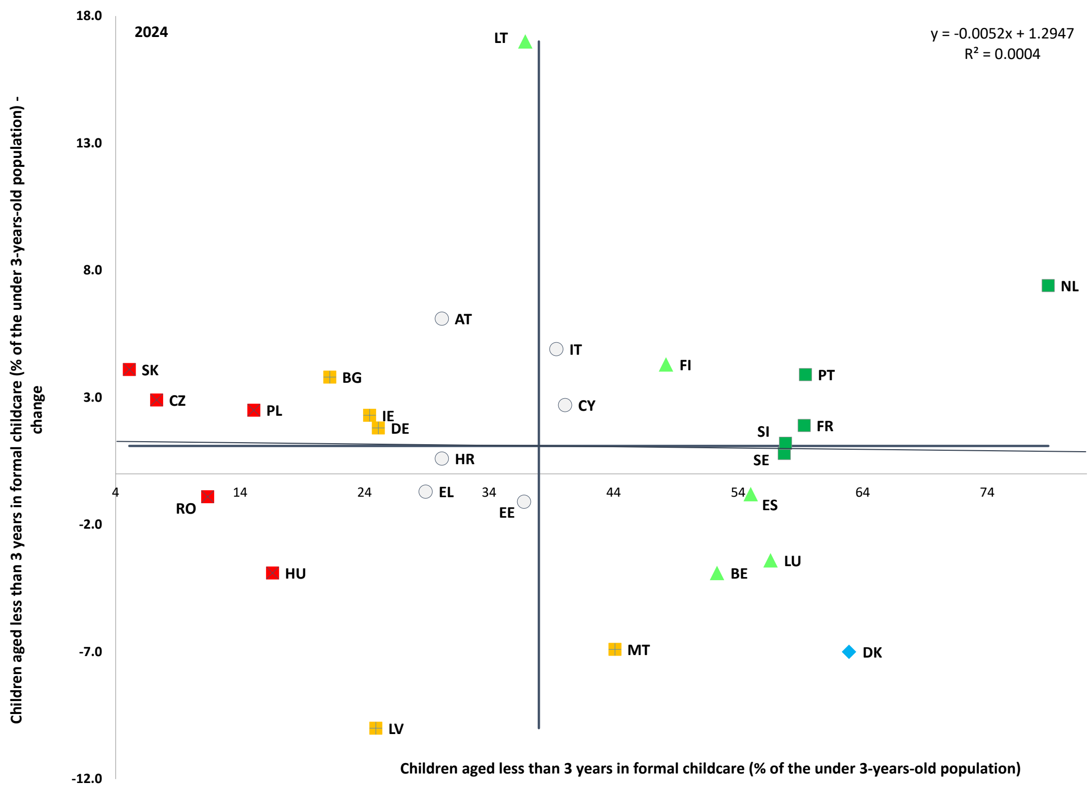
[164] Eurostat [lfst_hheredty], EU LFS.
[165] Eurostat [lfst_hhptety], EU LFS.
[166] Eurostat [hlth_ehis_ic1u], European Health Interview Survey.
[167] EIGE: 2022, Survey of gender gaps in unpaid care, individual and social activities (CARE).
[168] See Eurofound (2020). *Long-term care workforce: Employment and working conditions*. Publications Office of the European Union
[169] Eurostat [sdg_05_20]. This is the unadjusted gender pay gap, which measures the difference between the average gross hourly earnings of men and women expressed as a percentage of the average gross hourly earnings of men.
[170] See European Commission, 2023 report on gender equality in the EU, Publications Office of the European Union, 2023 and Eurostat, Gender pay gaps in the European Union, Publications Office of the European Union, 2025.

Although narrowing slightly, in 2024 women aged 65-79 received gross pensions that were, on average, 24.8% lower than those of men in the same age group[171]. This gender pension gap varies considerably across countries, ranging from above 35% in Malta, the Netherlands and Austria to as low as below 6% in Slovenia and Estonia. A higher number of women also receive no pension at all as compared to men (4.8% pension coverage gap in the EU in 2024)[172]. Since old-age pensions account on average for four-fifths of total old-age income, older women also continue to be more exposed to poverty risks than men in all Member States, despite recent improvements (see section 2.4.1).

Figure 2.2.13: Participation in early childhood education and care remains low in most Member States

Children below the age of 3 in formal childcare, 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Provisional data for LT.
Source: Eurostat [tepsr_sp210], EU-SILC.

Improving the provision of early childhood education and care can support gender equality and child development, yet participation remains low in most Member States. In 2024, the share of children below the age of 3 in formal childcare stood at 39.2% in the EU, an increase of 1.9 pps on 2023, as the EU moves towards the revised Barcelona target of 45%[173]. Only 9 Member States have exceeded 50% and stark differences persist across

[171] Eurostat [ilc_pnp13], EU-SILC.
[172] Eurostat [ilc_pnp14], EU-SILC.
[173] See Council Recommendation of 8 December 2022 on early childhood education and care: the Barcelona targets for 2030 (2022/C 484/01). The recommendation sets out new targets on early childhood education and care, mirroring the targets set in the European Education Area initiative. By 2030, at least 45% of children below the age of 3 and 96% of children between the age of 3 and the starting age for compulsory primary

Member States – see Figure 2.2.13. Despite a 4.1 pps increase in 2024, Slovakia still reports the lowest participation rate in the EU. Levels remain low (below 17%) or have fallen further in Hungary, Poland, Romania and Czechia. All five Member States are in a 'critical situation'. While reporting somewhat higher levels (between 20-26%), participation in ECEC was also low in Bulgaria, Ireland, Latvia and Germany, all of them are 'to watch', along with Malta, which saw a 6.9 pps reduction in participation in 2024. By contrast, Sweden, Slovenia, France, Portugal, Denmark and the Netherlands have the highest participation rates (in excess of 57%) and are the 'best performers'. Several obstacles may impede participation in ECEC, even in the best performing countries, including financial, cultural and language barriers, socio-economic background as well as differences in regional and national policies in relation to parental leave and allowances or legal rights to childcare. In 2024, participation of children below 3 that are at risk of poverty or social exclusion remained more than 15 pps below that of children not at risk. The Recovery and Resilience Facility (RRF) is financing targeted reforms and investments supporting the expansion of ECEC services, infrastructure development and workforce training. The low pace of improvement calls for reinforced efforts in line with the European Child Guarantee, the European Care Strategy and the Council Recommendation on early childhood education and care.

Some features of personal income tax systems discourage second earners, particularly women, from fully participating in the labour market and contribute to gender inequality in employment. Joint taxation systems, which allow families to file combined income for potentially lower taxes, increase the marginal tax rate for second earners, typically women (in 2022, 78% of second earners were women[174]). This creates disincentives for women to take up work or to extend their working hours[175], and academic research has shown that lowering effective tax rates for second earners in a married couple can help increase the participation of women in the labour market[176]. In 2024, the highest 'inactivity traps' (where tax and benefit withdrawal significantly discourages second earners from entering the labour market) were seen in Lithuania, Slovenia, Latvia, Luxemburg, Denmark, Belgium, Germany and Romania – see Figure 2.2.14. In these countries, second earners entering the labour market may lose at least 40% of earnings due to taxes and withdrawn benefits. In contrast, countries with lower inactivity traps, where that loss may be less than 20%, include Austria, Italy, Cyprus and Estonia. Addressing these structural disincentives could reduce the gender employment gap and the part-time employment gaps and deliver strong growth. A recent OECD report suggests that closing the gender employment gap by 2060 could boost GDP per capita in OECD countries by 3.9%, while closing the gap in hours worked between men and women could add 4.3%[177].

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education should be in ECEC. Those Member States whose average participation in the period 2017-21 was below 20% will have to increase by 90%, while Member States whose average participation was 20-33% will have to increase by 45%, with a limit of 45%.

[174] See European Commission, 2023 report on gender equality in the EU, Publications Office of the European Union, 2023.

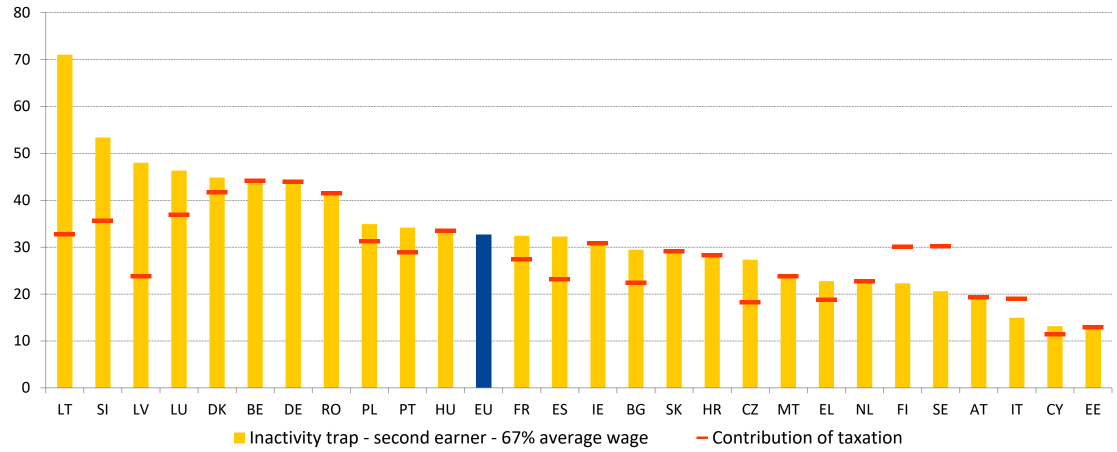
[175] See Coelho, M. et al., Gendered Taxes: The Interaction of Tax Policy with Gender Equality. International Monetary Fund, 2022.

[176] For a discussion on the impact of personal income tax on second earners, see section 2.3.2 of the European Commission's Annual Report on Taxation 2025, Publications Office of the European Union, 2025.

[177] Fluchtmann, J., W. Adema and M. Keese (eds.) (2024), 'Gender equality and economic growth: Past progress and future potential', OECD Social, Employment and Migration Working Papers, No. 304, OECD Publishing, Paris.

Figure 2.2.14: Taxation contributes significantly to the inactivity trap for second earners

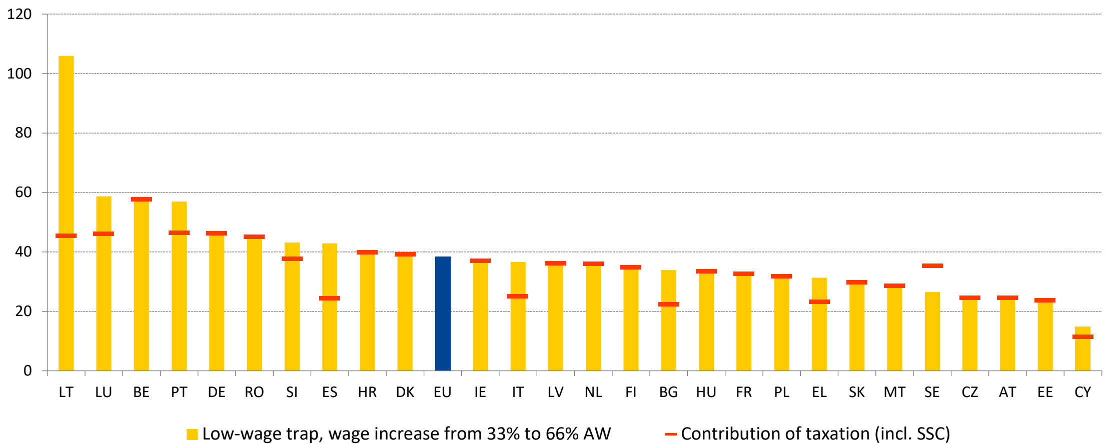
Inactivity trap for second earners (%, 2024)



Note: The data presents the situation for a second earner on 67% of the average wage in a two-earner family with two children; the principal earner is on the average wage. 'Contribution of taxation' refers to the percentage of additional gross income that is taxed away due to taxation and SSCs (other elements contributing to the inactivity wage trap are withdrawn unemployment benefits, social assistance and housing benefits).
Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax/benefit model (updated May 2025); DG TAXUD calculations.

Figure 2.2.15: In many Member States, taxation provides disincentives for low-wage earners to work more hours

Low-wage trap for second earners (%, 2024)



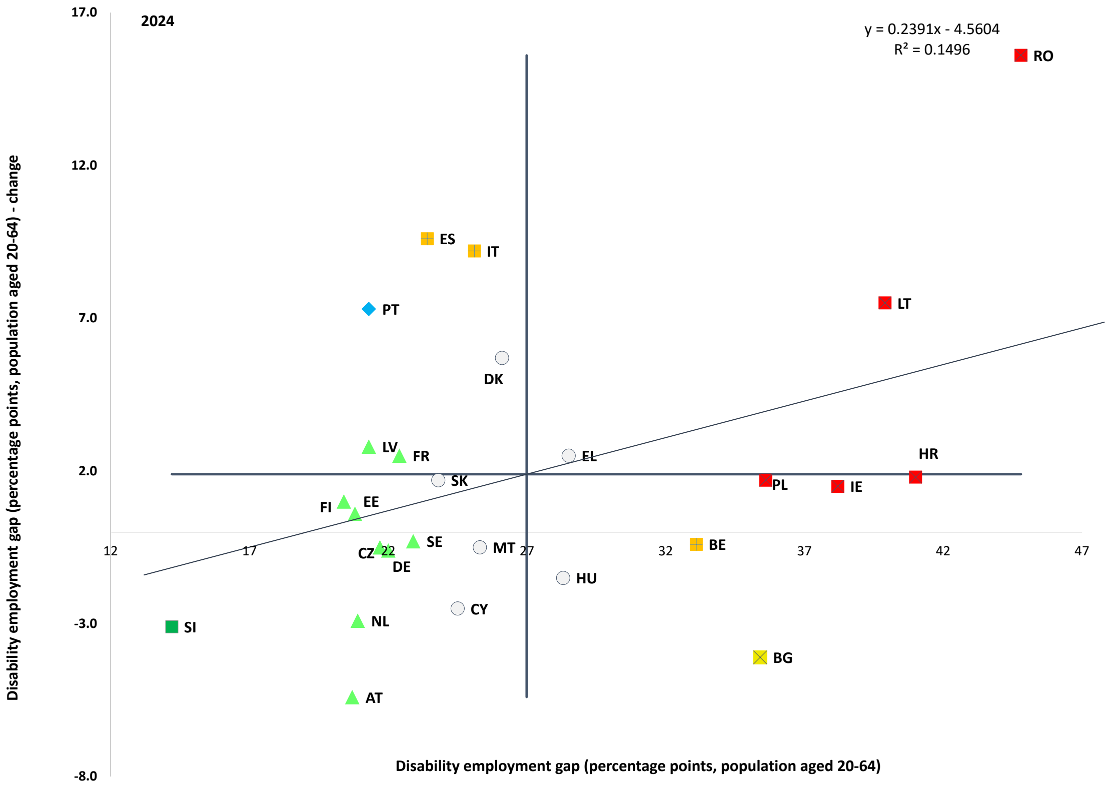
Note: Low-wage trap when the second earner's wage increases from 33% to 66% and the principal earner is on 100% of the average wage, with two children.
Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax-benefit model (updated May 2025); DG TAXUD calculations.

Women are disproportionately affected by the 'low-wage trap', where increases in taxes and reductions in benefits diminish the extra income they earn as their wages rise. In most Member States, the tax structure plays a key role in determining the level of the low-wage trap for second earners, and therefore the number of hours they work. Figure 2.2.15 illustrates the proportion of second earners' additional income that is 'taxed away' when their earnings increase from one-third to two-thirds of the average wage due to an increase in the number of hours worked. The earnings lost to tax can be substantial: around a third (36.6%) of the additional earnings are taxed away in the EU, with this loss exceeding 105% in Lithuania due to withdrawal of housing benefit. The impact may also be significant, over 50%, in Luxembourg, Belgium and Portugal, while it appears to be at its lowest in Cyprus

(14.9%). Alongside the design of the tax system, the availability of and access to affordable, high-quality care services and well-designed work-life balance policies, are essential to encourage second earners to increase their working hours.

Figure 2.2.16: The disability employment gap remains wide, with a pronounced divergent trend among Member States

Employment gap between persons with disabilities and those without (age 20-64), 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for DK, IT and PT. Provisional data for LT. No available data for LU.
Source: Eurostat [tepsr_sp200], EU-SILC.

The labour market inclusion of persons with disabilities has deteriorated, with signs of divergence across Member States. The disability employment gap[178] (i.e. the difference in employment rates between persons with and without disabilities) climbed by 2.6 pps to 24.0 pps in 2024[179] (from 21.4 pps in 2023), reversing progress made since 2020. In 2024, the gap was above 20 pps in all except one Member State (Slovenia). In Lithuania, Ireland, Poland, Bulgaria and Belgium the gap exceeded 30 pps, and was above 40 pps in Romania and Croatia. The gap narrowed in 11 Member States, including the 'best performer' Slovenia, where it fell by 3.1 pps to 14.2%. Austria and the Netherlands also made some progress and are among those 'better than average', along with Czechia, Estonia, Germany, Finland, France and Latvia, where levels remain lower than average. On the other hand, significant increases were observed in Romania (15.6 pps) and Lithuania (7.5 pps), leaving them in a

[178] The disability employment gap indicator is currently computed from the EU-SILC and based on the disability status as given by the Global Activity Limitation Indicator (GALI). See Annex 2 for further details.
[179] Italy reported a break in series and changed from 15.9 pps to 25.1 pps in 2024. This accounts for around half the EU-level change.

‘critical situation’ alongside Croatia, Ireland and Poland, which recorded large gaps over 35 pps. In Spain and Italy, the gap increased by more than 9 pps. They are ‘to watch’ along with Belgium, which recorded a large gap of 33.1 pps. The latest EU-SILC data indicates a low activity rate of persons with disabilities across the EU at 64% compared to 83% of persons without disabilities. In six Member States the activity rate of persons with disabilities was only around 50% (Bulgaria, Croatia, Romania, Belgium, Greece and Luxembourg). Overall, there remains significant scope to improve the support system for the labour market activation of persons with disabilities across the EU. As a result, persons with disabilities of working age are also at a high risk of poverty and social exclusion (33.6% compared to 18.4% of persons without disabilities).

Pillar Box 5: The integration of migrants in the EU labour market

Strengthening the labour market integration of migrants contributes to addressing labour and skills shortages, as well as broader challenges related to demographic change, and fosters social cohesion. While migrants[180] make up 11.2% of the EU labour force, they accounted for 76% of employment growth in the Union between 2023 and 2024. Notably, between 2019 and 2024, relative employment growth of non-EU born workers was strongest in sectors that faced sizeable labour shortages. This included sectors where high qualifications are typically not required, like construction and accommodation and food services[181]. At the same time, the labour force participation and employment rates of migrants remain lower compared to their domestic-born peers, despite the shortages that the Union is facing, resulting in approximately 7.4 million migrants outside the EU’s labour force[182]. This is due to several obstacles related to their labour market and social integration that often reinforce each other. These include low educational attainment levels and language proficiency of migrants, discrimination as well as poor health conditions, and low job quality prospects[183]. Difficulties related to the recognition of qualifications remain a key obstacle for the integration of migrants. Increasing the labour market integration of migrants can additionally contribute to reducing gender employment gaps by filling shortages in the care sector. The 2021-27 Action Plan on Integration and Inclusion[184] provides a common policy framework to support Member States in developing national migrant integration policies.

Overall labour market outcomes of migrants are worse than for natives, and even the highly qualified face challenges due to partial/no recognition of their qualifications acquired outside the EU. In 2024, the labour force participation rate (15-64) for migrants was lower, at 73.4% vs 75.4% for the domestic-born (64.8% for migrant women vs 82.4% for men). Their employment rate (20-64) was also lower (by 8.9 pps) than that of domestic-born people (at 68.0% vs 76.9%, respectively; 58.9% for migrant women vs 77.5% for men).

[180] In general policy and statistical practice, migrants in a given country can be considered either 1) those born outside of that country (‘foreign-born’) or 2) those with the citizenship of another country (foreign nationals/citizens or third-country nationals/citizens). Assessing the labour market integration of migrants through the concept of the country of birth allows to capture hurdles and disadvantages that are a function of the place of birth, such as linguistic skills. In what follows, the word ‘migrants’ is used as an equivalent of ‘people born outside of the EU’.

[181] See: *European economic forecast – Autumn 2025*, Publications Office of the European Union, 2025

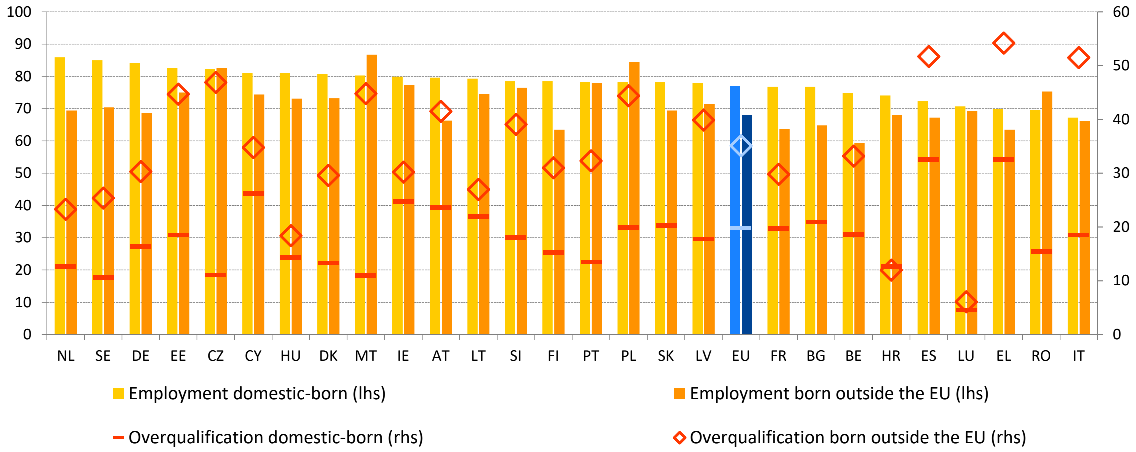
[182] Source: Eurostat special extraction.

[183] European Commission, Employment and Social developments in Europe 2025, Publications Office of the European Union, 2025.

[184] See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Action plan on Integration and Inclusion 2021-2027.

While migrants participated in the labour force at a higher rate than the domestic-born in 12 Member States, only in four (Malta, Poland, Romania and Czechia) their employment rates exceeded those of the domestic-born (see Figure). Those with tertiary education (relevant for about 30% of migrants) are more often employed. Yet, compared to their peers with less than primary education, more than six times as many highly skilled migrants (aged 20-64) named qualification recognition as a specific obstacle to finding a job in 2021. Undervalued qualifications often oblige highly qualified migrants to work in jobs requiring lower qualifications[185]. In all Member States, overqualification rates were higher among migrants than among domestic-born workers. For the EU as a whole, this gap has narrowed only slightly over time[186] and remains substantial. The overqualification rates of migrants ranged from roughly half of all migrant workers in Italy (51.5%), Spain (51.7%), Greece (54.2%), Czechia (46.9%) and Malta (44.8%) to 18.4% in Hungary[187].

Migrants face lower employment rates and higher overqualification rates in almost all Member States compared to their domestic-born peers
Employment and overqualification rates (20-64), 2024 levels (%)



Note: Break in series for BG and definition differs for the employment rate for ES and FR. Data is missing for the overqualification rate for BG, RO and SK.
Source: Eurostat [lfsa_ergacob] and [lfsa_eoqgac], EU LFS.

In recent years, several Member States have supported the labour market integration of migrants through holistic policy approaches. Germany's 'My Turn' initiative, running over 2022-29, combines digital skills training, language practice, career-family compatibility counselling, employer networking, and optional help accessing childcare. In **Sweden**, the 'Four-Category'-System for Work Permits has expedited work permit processing for highly skilled non-EU workers since 2024, by categorizing applications based on profession, education, and industry. Since 2018, the 'Dispositivo Ampara' programme in **Spain** has been supporing applicants for international protection with initial skills assessment, pre-training combining civic integration with skills development, and financial support covering basic needs, childcare, transportation, qualification recognition, and training courses, among others.

[185] European Commission, Employment and Social Developments in Europe 2023, Publications Office of the European Union, 2023.
[186] The share of migrants with tertiary education employed in an occupation requiring a lower level of education declined from 38.7% in 2014 to 34.9% in 2023.
[187] See European Commisson, Employment and social developments in Europe – Quarterly review. January 2025, Publications Office of the European Union, 2025.The lowest overqualification rates are observed in HR (12%) and LU (6.1%) albeit with data that is flagged as unreliable.

In May 2025, **Slovenia** adopted the Act on the Recognition of Professional Qualifications in Healthcare, facilitating, accelerating, and ensuring the entry of foreign healthcare professionals. Similarly, in 2025, **Slovakia** adopted an Act changing the process for the recognition of educational documents and professional qualifications, digitalising the process in order to simplify it and also eliminating waiting periods and fees.

Third-country nationals continue to face significant hurdles in the labour market. Third-country nationals (20-64) which is different from migrants as people born outside the EU) make up 6% of the EU labour force in 2024, however, they accounted for 52.3% of the growth in labour force participation between 2023 and 2024. Their employment rate, at 64.3% in 2024, was below the rate of those born outside the EUand of EU nationals (76.7%)[188]. The unemployment rate among third-country nationals (15-74) remained stable in 2024 at 12.5%[189]. Though it has fallen from 21.7% in 2014, it remains nearly two and a half times higher than for EU nationals (5.4%), with significant differences between Member States. Third-country nationals often find themselves in occupations where there is a surplus or shortage of workers, particularly in lower-skilled occupations. This may be due to lower barriers to entry in these sectors and their reliance on migrant labour[190]. It also suggests that third-country nationals are more at risk of experiencing lower job quality and working conditions. The share of third-country nationals (20-64) with tertiary education employed in an occupation requiring a lower education level declined to 39.6% in 2024, but large and persistent differences in over-qualification rates remain[191]. This trend is also visibile among persons displaced from Ukraine, who otherwise achieve higher employment rates[192]. Certain groups, such as migrant women, persons seeking international protection and migrants arriving via family reunification, tend to have poorer labour market outcomes. This highlights the need for targeted support to address the unique barriers they encounter[193].

2.2.2 Measures taken by Member States

Member States aim to further increase participation in early childhood education and care, in particular by improving accessibility and addressing shortages of qualified staff. For example, **Ireland** has launched the new support scheme ‘Equal Start’, providing universal and targeted measures to help disadvantaged families fully participate in ECEC and school-age childcare (e.g. additional funding for childcare services to engage with parents and social services, a free lunch scheme). To foster equal opportunities, **Cyprus** is granting subsidies funded by ESF+ to small and remote public kindergartens, for tuition fees and transportation costs for educational visits and extracurricular activities for children from lower socioeconomic backgrounds. **Greece** has introduced policy measures to support children from vulnerable groups with access to all-day ECEC, and students with special educational needs receive targeted parallel support in the classroom with support from the ESF+. **Slovakia** is co-financing the development of nurseries as well as strengthening staff capacity and parenting skills, particularly for parents with socio-economically disadvantaged

[188] Eurostat [lfsa_ergan], EU LFS.
[189] Eurostat [lfsa_urgan], EU LFS.
[190] European Labour Authority (2025), EURES Report on labour shortages and surpluses 2024, Publications Office of the European Union, Luxembourg.
[191] European Commission, Employment and social developments in Europe – Quarterly review. January 2025, Publications Office of the European Union, 2025.
[192] Eurofound (2024b), Social Impact of Migration: Addressing the challenges of receiving and integrating Ukrainian refugees, Publications Office of the European Union.
[193] SWD/2025/162 final.

backgrounds. More generally, various Member States have announced plans to increase the number of places in ECEC, including **Austria** (50 000 more places by 2030), **Belgium** (investment for 10 000 additional places in Flanders announced in 2025 and, with support of the RRP, 5 200 extra places in Wallonia-Brussels by 2026), **Poland** (102 000 places by 2029, with support of ESF+ and RRF) and **Portugal** (5 000 new places by 2027). Additionally, several countries have taken measures to increase the quality of services, in particular by addressing teacher shortages, improving teacher training and developing pedagogical guidelines. In **Belgium** (Flanders), career changes into ECEC professions will be promoted through paid training courses and by evaluating and reforming the current childcare support network. **Germany** is investing EUR 4 billion in 2025 and 2026 to improve quality and expand places, increase the number of fully qualified staff, improve child-staff ratios and promote early language learning. New requirements for ECEC staff are also planned in **Finland** and **the Netherlands**, while child-to-staff ratios are being adapted in **Belgium** (Flanders), **Denmark**, **Luxembourg** and **Poland**. **Poland** is also implementing a national training programme ('Support Academy') for childcare providers, regional and local authorities to support the introduction of new quality pedagogical standards in ECEC for children aged less than three years from January 2026.

Across the domains of basic skills in mathematics, reading and science, as well as digital and citizenship skills, several EU countries have introduced reforms. With ESF+ support, **Romania** has recently started implementing a national programme to reduce functional illiteracy and improve basic skills, which includes measures to analyse drivers of underachievement, developing functional literacy learning and assessment standards, training and support for teachers, as well as piloting measures in schools with the aim of scaling up at national level. In **Italy**, Agenda Sud focuses on literacy (distinguishing between Italian for native and non-native speakers), numeracy and English language skills. **Poland** is preparing a curriculum reform focused on enhancing competences, including basic and STEM skills, which is to be implemented in September 2026, starting with pre-primary and primary levels. The Communities in **Belgium** are pursuing large-scale curricular reforms aiming to strengthen basic skills, accompanied by monitoring measures. While most countries follow holistic strategies, some are putting in place targeted actions focusing on single disciplines. For mathematics, **Lithuania** has prepared a plan for improving teaching and learning. This plan focuses on supporting low-performing students and updating teacher competences. In **Czechia**, up to 100 schools are piloting new primary school curricula, that offer greater flexibility and emphasise elements such as mathematical reasoning and project-based learning. To support reading and language, **Austria** has introduced a new reading quality seal for primary schools. **Ireland**'s new STEM curricula deliver updated specifications for biology, physics and chemistry, and the new subjects of Climate Education and Sustainable Development. Several initiatives target the improvement of computer and information literacy. **Slovenia** will introduce a new subject on informatics and digital technologies in the seventh grade of basic school from 2028/2029 onwards. **Poland** and **Malta**, via RRF and ESF+ support, have been scaling up the distribution of tablets and laptops, and **Latvia** supports students with the provision of digital devices, internet access and tailored pedagogical support. **Poland** has introduced a new subject on Civic Education at upper secondary level and Health Education at all levels, also offering support to teachers through funded relevant teaching manuals and training seminars.

Strengthening the teaching profession, with emphasis on attractiveness and quality, remains a key priority to improve students' basic skills. In **Austria**, teacher training has been streamlined and will be more strongly linked to challenges faced in practice. Also, the option of a dual pathway is planned, in which students teach at selected schools for one semester during their studies. Several countries have increased teacher salaries, such as **Bulgaria**, **Lithuania**, **Hungary** and **Slovenia**. In 2024, **Hungary** started to implement a major salary reform, co-financed by ESF+, to increase teachers' salaries to at least 80% of the average salary of other tertiary graduates by January 2025. **Ireland** and **Poland** offer new teachers permanent teaching contracts after one year of teaching, shortening the length of required practical experience. **Sweden**'s current reform of the teaching profession and teaching careers aims to increase the quality of teaching and attractiveness of the teaching profession. A new project financed by the EU Technical Support Instrument (TSI) will support reforms in **Belgium** (Flanders) and **the Netherlands** to improve the relevance and effectiveness of teachers' continuing professional development in digital education. To ensure high-quality teaching in STEM subjects, Member States are also focussing on teacher preparedness. **Germany** has launched several initiatives, such as the QuaMath teacher training, while **Estonia** offers micro-credentials in the Teacher Academy programme, for example on STEM-related subjects, to allow teachers to further qualify while working.

Member States continue to tackle early school leaving and educational inequalities, with strong EU funding support. At least 2 700 schools in **Spain** are foreseen to receive support to reduce drop-out and early leaving among low-performing pupils through the 'Programme for orientation, progress and educational enrichment', under Spain's Recovery and Resilience Plan (RRP). The programme focusses on schools with particular educational challenges with a significant proportion of vulnerable students in regular classes. In **Luxembourg**, the mandatory school age will be increased from 16 to 18 as from September 2026, and the National Youth Service identifies young people at risk of dropping out and contacts them individually to provide guidance. **Slovakia** plans a double regime of justification for absence to increase schools' accountability.

Ongoing efforts aim to respond to the emergence and increasing use of AI in education and training. **Estonia** has plans to systematically integrate AI tools and training in education with the new AI education programme 'AI Leap' ('TI-Hüpe'), launched in September 2025. It aims to integrate AI tools and skills into the education system by providing access to leading AI applications and training for pupils and teachers. **Spain** has set up a new AI and data Vocational Education and Training (VET) track and integrated digital modules across all existing programmes. In **Finland**, the responsible and effective integration of AI into learning environments is being guided by AI recommendations, consisting of national legal obligations and general guidelines for education providers and staff. Similarly, **France** has adopted a legal and ethical framework for using AI in schools and will allow for AI tools to help tailor basic skills learning in primary and lower secondary school. **Ireland** also aims to support teachers and maintain integrity in student assessment with its guidance on AI use in teaching and learning. It is developing strategies and tools for AI implementation in school education. In **Croatia**, a new curriculum is being developed focusing on AI and emerging digital technologies to improve digital competences among teachers and learners. Curricular integration of AI and targeted teacher training are also part of **Malta**'s strategy, which introduces ICT and AI tools across school levels and aims to improve digital and AI literacy.

Modernisation of VET systems has continued, for example through structural reforms, upgraded infrastructure and lifelong learning pathways. Several countries have introduced or updated national VET strategies. **Cyprus** is developing a new VET strategy and launched major infrastructure projects funded by RRP and JTF, and introduced technical high schools on a pilot basis, aiming to provide a more flexible pathway combining general and vocational education funded by ESF+. A wave of legislative reforms also underpins national efforts to improve the responsiveness of VET. In **Spain**, the regulatory framework for VET was further consolidated, towards a stronger work-based learning and apprenticeships approach, with several royal decrees governing curriculum structure, system components and governance, while also supporting the establishment of Centres of Excellence and the green and digital transitions in training. To better align the training offer with labour-market demand, **Poland** has launched the creation of industry skills centres that bring together VET schools, higher education institutions, employers and other stakeholders. **Estonia** continued the reform of its VET and adult education legislation to promote flexible learning pathways and support the development of micro-credentials.

Expanding access to high-quality work-based learning remains a priority. The Dual VET legal framework in **Bulgaria** has been updated and additional public funds have been allocated to cover social and health contributions of students in dual education, ensuring better cooperation with employers and broader uptake of in-company training. Other Member States have prioritised the adult population and upskilling opportunities. **Sweden** has allocated an additional SEK 900 million (approximately EUR 80 million) to expand adult vocational education, enabling more full-year study places in response to skills shortages. In order to get more workplaces to accept apprentices, the grant for supervisors in apprenticeship education is also being doubled to SEK 7 000 (approximately EUR 624) per year. Enhancing digitalisation and sustainability in VET is also high on the agenda. **Spain**'s investments include the conversion of over 1 200 classrooms into applied technology spaces, over 25 000 training actions of 30 hours for VET teachers in green and digital skills, and the expansion of bilingual VET training cycles. These actions are embedded in the RRP and are expected to strengthen both learner engagement and labour market relevance.

Member States are supporting higher education institutions' efforts to modernise their systems, strengthen the links to the labour market and boost internationalisation. While the number of people with a tertiary educational has expanded steadily, there is an increasing focus on ensuring high-quality education and increasing its labour-market relevance to address skills shortages. With ESF+ support, **Bulgaria** is boosting competence-based learning and the internationalisation of its higher education institutions. **Cyprus**' national plan for the improvement and upgrading of higher education focuses on enhancing quality and excellence, linking education to the labour market and promoting internationalisation. **Czechia** aims to introduce short-cycle tertiary programmes at new higher vocational schools, and **Spain** has established procedures to validate informal and non-formal learning. Some countries have recently established internationalisation strategies to increase mobility and internationalisation in higher education. **Austria**'s National Mobility and Internationalisation Strategy for Higher Education 2020-30 supports mobility for all groups in higher education, placing a greater focus on promoting high-quality academic mobility. **Germany** hopes to increase its attractiveness to international students by easing legal requirements (visas, access conditions) and facilitating access to programmes through increased recognition of skills and diplomas, language courses, housing and counselling. Supported by the European Social Fund Plus (ESF+), **Poland** is developing its first internationalisation strategy for higher education to be finalised by the end of 2025.

Member States are adopting measures to increase and improve adult learning in line with the Union of Skills initiatives. Several Member States are piloting Individual Learning Accounts (ILAs) as a demand-driven approach to training. In **Slovakia,** a new law on adult education aiming to strengthen the adult education system and encourage non-formal education, in particular by piloting ILAs, came into effect in January 2025. Although ILAs aim to grant universal access to training, some pilot projects focus on specific groups. In **Cyprus**, for example, a pilot provides EUR 2 400 over three years to long-term unemployed and low-qualified adults funded by ESF+. A well-designed adult learning system requires sustainable funding. Supported by the ESF+, **Latvia** has adopted regulations in July 2025 for setting up skills funds, which will contribute towards the creation of a more sustainable and well-funded adult learning system, involving employers. The pilot project aims to provide training to more than 4 700 persons by 2029. A pilot project will run until 2029. To align skills with labour market needs, several countries are improving skills strategies and skills anticipation systems. Until the end of 2025, **Spain** is conducting research under the RRP to detect skills needs through a survey done in key sectors to inform effective responses to demands for training and reskilling. In June 2025, **Luxembourg** has introduced a proactive employment and re-/upskilling management programme, the 'Skills-Plang'. Member States continue to take action to implement the European approach to micro-credentials, boosting upskilling and reskilling while making skills visible and easily comparable across the EU. In September 2025, **Hungary** has introduced a new regulation on training programmes leading to micro-credentials in adult education, allowing shorter training opportunities for adults based on accredited VET textbooks. Under its RRP, **Spain** has included an action plan for the creation of a framework for the development of micro-credentials. Spain is also working on the provision of micro-credentials to support specific knowledge and skills in demand in the labour market. Recognising competences acquired through work experience and non-formal learning remains a key priority across Member States. In June 2024, **Croatia** has adopted a new regulation enabling the recognition of prior learning, with specific attention to the needs of low-qualified adults and jobseekers. The reform aligns validation more closely with labour market requirements and supports pathways into certified qualifications. In **Malta**, updated national guidelines have been published in September 2024 to revise the framework for the validation of non-formal and informal learning, promoting a more coherent and provider-friendly approach, supported by improved quality assurance and stakeholder coordination.

Initiatives have been introduced to strengthen digital skills in education. For instance, in **Belgium**, the governments of Wallonia-Brussels Federation and the Walloon Region have approved a new cooperation agreement on digital education in compulsory schools and adult education, ensuring all pupils and staff acquire a minimum set of digital skills, in line with the European Digital Competence Framework. **Malta** has launched a Digital Education Strategy 2025-30 which aims to equip students with digital skills. **Finland** has launched a digitalisation programme for continuous learning under the RRP, including services to support smooth transitions in education and working life. Under the (2025-2035) Digital Transformation Policy for Education, supported by ESIF and RRF funds, **Poland** proceeds with equipping school with ICT equipment, training of teachers in digital skills as well as developing a network of ICT pedagogical coordinators in schools (25 000 teachers will be trained to become coordinators by 2028). Some countries are focusing on the upskilling of adults and citizens. **Bulgaria** is setting up 760 digital clubs, which will provide free access to training courses in digital skills for adults (with a budget of EUR 116 million from the RRF). Under the RRP, **Spain** has launched modular training aimed at reskilling and upskilling employed and unemployed people. Some countries have also introduced measures to support more advanced digital skills and IT professionals. **Spain** has introduced professional courses in digital skills to train more than 10 000 professionals through specialised courses of at least 250 hours each under the RRP. In 2025, **Malta**, the Malta Digital Innovation Authority (MDIA) has relaunched the Pathfinder Digital Scholarship Scheme, which aims to encourage students to specialise in AI and other digital fields at Masters and PhD levels. **Sweden** is investing SEK 28 million (approximately EUR 2.5 million) in 2025 to enable seven higher education institutions to develop short, skills-building courses focusing on AI for professionals in various sectors. By 2026, with the RRF support, **Poland** aims to train at least 250 000 citizens in digital skills, including those at risk of exclusion.

In line with the twin transition agenda and the Council Recommendation on Fair Transition Towards Climate Neutrality, Member States are expanding training initiatives that address the demand for green skills across sectors and occupations. In September 2024, **Greece** has launched more than 600 training programmes focused on green skills provided by national employment services and aimed at 50 000 private sector employees as part of its RRF. These programmes are open to jobseekers, employees and entrepreneurs and include topics such as sustainable agriculture, green technologies, and renewable energy. Started in the 2024/25 school year, in **Luxembourg**, the 'Skillsbridges' initiative, part of its Recovery and Resilience Plan, supports upskilling and reskilling in line with national skills intelligence and labour market needs, placing particular emphasis on training for sectors affected by the digital and green transitions, including construction, transport and manufacturing. A mapping exercise of training opportunities in the field of sustainable development and green jobs is expected to be carried out in **Malta**, aiming to identify capacity gaps and feed into a green skills roadmap aligned with labour market forecasts.

Member States are undertaking measures to support youth employability, in line with the reinforced Youth Guarantee. Malta launched its 'Youth Guarantee 3.0' in February 2025, with a total ESF+ budget of EUR 10 million. It aims to strengthen youth activation pathways by offering personalised support, targeted training and work placements. **Bulgaria** introduced an ESF+ funded measure called 'Youth Traineeships', providing incentives to employers for offering open-ended contracts after a traineeship. In September 2024, supported by the ESF+, **Portugal** has approved the INICIAR traineeship programme. It co-finances 65% of the cost of a trainee grant and can reach 80% in professions with gender underrepresentation, for a person with a disability, in an inland region with a low population density, and if a permanent full-time employment contract is signed with the trainee within 20 working days of the end of the traineeship. **Portugal** is also implementing a measure funded by the ESF+ that provides employers with financial support for hiring and retaining qualified young people, for example by promoting the quality of employment and setting pay appropriate to qualifications. In **Greece**, an ESF+ funded measure is underway to prepare 25 000 unemployed young people (aged 18-29) to be integrated into the labour market. As part of its RRP, **Spain** included three programmes targeting youth employment, focusing on achieving professional competence through training and employment, with particular attention on climate and digital related skills. In **Sweden**, measures targeting NEETs are being implemented at municipal and regional level to facilitate re-integration into the labour market and social life, while also focussing on mental health.

Work is ongoing to promote greater gender equality in employment and in levels of pay. In **Luxembourg**, a law was adopted in 2024 creating a 'Gender Equality Observatory' and a 'Higher Council for Gender Equality'. The Observatory's mission is to collect data, provide information and monitor and analyse developments in gender equality. The nine-member Council studies and advises on all issues relating to gender equality. **France** has transposed the Women on Board directive (EU 2022/2381) under the Copé-Zimmermann law, which aims to improve gender parity in large companies. In **Finland**, the government and the central labour market organisations negotiated joint equal pay measures for the period 2024-27. The aim of the Equal Pay Programme is to reduce the gender pay gap to less than 15% by 2027. **Czechia**, **Finland**, **Poland** and **Slovakia** all took steps towards transposing the Pay Transparency Directive, strengthening the principle of equal pay for equal work of equal value between men and women. There have also been further efforts across Member States to improve work-life balance for those with parental responsibilities. In **Denmark**, parents' entitlement to absence and maternity benefit has been extended from a total of three months together to 12 months for each parent in the case of hospitalised new-born children. In **Belgium**, parents with long-term responsibilities to a child in foster care will now also be able to request parental leave. Other Member States are providing women with greater incentives to work. **Italy** is offering a partial exemption from social security contributions to employed and self-employed mothers of at least two children. The benefit, which is valid up to the age of 10 of the youngest child and, from 2027, to the age of 18 of the youngest child for mothers of three or more children, is reserved for those with a taxable income of up to EUR 40 000 per year who do not participate in the flat-rate tax regime. The measure has an annual expenditure limit of EUR 300 million. A Public Employment Service programme in **Greece** is promoting entrepreneurship, with the creation of new small and medium-sized enterprises by 5 880 unemployed people aged 30-59, with an emphasis on unemployed women. The amount of support for the new businesses/beneficiaries is EUR 17 000.

Efforts to strengthen the labour market inclusion of persons with disabilities are underway in many Member States. Some countries are looking to the public sector to improve equal access to the labour market. For example, a programme of subsidised employment in **Greece** is contributing up to 75% of the salary and contributions of 1 000 unemployed persons with disabilities, who are to be employed in local government. The programme will run for 18 months and aims to integrate participants into the labour market. In **Spain**, reforms to public administration selection procedures will make them more adapted to the needs of persons with disabilities. **Luxembourg** is amending a statute on persons with disabilities, bringing definitions up to date, expanding rights and refining support mechanisms to enhance legal, social and professional inclusion. **Sweden** is aiming to increase awareness among employers of the support available for persons with disabilities in employment and has commissioned Public Employment Services to carry out information initiatives.

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

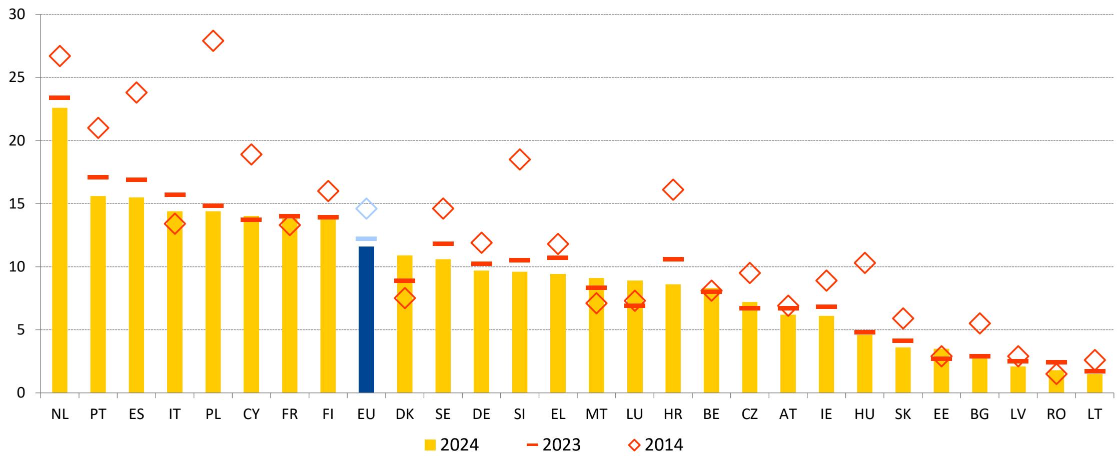
This section looks at the implementation of the employment guideline 7, which recommends that Member States enhance the functioning of labour markets and the effectiveness of social dialogue. It covers, among others, balancing flexibility and security in labour market policies, preventing labour market segmentation, adapting to new working methods, as well as ensuring the effectiveness of active labour market policies and fighting undeclared work. These goals are in line with: principles 4 (on active support to employment), 5 (secure and adaptable employment), 7 (information about employment conditions and protection in case of dismissals), 8 (social dialogue and involvement of workers), 10 (healthy, safe, and well-adapted work environment) and 13 (unemployment benefits) of the European Pillar of Social Rights. Building on existing national practices, the promotion of social dialogue and the engagement with civil society organisations are also discussed. Section 2.3.1 examines aspects related to job quality and labour market segmentation, the future of work, including in the context of the digital transformation. Long-term unemployment and active labour market policies are further analysed under this Guideline. Lastly, this section discusses the role of social partners and the importance of social dialogue, and of appropriate consultation with civil society, in order to design and implement policies. Section 2.3.2 reports on policy measures of Member States in these areas.

2.3.1 Key indicators

Flexible contractual arrangements can help meet labour market demands, but they can also contribute to greater labour market segmentation and weigh on job quality. Non-standard forms of work, such as temporary and part-time work, can provide greater flexibility to both employers and employees, and serve as 'stepping stones' to stable employment and better working conditions. In some instances, however, they can limit upward mobility, protract instability and provide poor working conditions. They are often associated with lower earnings, limited access to social protection, training and representation[194]. They can also lead to a decreasing attractiveness of certain sectors and occupations, exacerbating labour shortages if pay is low and working conditions are poor[195]. Young people, women, migrants, older workers and the low-qualified are more impacted by labour market segmentation. Among others, active labour market policies encouraging transitions into higher quality jobs, incentives for employers to hire on a full-time permanent basis, along adequate access to social protection and learning opportunities, can help reduce labour market segmentation and increase job quality.

Figure 2.3.1: Over the last decade, the share of temporary employment has been decreasing, but substantial variation across Member States remains

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



Note: Definition differs for ES and FR in 2023 and 2024. Break in series for DK in 2023 and BG in 2024.
Source: Eurostat, [lfsi_pt_a], EU LFS.

The share of temporary workers in the EU continued to decrease in a context of high and rising employment rates, but differences across Member States remain substantial[196]. The share of temporary workers among all employees (20-64) continued its downward trend and reached 11.6% in 2024. This is 0.6 pps below the previous year and 3 pps lower than a decade ago – see Figure 2.3.1. While a majority of Member States experienced a similar development, the gap between the highest and the lowest temporary employment shares remains significant, at 21.1 pps. The Netherlands (at 22.6%), as well as Portugal, Spain, Italy and Poland (above or around 15%) continued to record the highest

[194] Eurofound, Labour market segmentation, European Industrial Relations Dictionary, 2019.

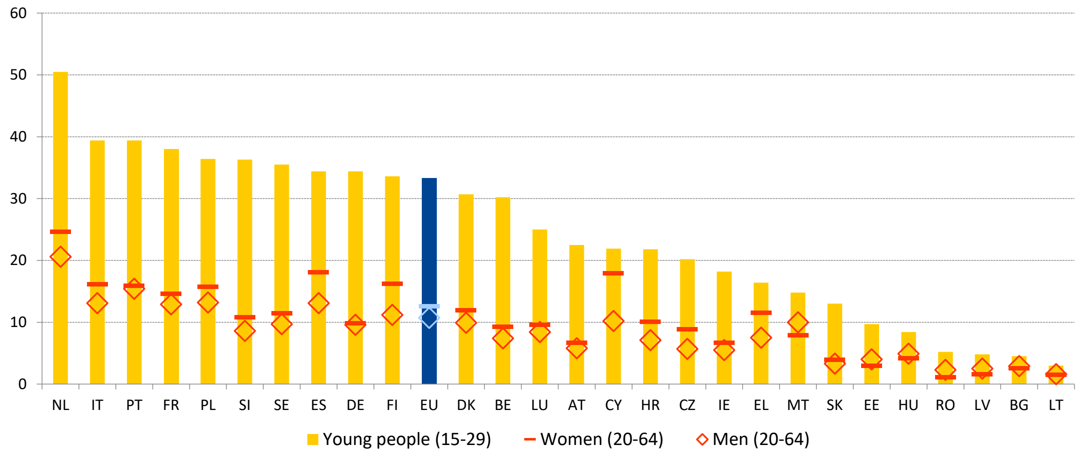
[195] See European Commission, Employment and Social developments in Europe 2024, Publications Office of the European Union, 2024, and Eurofound, Company practices to tackle labour shortages, Publications Office of the European Union, 2024.

[196] Employees on temporary contracts are defined as employees with a limited duration contract, whose main job will terminate either after a period that is fixed in advance, or after a period that is not known in advance.

shares in the EU in 2024, while figures were below 3% in Bulgaria, Latvia, Romania and Lithuania.

Figure 2.3.2: The temporary employment shares for young people and women differ significantly across Member States

Share of temporary employees among young people (15-29) as well as women and men (20-64), (%, 2024)



Note: Definition differs for ES and FR. Break in series for BG.
Source: Eurostat, [lfsi_pt_a], EU LFS.

Temporary contracts are almost three times as common for the young and more prevalent among women than men, with large variation across Member States. In 2024, after a decrease by 1.0 pps compared to 2023, 33.3% of young employees (15-29) had a temporary contract in the EU against only 11.6% among all employees aged 20-64. The lowest rates (below or around 5%) were recorded in Bulgaria, Latvia, Lithuania and Romania, while rates around or above 40% characterised the Netherlands, Italy and Portugal – see Figure 2.3.2. In most Member States (20), women were more frequently on temporary contracts than men, leading to a gender gap of 1.9 pps in 2024 on average in the EU. In Cyprus, Finland and Spain the gap was between 5 and 7 pps, while in Lithuania, Germany and Bulgaria the gap was between 0.1 and 0.3 pps.

Pillar Box 6: Job quality dimensions in EU Member States

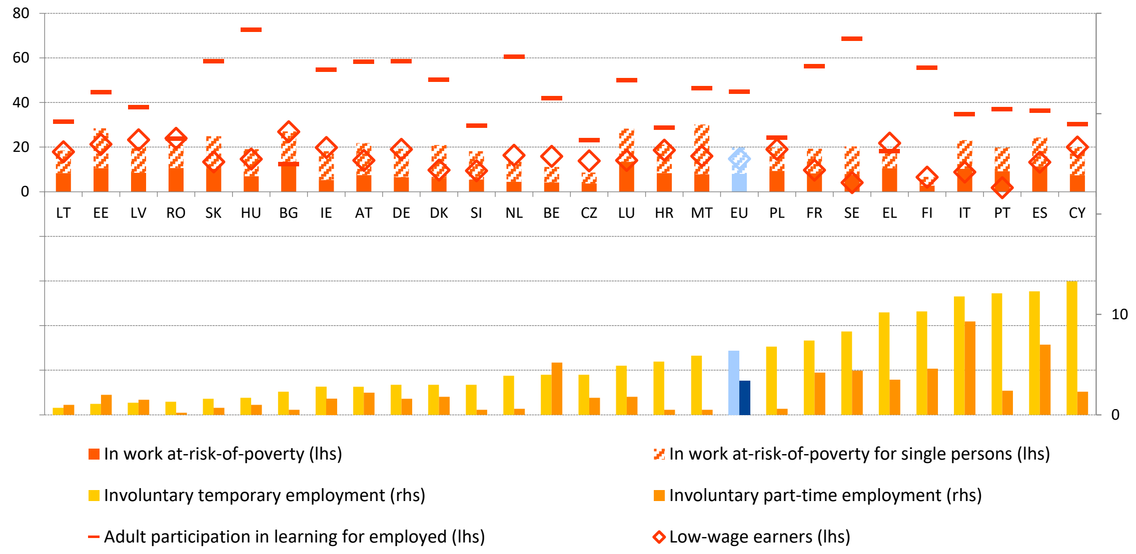
Fostering job quality is key for a competitive social market economy with high productivity and innovation capacity, a highly skilled workforce and greater social cohesion. Job quality covers several dimensions that are also influenced by structural shifts in the labour market. These include the digital and green transformations, demographic change, the evolution of employment contracts and forms of work, evolving workplace cultures, and broader societal values and goals such as non-discrimination and equal opportunities. As discussed in the Employment Committee (EMCO) and reflected in the EMCO Opinion to the June 2025 EPSCO[197], job quality encompasses traditional dimensions like *adequate earnings and fair wages, job and career security,* and *skills development* and *career progression.* These are all interdependent elements that, when combined, can create a virtuous cycle of personal empowerment, productivity and economic growth. At the same time, as underlined in the EMCO Opinion, *safety and health at work*, combined with *workplace wellbeing*,

[197] See the Opinion of the Employment Committee on the dimensions of job quality presented to the June 2025 Employment, Social Policy, Health and Consumer Affairs Council.

optimal working time arrangements, *work-life balance*, and *job autonomy*, can lay the foundations for both personal and professional development, as well as organisational success. This may result, for instance, from greater creativity and accountability, higher motivation and productivity, and reduced incidence of burnout. Also, *collective interest representation and organisatin*, *gender equality and equal opportunities*, as well as efforts to foster *transitions from undeclared and underdeclared work to formal employment* are crucial horizontal enablers of a just and inclusive labour market. Finally, the degree and type of *social protection* available to different forms of employment are integral components of job quality. The forthcoming Quality Jobs Roadmap, being developed in cooperation with the EU social partners, is a renewed commitment to fostering future-proof quality jobs in a competitive EU. It will present a comprehensive strategy to address the challenges and opportunities of the European labour markets as regards quality jobs and contribute to a fair green and digital transition, the anticipation of change and quicker intervention when there is a threat of restructuring. The Roadmap outlines initiatives and tools to align employment policy with the needs of a fast-evolving economy while remaining grounded in the principles of the European social market economy, social progress and full employment. It also emphasises key enabling factors that foster quality jobs in a business-friendly environment and calls for the enforcement of existing social rights, quality services for all and across regions, adequate funding and reinforced social dialogue and collective bargaining.

Performance on job quality vary across Member States and across dimensions

In work at-risk-of-poverty rate (18-64), 2024, % of employed persons and % single employed persons; Adult participation in learning (25-64) (during the last 12 months), 2022, % of employed persons; Involuntary temporary and part-time employment rate (15-64), 2024 % of employees, Low-wage earners, 2022% of employees



Note: Data on involuntary temporary employment for LV only available for reason [JOB_TCTR] and for SK for reason [NF_PJOB]. Break in series for BG and differing definition for ES and FR for both involuntary temporary and part-time employment. Low reliability data for EE [JOB_TCTR] and for MT, AT and SI for [NF_PJOB]. Break in series for HR and provisional data for LT for both in-work at-risk-of-poverty rates. Break in series in adult participation in learning for FR, IT and RO.

Source: Eurostat [tesem190,], [lfsa_eetpgar], [tespm070], [ilc_iw02], [earn_ses_pub1s], special extraction of the adults' participation rate in learning during the past 12 months without guided on-the-job training (GOJT), from the Adult Education Survey.

Performance along the various dimensions of job quality varies significantly across EU Member States, and also across dimensions within the same Member State. For instance, Bulgaria, while having low shares of involuntary temporary[198] and involuntary part-time employment[199] (2.3% and 0.5% of employees (15-64), respectively), has one of the highest in work at-risk-of-poverty (IWP) rates (12.1%), and one of the highest number of fatal accidents at work (3.5 per 100 000 workers). Finland has relatively high shares of involuntary temporary employment (10.3%) and involuntary part-time (4.6%). At the same time, the IWP rate is relatively low (2.8%), more than half (55.5%) of the employed participate in training and fatal accidents are relatively low (1 per 100 000 workers). Slovakia records a relatively high IWP rate (10.3%) but performs well on all the other dimensions mentioned above. Other Member States, such as Italy and Spain, face challenges across many job quality dimensions.

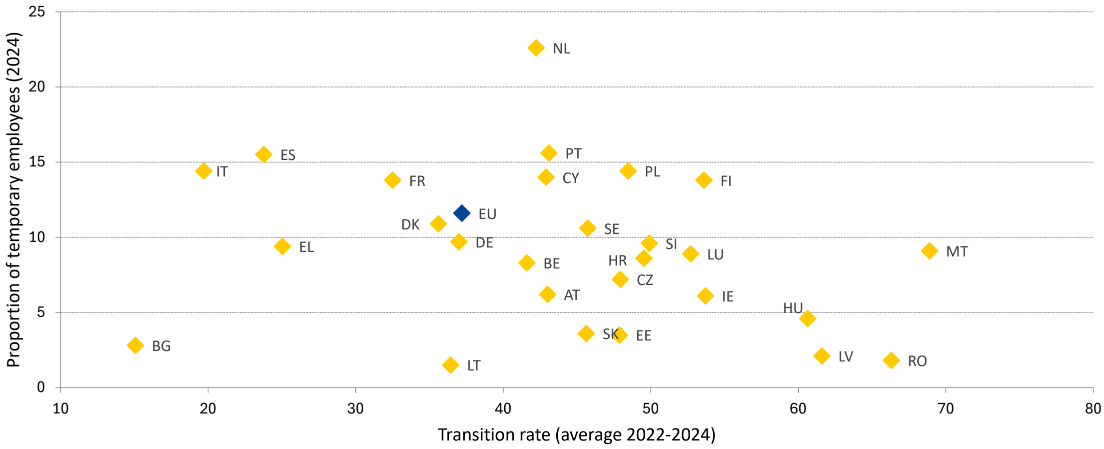
Member States are taking actions to improve job quality along its various dimensions. For example, **Slovakia** completed the transposition of the minimum wage directive in November 2024. This will contribute to adequate earnings at the lower end of the income distribution. It does so by introducing criteria for evaluating the adequacy of the statutory minimum wage, raising the automatic indexation mechanism to 60% of the average monthly wage of the previous year, and creating a Minimum Wage Commission with the participation of the social partners. As part of a broader labour market reform, in June 2025, **Slovenia** introduced stricter requirements for temporary employment agencies and increased regulatory oversight of such agencies to improve the protection of temporary workers. In June 2024, **Greece** introduced a Digital Work Card as a pilot project that aims to fully safeguard workers' rights, by ensuring the monitoring of real working time and the remuneration of employees. This is aimed at combating abusive policies of undeclared overtime as well as illegal changes and overtime hours. **Italy** extended tax deductions for hiring employees on permanent contracts and introduced social contribution exemptions from 2025-29 for private sector employers hiring permanent staff in certain sectors. With the support of the RRF, **Spain** introduced an action plan for the creation of a framework for the development of micro-credentials and is working on providing micro-credentials covering numerous different training actions to equip workers with specific knowledge and skills in demand in the labour market. Also, in 2025, through negotiations with the social partners, the minimum wage was increased by EUR 700 annually, benefitting approximately 2.4 million workers. To strengthen safety and health at work, in March 2025, **Luxembourg** adopted a decree updating workplace protections against carcinogenic, mutagenic, and reprotoxic agents, strengthening employers' obligations in monitoring, substitution exploration and hygiene controls.

Some Member States display relatively high shares of temporary employment and low transition rates to permanent contracts. This can point to challenges in the role of temporary contracts as 'stepping stones' into longer-term permanent employment. Among the countries with the highest shares of temporary workers, Italy and Spain registered transition rates below or around 20% (vs the EU average of 37.2%), while in the Netherlands and Portugal, they exceeded 40% – see Figure 2.3.3. On the opposite side, in Hungary, Latvia and Romania, the shares of temporary workers were below 5%, and in Malta below 10%, but the transition rates to permanent contracts were very high, between 60-70%. The latter suggest effective pathways from temporary to permanent employment.

[198] Involuntary temporary employment is defined here as due to either 'no permanent job was found' [lfsa_etgar] or 'the job was only available with a temporary contract' [lfsa_etgar].
[199] Involuntary part-time work is defined as due to 'no full-time job found' [lfsa_eetpgar].

Figure 2.3.3: Transition rates to permanent contracts in the EU are characterised by significant heterogeneity among Member States

Share of temporary employees among all employees (20-64) in 2024 and transition rate to permanent jobs (15-64) (average value for 2022, 2023 and 2024).

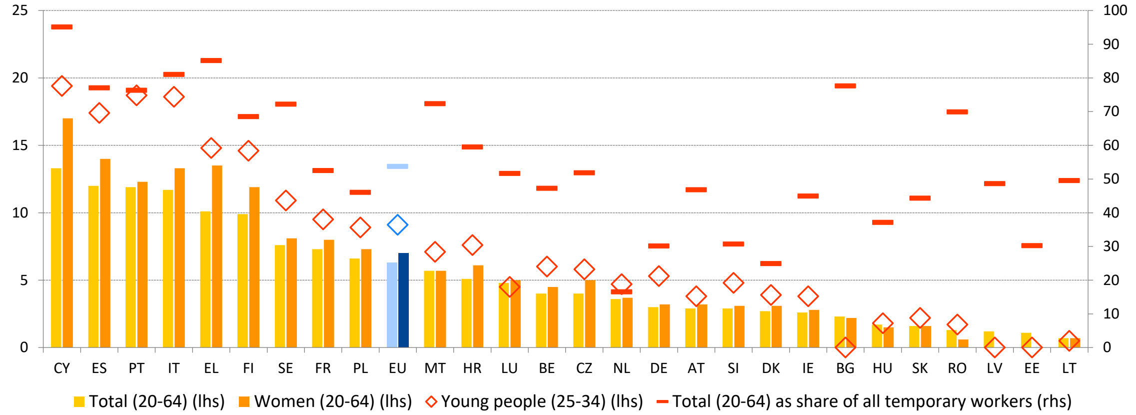


Note: The broader 15-64 age cohort is considered for transition rates between temporary to permanent contracts. Labour transition rate missing for DE in 2022, for DK missing in 2024 and for LU in 2023. Break in series in 2023 for FR. Provisional data in 2024 for LT.The 20-64 age cohort is used for temporary employment, in line with the Social Scoreboard Headline indicator on employment and related analysis in the section. Definition differs for ES and FR in 2024. Break in series for BG in 2024.
Source: Eurostat, [lfsi_pt_a], EU LFS and [ilc_lvhl32], EU-SILC.

Involuntary temporary employment affects a substantial share of the workforce, with marked disparities across Member States, and higher incidence for the youth and women. Involuntary temporary employment is indicative of situations where the contractual arrangement does not reflect employees' preferences for flexibility. In 2024, one in two temporary employees (20-64) (53.7%, around 10.6 million workers) were involuntarily on such contractual arrangement, overall accounting for 6.4% of all employees. Among all employees, the share of those on involuntary temporary contracts ranged from 10% or above in Cyprus, Spain, Portugal, Italy and Greece to around or below 1% in Estonia and Lithuania – see Figure 2.3.4. In almost all cases women had higher shares than men, except for Bulgaria, Hungary and Lithuania. Among temporary workers, the proportion of those in involuntary temporary employment ranged from around 16-25% in the Netherlands and Denmark up to 95.1% in Cyprus. While both the Netherlands and Spain have high rates of temporary work, the former has the lowest share of temporary employees that are involuntarily in such situation, with average transition rates, while in Spain three out of four temporary employees are so involuntarily, and transition rates are relatively low. This underscores the dual nature of temporary work, either a chosen flexible form of employment, and a possible pathway to stable employment, or a result of limited alternatives and low transition rates to stable jobs for workers.

Figure 2.3.4: Involuntary temporary employment affects one in two temporary workers and in particular women and young people

Involuntary temporary employees as a percentage of the total number of employees (20-64) (in %, 2024)



Note: Definition differs for ES and FR. Break in series for BG. Data with low reliability for LV, MT, AT, SI, EE and SK. Data for total and total as share of all temporary workers only 'Job only available with a temporary contract' for LV and only 'No permanent job found' for SK. Data for women and young people missing for LV and EE and only "No permanent job found" for SK and RO

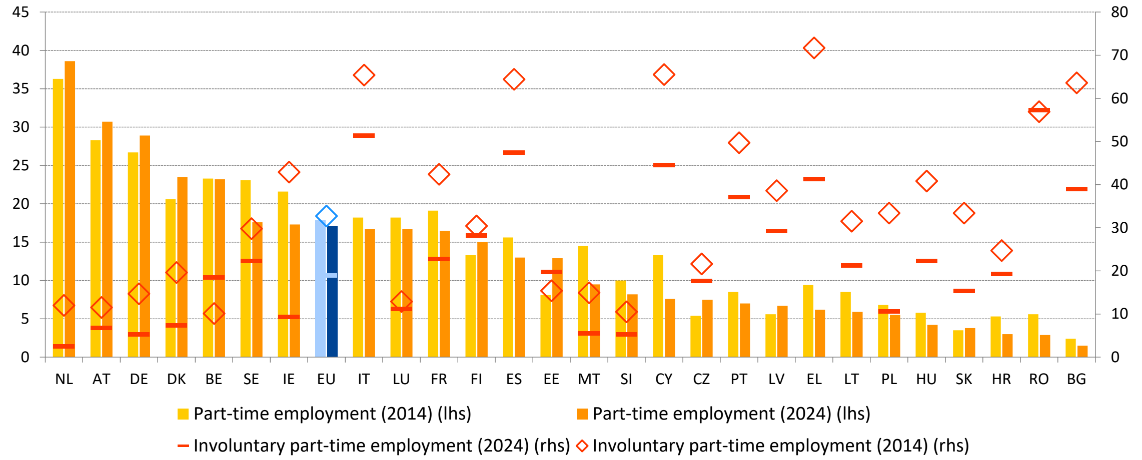
Source: Eurostat, [lfsa_etgar], EU LFS.

Part-time employment in the EU has decreased over the last decade and its involuntary component has declined too, but remained significant in some Member States. Since 2014, the share of part-time employment in total employment (20-64) decreased by 0.7 pps and reached 17.1% in 2024. In three Member States (the Netherlands, Austria, Germany), around or more than 30% of total employment was part-time, while five Member States reported figures below 5% (Hungary, Slovakia, Croatia, Romania, Bulgaria). Women continue to represent the largest group of part-time workers (see Section 2.2). As employment rates increased over the last decade and labour markets became increasingly tight, involuntary part-time employment continuously declined as employers struggle to fill full-time vacancies[200]. As a result, in 2024, 18.9% of total part-time employment (15-64) was involuntary, compared to 32.7% a decade before. Also in this respect, there is significant heterogeneity among Member States. While in Spain, Italy and Romania, around one in two part-time workers are so involuntarily, in Malta, Slovenia, Germany and the Netherlands, around or less than 5% of part-time workers are involuntarily in such arrangement.

[200] OECD, OECD Employment Outlook 2025: Can We Get Through the Demographic Crunch?, OECD Publishing, Paris.

Figure 2.3.5: The share of part-time employment has slightly decreased, while differences in its involuntary component remain strong across Member States

Share of part-time employment in total employment (20-64) and the share of involuntary part-time employment in total part-time employment (20-64) (%, annual data)



Note: Definition differs for ES and FR. For part-time employment break in series for BG in 2024. For involuntary part-time employment break in series for FR in 2014 and BG in 2021 and low reliability for MT, HR and SI in 2024 and NL in 2014.
Source: Eurostat, [lfsi_pt_a] and [lfsa_eppgai], EU LFS.

The share of self-employed workers without employees decreased slightly in the EU but stark differences can be observed across Member States. Such own-account work, while also indicative of entrepreneurial initiative, can additionally be read as a proxy for 'bogus' self-employment that conceals dependent employment relationships[201]. In 2024, 9.0% of total employment (20-64) in the EU related to own-account workers[202]. While down by 0.1 pps compared to 2023, this still represented 17.7 million workers in 2024. The highest shares of own-account workers in total employment were recorded in Czechia, Italy and the Netherlands, at or around 13%, as well as in Poland at 14.1% and in Greece at 19.1%. The lowest figures (below 5%) were observed in Denmark, Germany and Luxembourg. Overall, 15% of own-account workers in the EU can be considered economically dependent[203], with the highest shares being recorded in agriculture, financial services as well as health and other services[204]. Among them, around 40% report to have at least some difficulty in making ends meet.

In-work poverty stabilised in the EU in 2024 after a period of incremental decline but still affected almost one in twelve workers. The share of employed people aged 18-64 at risk of poverty decreased to 8.2% in the Union in 2024, from 8.3% in 2023[205], significantly below the pre-COVID pandemic (down from 9.1% in 2019 and 9.8% in 2016). Workers in non-standard forms of work are relatively more affected as they often have lower annual earnings and work intensity. Among households with a high work intensity, in 2024, the in-

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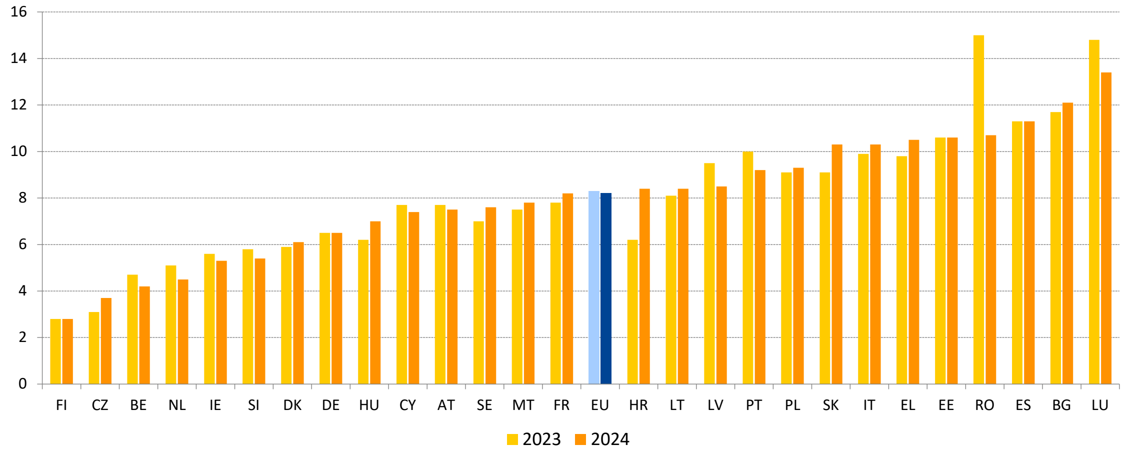
[201] See European Commission, Employment and Social developments in Europe 2023, Publications Office of the European Union, 2023.
[202] Eurostat, [lfsa_egaps] and [lfsi_emp_a], EU LFS. Definition differs for ES and FR (see metadata).
[203] Economically dependent self-employed are defined as the self-employed without employees who worked during the last 12 months for only one client or for a dominant client, and this client decided about their working hours.
[204] Eurofound, European Working Conditions Survey 2024: First findings, Publications Office of the European Union, Luxembourg, 2025.
[205] Eurostat, [ilc_iw01], EU SILC. In-work poverty rates refer to the income of the previous year.

work poverty rate was less than one third of the figure for households with a low work intensity[206]. Stronger wage growth among lower-income working households, also helped by strong minimum wage increases from 2022, has contributed to improving the situation of low-income households in recent years (see section 2.1.1)[207]. In 2024, Romania was the country that experienced the strongest reduction of in-work poverty (by 4.3 pps, to 10.7% in 2024), though still exceeding the EU average of 8.2%. Luxembourg, Latvia and Portugal also experienced significant reductions (by 1.4 pps, 1 pps and 0.8 pps, respectively), but were all still around or above the EU average (at 13.4%, 8.5%, and 9.2% respectively). In contrast, in-work poverty increased by 1.2 pps in Slovakia. Luxembourg, Bulgaria and Spain recorded the highest in-work poverty rates (13.4%, 12.1% and 11.3%, respectively). As in previous years, in-work poverty rates were higher among non-EU citizens, workers with low education levels, part-time employees, temporary workers and households with dependent children[208]. In-work poverty was also higher for men compared to women.

Figure 2.3.6: In-work poverty rate broadly stable in 2024 in the EU with significant differences across Member States

In-work at-risk-of-poverty rate (18-64) (%, annual data)



Note: Break in series in 2023 for DE and HR. Break in series in 2024 for HR. Provisional data in 2024 for LT.
Source: Eurostat [tespm070], EU-SILC.

The accelerating digital transformation is reshaping European labour markets, with one out of ten workers in the EU using generative Artificial Intelligence for work. Artificial Intelligence (AI) and algorithmic management offer powerful tools to drive innovation,boost productivity, for example through automation and by complementing workers in their tasks, and strengthen Europe's global competitiveness. When responsibly designed and implemented, the use of AI and algorithmic management systems in the workplace can increase efficiency, streamline recruitment, reduce bias, and enhance job quality (see also section 2.1.1). However, these tools need to be appropriately managed to properly address concerns about heightened work pressure, constant monitoring, potential biases, and data protection risks for workers. According to a 2025 Eurobarometer survey, most Europeans view AI and digital technologies more generally as having a positive impact

[206] See Eurostat, [ilc_iw03], EU LFS.
[207] See European Commission, Labour Market and Wage Developments in Europe, Annual review 2025, Publications Office of the European Union, 2025.
[208] See Eurostat, [ilc_iw15], [ilc_iw04], [ilc_iw07], [ilc_iw05], [ilc_iw02], EU-SILC.

on their jobs, the economy, and quality of life[209]. At the same time, 84% believe that AI requires careful management, particularly in the workplace. In 2024, 12% of workers in the EU used different forms of generative AI in their work to simplify complex mental tasks or to receive recommendations on how they should be working[210]. Generative AI use was particularly high among managers (23%) and professionals (28%) and in financial services (28%). The uptake varied also across Member States. In Belgium, Denmark, the Netherlands, Sweden and Luxembourg between 20 and 25% of workers are already using such tools, whereas in Italy, Greece, Romania and Portugal only 5% or less do so. Moreover, the use of digital monitoring at work and algorithmic management of work processes are transforming how the work is organised, coordinated, monitored and managed[211]. Digital monitoring is most prevalent in Central and Eastern European countries, including Slovenia, Czechia, Poland, Romania, Bulgaria, Latvia, and also Malta and Cyprus. Besides the two most common practices (tracking working hours and entry/exit movements), in these countries frequently also internet monitoring, CCTV, call tracking, and vehicle location monitoring is used. Generally, however, there was a high degree of heterogeneity in the prevalence and types of digital monitoring across Member States. When it comes to Algorithmic Management, survey data shows that 24% of EU workers have their working times allocated automatically. The EU AI Act sets out a clear set of risk-based rules for AI developers and deployers regarding specific uses of AI, guaranteeing safety, fundamental rights and human-centric AI, while strengthening uptake, investment and innovation in AI across the EU[212]. At the same time, Apply AI Strategy[213], which fosters the adoption of AI in 10 EU industries and the public sector, recognizes the importance of a responsible and beneficial use of AI in the workplace.

The Platform Work Directive facilitates the correct identification of the employment status of platform workers and promotes transparency, fairness, human oversight, safety and accountability in algorithmic management. In 2025, 43 million workers are expected to work through one or more digital labour platforms in the European Union[214]. Platform work can offer flexibility and primary or additional income, may improve work-life balance, while also lowering entry-barriers into the labour market for young people and vulnerable groups, such as migrants and persons with disabilities. However, platform work is also associated with precariousness, low earnings, limited access to social protection, and challenges related to opaque algorithmic management. Moreover, as most work through digital platforms takes places online, cross-border workflows are challenging to track and in many cases hidden. The majority of people working through platforms in the EU are

[209] European Commission, Special Eurobarometer 554 - Artificial Intelligence and the future of work, Publications Office of the European Union, 2025.

[210] Eurofound, European Working Conditions Survey 2024: First findings, Publications Office of the European Union, Luxembourg, 2025.

[211] Gonzalez Vazquez, I., Fernandez Macias, E., Wright, S., and Villani, D., Digital Monitoring, Algorithmic Management and the Platformisation of Work in Europe, Publications Office of the European Union, Luxembourg, 2025. Digital monitoring is defined as the practice of data collection through digital devices about the production process to monitor different aspects of work and workers themselves. Algorithmic management is defined as the use of data-driven technologies, which may include AI, to at least partially automate some aspects of the management and coordination of the workforce, going hand-in-hand with data collection and worker surveillance.

[212] See Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence.

[213] European Commission Communication on an Apply AI Strategy, COM(2025) 723 of October 8, 2025.

[214] European Council, EU rules on platform work, Publications Office of the European Union, Luxembourg, 2025.

considered self-employed, although up to 5.5 million are estimated not to be so in reality. Approximately 55% of platform workers earn less than the minimum wage[215]. To ensure decent working conditions in platform work, while supporting the sustainable growth of digital labour platforms in the EU, the Platform Work Directive was adopted in October 2024[216]. The Directive addresses issues related to the misclassification of employment status, algorithmic management, and transparency related to cross-border work, complementing the existing Union *acquis*[217]. Member States have until December 2026 to complete the transposition into national law.

Digital innovation holds the potential for more productive and higher-quality jobs but can also lead to work intensification and can turn '*working anywhere'* possibilities into expectations, blurring boundaries between professional and private life. For instance, digital technologies have enabled the growth of telework. Before the COVID-19 pandemic, the prevalence of telework was fairly modest, with 11.3% of employees working from home at least some of the time in 2019. In 2024, around 20% of workers did so. According to a 2025 Eurofound survey[218], also preferences for telework changed. In 2024, more than 50% of respondents expressed a preference to work from home multiple times a week, while 24% expressed the desire to exclusively work from home. Despite this preference, opportunities are decreasing, as fully remote jobs declined from 24% in 2022 to 14% in 2024. Technological advancements and related remote and hybrid working models can also impact working time patterns. Generally, working time schedules deviating from normal full-time working hours that can negatively weigh on job quality have somewhat improved in the EU. In 2024, 6.6% of all employed people worked long hours in their main job compared to 7.1% in 2023. The share of those working at atypical working hours, however, remains high at 33.6% of total employment, reflecting a minor decrease of 0.3 pps since 2021. Following the inconclusive negotiations of European cross-industry social partners on the update of their 2002 Framework Agreement on telework, as well as the European Parliament's 2021 Resolution on the right to disconnect[219], the European Commission has carried out a formal two-stage social partner consultation on the right to disconnect and telework. The second stage of the consultation closed on 6 October 2025. The responses of European social partners will feed into the Commission's follow-up to the resolution.

As the ongoing digital and green transitions are transforming labour markets, employment conditions vary significantly among related occupations. 'Future-oriented occupations' and 'occupations of interest' are defined as jobs that are relevant for two or more of the digital, green, and demographic transformations[220]. Seven Eurofound job quality indices, that assess job quality at the job level, suggest that occupations with higher digital skills intensity have the highest overall job quality (according to Eurofound's own

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[215] See European Council, Spotlight on digital platform workers in the EU - Consilium.

[216] European Council, Platform workers: Council adopts new rules to improve their working conditions - Consilium, Publications Office of the European Union, Luxembourg, 2024.

[217] The directive will improve enforcement and traceability of platform work, including in cross-border situations, by asking platforms to declare the work in the country where it is performed and make available to national authorities certain information about the people who work through them and their terms and conditions.

[218] Eurofound, Quality of life in the EU in 2024: Results from the Living and Working in the EU e-survey, Publications Office of the European Union, Luxembourg, 2025.

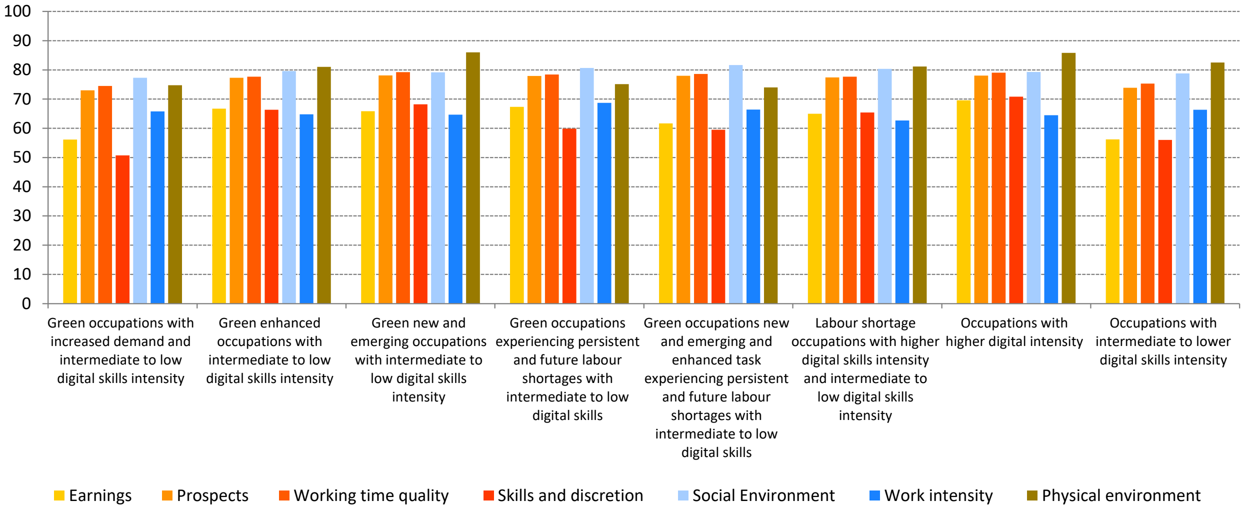
[219] European Parliament, European Parliament resolution of 21 January 2021 with recommendations to the Commission on the right to disconnect, 2021.

[220] The analysis here is a partial update of Future-oriented occupations in the EU: main features, employment conditions, and job strain - European Commission using the 2024 Eurofound Working Conditions Survey.

definition) – see Figure 2.3.7[221]. These workers score particularly high regarding earnings, job prospects, working time quality, skills and discretion and physical environment, as compared to most other occupational groups. People in these occupations also more often reported having recently participated in training. On the other hand, certain future-oriented green occupations, which include manual jobs, had overall the lowest scores across the aforementioned indices.

Figure 2.3.7: Future-oriented occupations show variation in relation to job quality according to the Eurofound definition

Survey results of the European Working Conditions Survey across future-oriented occupations (%, 2024)



Note: Selected occupations presented, for more information on occupation groups see the original publication.
Source: Eurofound, own calulcation based upon European Working Conditions Survey 2024.

Undeclared work as well as occupational health and safety continue to be challenges, with large disparities in capacity and resources of labour inspectorates across Member States. The most recent estimates indicate that 9.7% of the total labour input in the EU private sector was undeclared in 2019[222]. The focus of attention has increasingly moved from 'simple' forms of undeclared work, such as private households ordering services without official invoice, to more complex forms, such as undeclared work performed by third country nationals. In the framework of the Platform Tackling Undeclared Work, the European Labour Authority has facilitated the exchange between Member States on these topics. Tackling undeclared work increasingly relies on the use of risk-based analysis, the use of big data and AI. The ILO's indicators on labour inspectorates reveal significant disparities in capacity and resources among EU countries to detect and combat undeclared work. In 2023, the ILO's measure of inspectors per 10 000 employed people varied from 0.23 in Ireland to 3.08 in Luxembourg[223]. Labour inspectorates also play an important role in ensuring worker's safety and health at work. In 2022, there were 3 286 fatal accidents at work in the EU, reflecting a decrease of 103 deaths compared to the year before, and representing 1.66 fatal accidents per

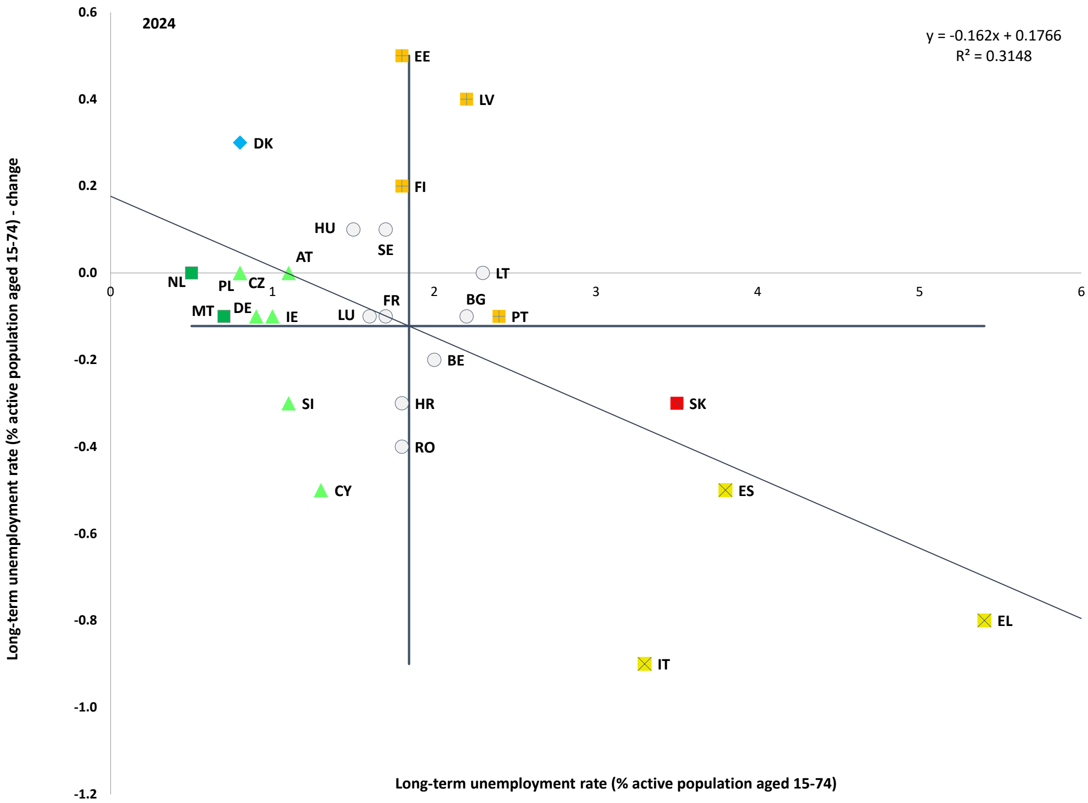
[221] These indices are based upon seven dimensions that Eurofound uses to assess job quality at the job level: physical and social environment, job tasks, organisational characteristics, working time arrangements, job prospects and intrinsic job features.
[222] Estimates of the real size of the undeclared economy need to be treated with caution. See Franic, J., Extent of undeclared work in the European Union.
[223] See ILO – Data explorer.

100 000 workers. Close to a quarter (22.9%) of all fatal accidents at work in the EU took place in the construction sector, highlighting specific challenges in the sector in this regard.

The long-term unemployment rate in the EU declined most in the Member States with the highest levels, showing some upward convergence in absolute terms. The long-term unemployment rate in the EU declined for the third consecutive year to 1.9% in 2024, which is 0.2 pps lower than in 2023. Notably, the rate decreased most among the Member States with particularly high levels, with the largest improvements in Italy, Greece and Spain , all presenting ‘weak but improving’ situations – see Figure 2.3.8. The rate also slightly declined in Slovakia (by 0.3 pps) and the country remained in a ‘critical situation’ with one of the highest long-term unemployment rates in the EU, at 3.5%. Having experienced increases in 2024, Estonia, Latvia and Finland are now ‘to watch’, together with Portugal, which has a relatively high rate of 2.4% with only a minor improvement. On the other hand, Malta and the Netherlands are ‘best performers’, with the lowest rates. In a large majority of Member States, the gender gap in the long-term unemployment rate was below 0.5 pps in 2024, whereas it was significant in Greece, Spain and Latvia.

Figure 2.3.8: Long-term unemployment rates continued to decline in the large majority of Member States, showing overall upward convergence

Long-term unemployment rate (age 15-74), 2024 levels and changes from 2023 (%, Social Scoreboard headline indicator)



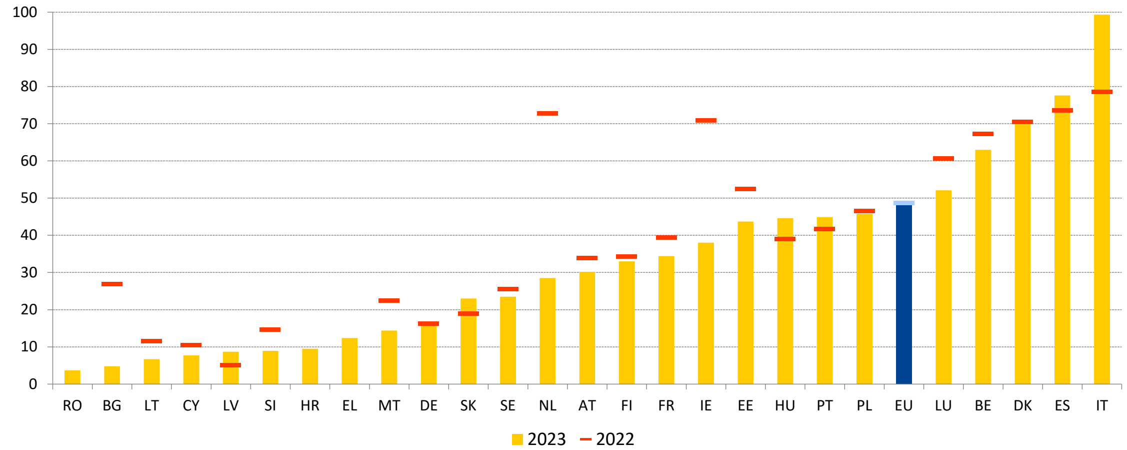
Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Definition differs for ES and FR. Break in the series for BG.
Source: Eurostat [tesem130], EU LFS.

Long-term unemployment rates vary across Member States but even more across regions and are particularly high in the outermost regions. Compared to the overall long-term unemployment rate (15-74), which already varies considerably across Member States, significantly larger differences are observed at the regional level[224]. In 2024, the lowest rates were reported in the Utrecht and North Brabant regions of the Netherlands as well as the Prague and Central Bohemian Region in Czechia (0.4% in all four), whereas the highest rates were recorded in the Spanish region of Ciudad de Melilla (16.3%) and Ciudad de Ceuta (15.8%), as well as in the French outermost region of Guadeloupe (11.4%). In some Member States, such as Denmark and the Netherlands, regional disparities in long-term unemployment rates are muted (see Figure 7 in Annex 5). On the other hand, gaps between the regions with the lowest and the highest rates were most pronounced in Italy, France, and Spain, with differences of 9.2 pps, 10.6 pps, and 14.8 pps, respectively.

Participation rates in active labour market policies continue to be characterised by a strong variation across the EU. In 2023, the share of unemployed persons willing to work who participated in active labour market policy measures remained broadly stable in a majority of Member States. However, both significant declines and increases could be observed in some – see Figure 2.3.9. The latest data point to particularly low participation rates (below 10%) in Romania, Bulgaria, Lithuania, Cyprus, Latvia, Croatia and Slovenia. In turn, in Luxembourg and Belgium, participation rates were above 50%, and even significantly above that in Denmark, Spain and Italy. In some Member States, notable declines could be observed. In Slovenia and Malta, the rate declined by around one third. In the Netherlands, participation more than halved and in Bulgaria only 4.8% of the unemployed participated compared to almost 27% the previous year.

Figure 2.3.9: Participation rates in active labour market policies continue to display large variation across countries

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



Note: Time series not available for CZ. Latest available data for RO (2020), HR (2021). Time series are estimated for DK, NL and SE. Data have low reliability for EL and IT. Very high figures or figures above 100 can indicate that people register more than once in the Active Labour Market Policy dataset.
Source: Labour market policy (LMP) database [lmp_ind_actsup].

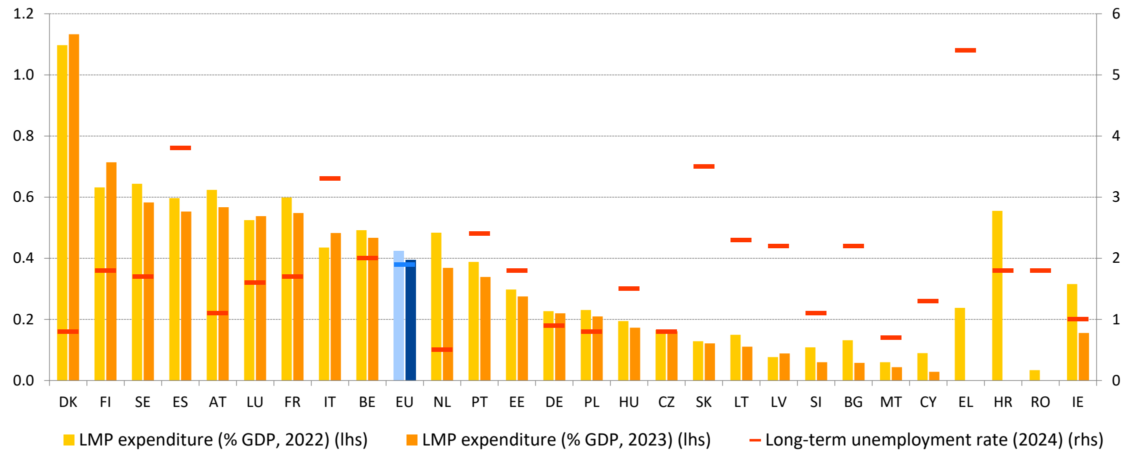
Seven years after the adoption of the Council Recommendation on long-term unemployment, there remains a significant implementation gap across the EU. In Q2-2025, the EU registered 4.2 million long-term unemployed (15-74, unemployed for 12

[224] No data are available for the regions Bremen, Mecklenburg-Vorpommern, and Saarland in DE, Corsica and Mayotte in FR, the autonomous regions of the Azores and Madeira in PT as well as Åland in FI.

months or more), which is a new historical low. Also, the share of long-term unemployed in total unemployment fell from 48.6% in 2016 to 32.6% in 2024. However, a significant number of Member States (10) has not yet fulfilled the first objective of the Recommendation, i.e. providing a Job Integration Agreement (JIA), or an equivalent measure, to at least 90% of the long-term unemployed that are registered as unemployed for at least 18 months. There are still five Member States (Belgium, Spain, Cyprus, Portugal and Slovakia), in which two thirds or more of the long-term unemployed do not have an active JIA. In 2023, among Member States for which data is available, only 41% of unemployment spells of JIA users ended in employment[225] compared to 43.6% in 2022. In turn, a majority (63%) of those successfully placed in the labour market in 2022 remained in work 12 months later, with an increase by 2.3 pps compared to 2021. Simultaneously, the share of successfully integrated JIA users that fell back into unemployment dropped from 15.7% in 2022 to 14.4% in 2023. The data further highlight the higher success rates of individual action plans with in-depth assessment records compared to genuine JIA and in particular to regular individual action plans.

Figure 2.3.10: Expenditures on active labour market policies vary strongly across Member States

Long-term unemployment rate (%, 15-74), spending on active labour market policy interventions (categories 2-7, % of GDP)



Note: Latest available data for labour market policy (LMP) expenditure for RO (2020) and HR (2021). No data on LMP expenditure available for 2023 for EL, HR, RO and for 2022 data in IT refer to 2020 data. Data estimated for DE, NL and SE.Provisional LMP data for EU. Break in LMP data for FI in 2023. For the long-term unemployment rate, the definition differs for ES and FR and break in series for BG in 2024.
Source: Labour market policy (LMP) database [lmp_expsumm] and Eurostat [une_ltu_a], EU LFS.

Effective active labour market policies are key to support good labour market outcomes; spending on these policies varies significantly across Member States. The long-term unemployment rate (15-74) more than halved in the EU, from 5.4% of the labour force in 2014 to 1.9% in 2024, also thanks to the improvement in Member States' ability to effectively reintegrate people in the labour market. Significant disparities exist regarding spending on active labour market policies across EU countries – see Figure 2.3.10. Among the Member States that reported long-term unemployment rates at around or above the EU average, all countries but Belgium, Italy and Spain were spending less than the EU average on active labour market interventions. The lowest spending levels in 2023 were observed in

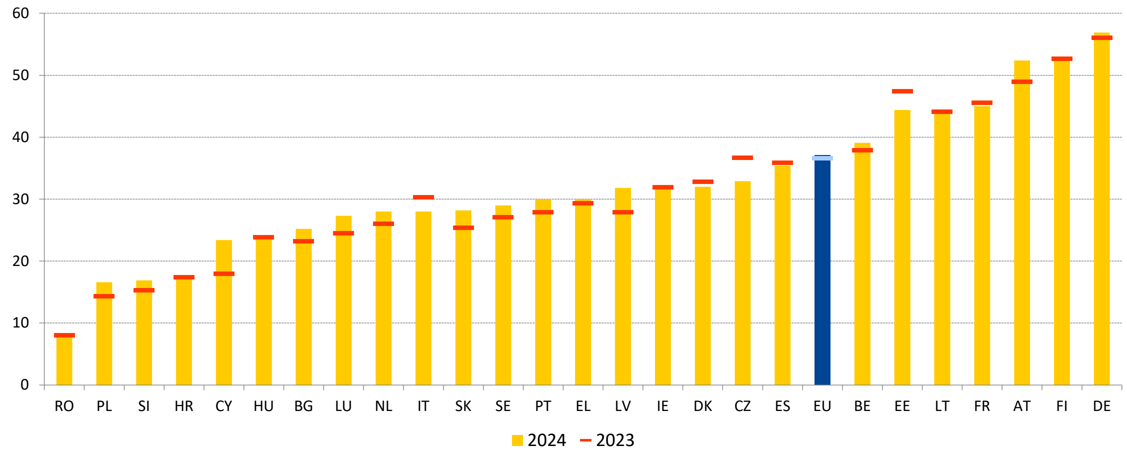
[225] Source: European Commission, LTU monitoring database. No data available for CZ, DE, EE, EL, FR, HU, LV, LU, NL, RO, FI.

Slovenia, Malta and Cyprus (with long-term unemployment rates below the EU average) but also in Bulgaria and Latvia (both having above EU-average long-term unemployment rates). In turn, Denmark (at 1.1% of GDP), as well as Finland, Sweden, Spain, and Austria (around 0.57% of GDP or more) were the countries that spent more on such type of measures.

On the back of decreasing long-term unemployment rates in the EU, the share of long-term unemployed jobseekers registered with the Public Employment Services (PES) fell. The share fell to 37.3% in 2023, for the first time below 40% since the COVID-19 pandemic. At the same time, the composition of the PES client base has also changed significantly. The share of women rose from 47.0% to 51.3%, driven by their rising labour force participation rate. Jobseekers over 55 accounted for 22.6% of PES clients in 2023, up from 13.1% in 2010, while the share of jobseekers under 30 fell from 28.5% to 21.9%. This is in part the result of population ageing and in part reflects the increased labour force participation of the over 55. The share of tertiary educated clients increased from 12.9% in 2010 to 19.9% in 2023[226] on the back of generally increasing tertiary education rates in Member States.

Figure 2.3.11: The coverage rate of unemployment benefits for short-term jobseekers was broadly stable in 2024, with differences across Member States

Unemployment benefit coverage rates for the short-term unemployed (less than 12 months, 15-64 year olds, %)



Note: Data for 2023 and 2024 are not available for MT. Definition differs for ES and FR. Break in series for BG in 2024 and DK in 2023. Low reliability data for LU in 2023, SI in 2023 and 2024 and HR in 2024.
Source: Eurostat [lfsa_ugadra], EU-LFS.

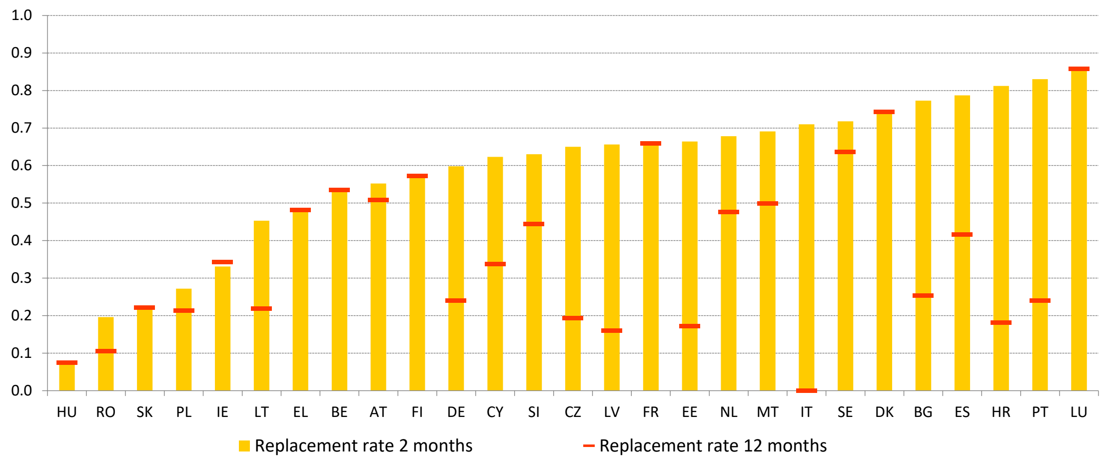
In 2024 the coverage of unemployment benefits for the short-term unemployed was broadly stable in the EU, but with different trends across Member States. The share of the short-term unemployed (15-64) receiving unemployment benefits was at 37.1% in the EU in 2024, broadly stable compared to 2023 (36.6%). The most significant decreases in coverage were observed in Czechia, Estonia and Italy – see Figure 2.3.11. In contrast, coverage increased in Luxembourg, Slovakia, Austria, Latvia and Cyprus. In 2024, the highest coverage rates were observed in Germany (56.9%), Finland (52.9%) and Austria (52.4%), followed by France, Lithuania, and Estonia, with figures around 45%. Conversely, the lowest coverage rates – below 20% – were observed in Romania, Poland, Slovenia and Croatia. The share of the short-term unemployed covered by unemployment benefits tends to be positively correlated with higher transitions into employment.

[226] PES Benchlearning data collection, PES Network report on PES capacity 2025 (forthcoming). Data adjusted for EU 27.

The length of the qualifying period for unemployment benefits and their maximum duration remained broadly unchanged in 2025, but with significant variation across Member States in those as in the replacement rates. The duration of the contributions required to be entitled to unemployment benefits varies significantly across Member States, as do the precise rules governing their entitlement. The qualifying period ranges from 13 weeks of insurance contributions in Italy, 39 weeks in Croatia and Ireland, 52 weeks in several other countries, such as Belgium, Estonia, and Romania, up to 104 weeks in Slovakia. Also, the maximum duration of unemployment benefits for people with a one-year work history has remained broadly unchanged. Since 2019, only three Member States have modified the maximum duration. In 2020, Latvia reduced the maximum length from 39 to 35 weeks. In 2023, France lowered the duration from 104 to around 78 weeks (with some exceptions, e.g. for senior workers), with the possibility of an additional 26 weeks in the event of deteriorating economic conditions. Since 2025, Slovakia has set the maximum duration of unemployment benefits at 6 months. The level of income replacement is often closely linked to the duration of the unemployment spell. Overall, in 17 EU countries, unemployed people with a one-year work record are eligible for unemployment benefits for at most 6 months[227]. Net replacement rates for low-wage earners with short work records differ significantly across Member States – see Figure 2.3.12. In the second month, the net replacement rate ranges from 7.4% of the previous (net) earnings in Hungary to 85.8% in Luxembourg. In 2024, the replacement rates in Belgium, Denmark, Finland, France, Greece, Hungary, Luxembourg and Slovakia were identical at the 2nd and the 12th month of the unemployment spell.

Figure 2.3.12: Significant differences exist in replacement rates across Member States, both at the initial and more advanced stages of unemployment

Net replacement rate of unemployment benefits at 67% of the average wage, at the 2nd and 12th month of unemployment (2024)



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

EU movers are generally well integrated in the labour market of their host countries, but mobility seems to be decreasing. Around 14 million EU citizens of all ages lived in a Member State of which they did not hold citizenship in 2024. This reflects an annual increase

[227] The analysis refers to unemployment benefits generally given to those registering after becoming unemployed through no fault of their own, without including schemes of a temporary nature.

of around 1.5% over the last 5 years. Among the EU working-age population (20-64), EU movers[228] made up 3.8%. The average duration mobile workers stay abroad has successively increased over the last 10 years. This increase in duration occurs in the context of the successful integration of EU movers into the labour market. In 2023, they had an employment rate of 78% vs 76% of the nationals. Among them, there were 1.8 million cross-border workers, up by 3% compared to 2022[229].

Social dialogue provides EU labour markets and economies with the adaptability required to meet the challenges ahead, while ensuring economic competitiveness and social fairness. Social dialogue arrangements and processes vary across Member States in terms of collective labour relations, the role of collective bargaining in determining working conditions, organisations' capacity and membership, as well as formal structures for the involvement of social partners in policy-making and implementation. Member States' collective bargaining systems further vary in their degree of centralisation. Yet, in many Member States social dialogue and collective bargainig are increasingly under pressure. While employer density remains relatively stable, even if on a declining trend in several Member States, trade union density has been declining on average across the Union[230]. Moreover, collective bargaining coverage has declined by 11 pps, from about 77% in 2005 to 66% in 2024 with particularly big declines in central and eastern Europe. In a number of Member States, there is scope for improving social partners' capacity to effectively participate in social dialogue and contribute to policy-making.

Social partner involvement varies markedly across policy areas. Data from the Eurofound's PolicyWatch database sheds light on social partners' involvement in policy-making and reveals significant differences across policy areas – see Figure 2.3.13. Between April 2020 and May 2025, the greatest degree of involvement of social partners was reported with regard to COVID-19 related policy responses, as well as measures in the context of the digital transformation, with 40% and 39% of the measures, respectively, having been agreed or consulted with them. Further, for almost one out of three measures related to the green transition (32%) or the high cost of living (29%) social partners were involved. These were followed by measures related to the restructuring support instruments (26%) and to the war in Ukraine (22%). The lowest degree of involvement was recorded for policy measures in response to extreme weather events (12%). In addition, recent findings by Eurofound[231] report varying satisfaction with social partners' involvement in the European Semester and the development of the RRPs, at the national level. While in a few countries with strong social dialogue traditions they report moderate satisfaction, in many other cases they perceive their involvement taken as a formality. Many highlight insufficient consultation time and inadequate information.

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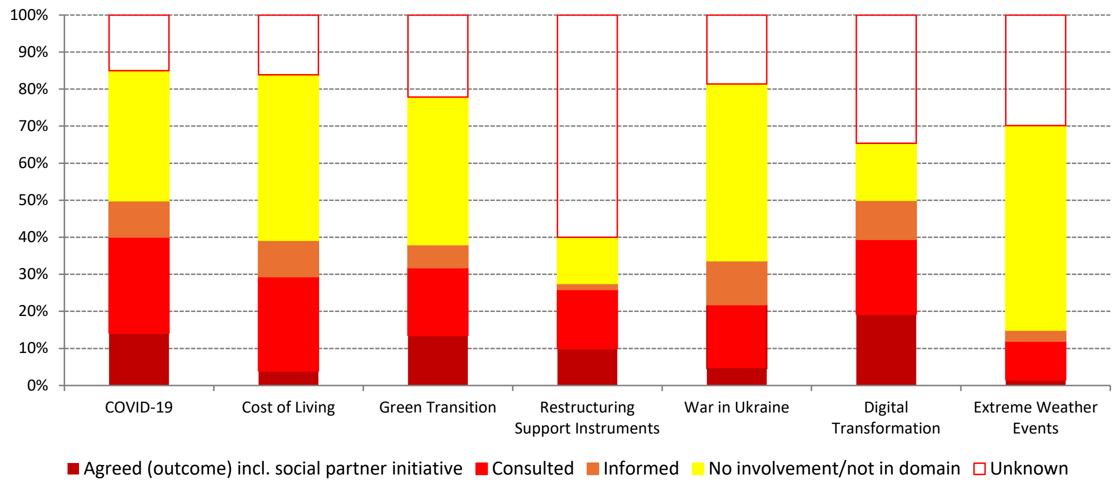
[228] EU movers are EU citizens who reside in another EU Member State other than their country of citizenship.
[229] European Commission, Annual report on intra EU-labour mobility 2024, Publications Office of the European Union, Luxembourg, 2025.
[230] See OECD/AIAS database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS).
[231] Eurofound, National-level social governance of the European Semester and the Recovery and Resilience Facility, National social partners and policymaking series, Publications Office of the European Union, Luxembourg, 2025.

Figure 2.3.13: Social partners' involvement varies significantly across policy areas

Social partners' involvement in the design of national policies by policy context (%)



Note: The chart includes 3 375 policies (some double counting when policies relate to more than one context), collected between April 2020 and May 2025. Policies only include legislation or other statutory regulations and tripartite agreements. Social partners' involvement presented as average of employers and trade unions involvement in each category. Differences in the degree of employers' versus unions' involvement are minor.
Source: Eurofound, EU PolicyWatch Database.

European social partners and the Commission agreed to a renewed commitment to strengthen social dialogue in a time of global transformation. The Treaties fully recognise the key role of social dialogue in the EU's social market economy, which is also enshrined in the European Pillar of Social Rights and the Employment Guidelines, while fully respecting their independence and the varied nature of national industrial relations. Building on the 2024 Val Duchesse Social Partner Declaration[232], the Commission and European cross-industry social partners signed a Pact for European Social Dialogue in March 2025[233]. The Pact identifies actions to be taken by the Commission and the social partners to boost and create the right conditions for mobilising the full potential of social dialogue at all levels. As such, the pact aims to offer a framework for social dialogue to prosper at all levels, including national and European, cross-sectoral and sectoral. The Council Recommendation on strengthening social dialogue in the EU for the first-time provides guidance to Member States on how to best promote social dialogue and strengthen collective bargaining. Among others, the Commission has been working together with the social partners on a Quality Jobs Roadmap, and commited to consult them also on policy initiatives that do not fall under the scope of articles 153 and 154 TFEU, but are of particular relevance for them.

The involvement and consultation of civil society organisations are key for policy-making and for driving sustainable and inclusive change. At EU level, civil society organizations are actively engaged in discussions on policy priorities and proposals, including in the European Semester, and importantly participate in policy implementation. They play an essential role in providing policy-makers with valuable insights into current and emerging challenges, informing both national and EU policy initiatives in key areas, and assessing the effectiveness of policies on the ground.

[232] Tripartite Declaration for a Thriving European Social Dialogue.
[233] Pact for European Social Dialogue.

Pillar Box 7: Well-designed labour market, skills and social reforms and investments for economic growth, competitiveness and social cohesion

Employment, skills and social reforms and investments can have both social and economic returns, if designed in an effective and efficient way, based on robust evaluation methods. Well-designed reforms and investments in the area of labour market, skills and social policies promote upward social convergence, contribute to implementing the principles of the European Pillar of Social Rights and to reaching the EU's 2030 headline targets on employment, skills and poverty reduction. They can foster innovative capacity, economic growth and competitiveness through their impact on human capital and productivity, including via a more skilled labour force. To maximise the effectiveness and efficiency of policy measures, high-quality impact assessments and evaluations are of the essence, ideally run before, during and after policy implementation. Building on the work in the Employment Committee (EMCO) and the Social Protection Committee (SPC) and the Informal Working Group on Social Investment under the Spanish and Belgian Presidencies, the June 2024 Council Conclusions called on Member States to consider strengthening their policy evaluation capacity and on the European Commission to support them. This includes establishing a social investment knowledge hub to continue the work, promoting mutual learning and improving the accessibility and timeliness of socio-economic data[234]. In parallel, the Council endorsed Voluntary Guiding Principles for EU Member States for evaluating the economic effects of reforms and investments in the labour market, skills and social policy domains[235].

Investments and reforms that effectively strengthen human capital can have strong economic returns. For instance, investments in quality and affordable early childhood education and care can have significant economic returns, by providing strong foundations for children's learning and enabling parents, especially women, to participate in the labour market. A recent study suggests that reaching the revised EU Barcelona targets for childcare coverage could lead to substantial increases in the employment of mothers. Gains are estimated to be up to 48% in countries where participation is low[236], with a positive impact on GDP growth[237]. Investment in human capital, including upskilling and reskilling, has been found to boost productivity and growth. Also in this light, the Commission is putting forward a Recommendation for a Council Recommendation on human capital in the European Union as part of this Semester Autumn Package. A microeconomic analysis by Cedefop estimated, for instance, that reducing the share of low-skilled adults from 23.5% to 7.4% over ten years (with an estimated no-policy-change scenario of 14.7%) could increase annual GDP in the EU by over EUR 200 billion[238]. Also, well-structured and efficient active labour market policies (ALMPs) can yield both economic and social benefits, also well beyond the time frame of the policy interventions. For instance, ALMPs interventions funded through ESF+ in the 2021-27 programming period are estimated to improve employment outcomes in the 20

[234] Council Conclusions on the role of labour market, skills and social policies for resilient economies. June 2024.

[235] Voluntary Guiding Principles for EU Member States for evaluating economic effects of reforms and investments in the labour market, skills and social policy domains. June 2024.

[236] Nazareni, M., Caraiani, P., Janta, B., *EU Labour Supply-Demand Microsimulation Model (EUROLAB): The impact of increasing formal childcare on mothers' labour supply*. JRC Working Paper, 2022.

[237] Darvas, Z., Welslau, L., Zettelmeyer, J., *Incorporating the impact of social investments and reforms in the European Union's new fiscal framework*. Bruegel Working paper, 2024.

[238] Cedefop (2017). *Investing in skills pays off: The economic and social cost of low-skilled adults in the EU*. Publications Office of the European Union.

years following the original investment, with a peak of +0.11% employment in 2027[239]. At the same time, well-designed social policies can importantly support macroeconomic stabilisation by substantially mitigating social risks and future social expenditures related to the costs of inaction.

Some Member States are already systematically conducting impact assessments and evaluations to design efficient and effective employment, skills and social reforms and investments, tailored to the specific policy measures and country circumstances. For example, the **Danish** socio-economic investment model, or *Socioøkonomisk Investerings model (SØM)*, provides a cost-benefit analysis framework that includes a database of effective practices. It also calculates the direct costs and potential outcomes of social policies based on user-selected policy initiatives and target demographics[240]. In addition, the Danish Public Employment System has been successively building evidence on different ALMP aspects by conducting various randomised-controlled trials (RCTs). **Spain**'s '0-3 Families' programme is designed to support families with children below 3, especially from low-income backgrounds, by empowering parents through workshops to improve early childhood education. An impact assessment and a continuous evaluation through RCTs ensure the programme's quality and effectiveness, with data on participation and outcomes driving enhancements. This is underpinned by recent Spanish legislation that creates a clear and comprehensive structure on how evaluation should be approached across all government policies in order to improve accountability and transparency[241]. In 2019, **Germany** launched the 'Participation in the Labour Market' and 'Integration of the Long-term Unemployed' programmes, offering wage subsidies and coaching to employers hiring long-term unemployed. A 2024 evaluation by Germany's Institute for Employment Research, combining quantitative and qualitative methods, found these initiatives to be effective in reducing social exclusion and boosting employment, with 51% of the participants transitioning to regular jobs after 26 months and early signs of similar trends among the very long-term unemployed[242]. In **Slovenia**, recent training programmes for jobseekers made participants more likely to be employed than non-participants with similar characteristics, and increased their earnings, as a counterfactual impact evaluation by the Employment Service of Slovenia, in cooperation with the European Commission and the OECD, showed.[243] At the same time many Member States still face barriers when it comes to institutionalising a culture of regular policy evaluations. These notably include insufficient administrative and/or analytical capacity and limited access to high-quality and timely data.

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[239] See European Commission, Employment and Social developments in Europe 2024, Publications Office of the European Union, 2024.

[240] Kvist, J. (2018). Inclusive growth and social investments over the life course. In C. Deeming, & P. Smyth (Eds.), *Reframing global social policy: Social investment for sustainable and inclusive growth* (pp. 213-228). Policy Press.

[241] Gobierno de España (2022), *Ley 27/2022, de 20 de diciembre, de institucionalización de la evaluación de políticas públicas en la Administración General del Estado* [Law 27/2022, of 20 Dec., on institutionalising the evaluation of public policies in the General State Administration].

[242] Subsidised jobs for the long-term unemployed: An evaluation of the German Participation Opportunities Act - IAB-Forum

[243] OECD/European Commission (2025), *Impact Evaluation of Wage Subsidies and Training for the Unemployed in Slovenia*, Connecting People with Jobs, OECD Publishing, Paris.

2.3.2 Measures taken by Member States

Some Member States have taken action to further address labour market segmentation and combat abuse of non-standard contracts. **Malta**'s 'Equal Pay for Work of Equal Value' law, in force since January 2025, requires that temporary agency workers receive the same pay and employment conditions (such as salary, leave, overtime, and rest periods) as employees of the user undertakings performing equivalent roles. In July 2024, **Luxembourg** transposed EU legislation on transparent and predictable working conditions. This obliges employers to include detailed additional information in contracts, or soon after the start of the contract. For fixed-term contracts, probationary periods must last at least two weeks. Employees who have completed six months of service following this period can request a change in their employment status – either from fixed-term to permanent or from part-time to full-time – once per year. In December 2024, **Italy** extended the existing maximum tax deduction for enterprises and self-employed that hire employees under permanent contracts in 2025 and 2026. Since July 2025, **Hungary** has limited seasonal work in agriculture and tourism to 120 days per year, regardless of the number of employers, to prevent abuse. Starting from January 2026, agricultural workers can extend this period by 90 days if their employer pays a 50% higher contribution rate during the extension. The tax authority will digitally monitor workdays to enforce these limits.

Several Member States have taken action to improve the protection of employees. In April 2025, **Spain** amended the Statute of Workers to regulate contract termination in cases of permanent incapacity. The reform clarifies that the termination may only take place when a worker is declared permanently incapacitated and no reasonable accommodation can be made, no suitable and available position exists, or the worker rejects a duly proposed reassignment. It also introduces a mandatory consultation process with the worker before any decision is made and reinforces the employers' obligation to explore possible reassignments or adaptations that could prevent the termination. In March 2025, **Luxembourg** adopted an amendment to its Labour Code that enhances worker protection by specifying overtime pay, consent and record-keeping rules. The comprehensive update balances stronger employee safeguards around work conditions, sick leave and redundancy with clearer, simplified compliance obligations for businesses. **Romania** introduced a new online system for the registration of employees (REGES-ONLINE) in March 2025. The system enables employees to verify that the negotiated terms with employers, such as salary and schedules, are accurately reflected in their contracts, and to receive a notification if any of these would change.

A number of Member States have made additional progress in strengthening their occupational health and safety frameworks. In September 2024, **Spain** adopted Royal Decree 893/2024, which sets out health and safety protections for domestic workers and in-home carers, aligning their rights with general labour risk prevention legislation. It guarantees access to risk assessments, information, training, protective equipment, and health monitoring, and obliges employers to conduct risk evaluations, provide preventive measures, and ensure safe working conditions. In March 2025, **Luxembourg** introduced new rules on the protection of workers from risks related to exposure to carcinogens or mutagens at work. The related Grand-Ducal regulation updates workplace protections against carcinogenic, mutagenic, and reprotoxic agents. In March 2025, **Denmark** established legislation to allow the Danish Working Environment Authority to mandate, in exceptional circumstances, that contractors on construction sites pause their activities. Additionally, the Act increases fines for companies found guilty of severe occupational safety and health violations. Starting in

2026, **Italy** established a fund of EUR 500 000 per year to finance screening and prevention programmes for cardiovascular and oncological diseases, as well as the provision of automatic and semi-automatic defibrillators in workplaces.

Several Member States introduced measures to further clarify regulations around new working arrangements, such as teleworking and flexible working. The new Telearbeitsgesetz (teleworking law) in **Austria**, effective from January 2025, expands remote work beyond employees' homes to include family residences, co-working spaces, internet cafes, and vacation locations. It maintains tax benefits, such as an EUR 300 annual deduction for ergonomic furniture, and a EUR 3/day tax-free allowance for telework days but obliges employers to explicitly list these days on payslips. In February 2025, **France** has approved a law implementing an agreement on the tax convention with Luxembourg, aiming to avoid double taxation and fiscal evasion of cross-border employees working remotely. The new agreement allows cross-border workers residing in France and employed in Luxembourg to work from home for up to 34 days per year without incurring French income tax. In **Estonia**, the Employment Contracts Act, updated in the second half of 2025, allows more flexible working time agreements, with more leeway for employers and employees to set remote work, flexitime, or other non-traditional schedules by mutual agreement. In November 2024, **France** approved the continuation of the time-sharing work experiment for the next four years. The legislation seeks to improve the effectiveness of time-sharing for the long-term unemployed, those receiving social minimums, and persons with disabilities. It aims to improve the employability of these groups by offering them permanent part-time work contracts.

Some Member States have started transposing the Platform Work Directive as it entered into force in December 2024. In June 2025, **Italy** adopted a law that outlines the steps towards the transposition. These include updating the definition of 'digital labour platforms', establishing procedures for assessing employment relationships and introducing restrictions on automated personal data processing. They also aim to strengthen social security protections, require transparent data management practices, and enhance health and safety measures, including anti-harassment and anti-violence policies. In **Belgium**, a new law that makes occupational accident insurance mandatory for self-employed platform employees will enter into force in January 2026, to align the protection of all employees.

Many Member States are taking action to combat undeclared work, including by taking advantage of digital tools, such as AI. In November 2024, **Denmark** adopted a law to strengthen legal safeguards against the use of illegal labour. In **Belgium**, the Flemish government has introduced stricter rules to tackle misuse of EU posting rules and improve oversight in risk sectors. By these, all parties in a subcontracting chain are accountable if a subcontractor illegally hires foreign workers. This reform requires businesses in high-risk sectors to verify their subcontractors' compliance. In **Greece**, the Digital Work Card combats undeclared work by tracking actual working hours and ensuring proper pay, targeting abusive overtime and illegal work changes. The project covered 750 000 workers in sectors such as banking and retail trade and with the extension to food and tourism foreseen in June 2025, will cover 1.5 million workers. In **Spain**, authorities use AI-based tools to tackle undeclared work and have adopted a collaborative effort, involving the State Tax Administration Agency, the Police and Civil Guard, as well as with the Social Security Administration. **Estonia** is testing its Real-Time Economy (RTE) vision that aims at automating business reporting, reducing administrative burdens and enhancing productivity, and at a shift from informal to formal economic practices and to reducing undeclared payments.

Member States continue to combat long-term unemployment with dedicated policy action. In **Slovenia**, the Ministry of Labour, Family, Social Affairs and Equal Opportunities is currently reviewing the Guidelines for the implementation of ALMPs 2021-25 with a view to update them for the 2026-30 period with the goal of reducing long-term unemployment and speeding up the activation of older people and the low-skilled. In January 2025, **Czechia** extended the pilot project ‘Integration Job’, which will include 240 participants in 2025 and 400 in 2026. To reduce long-term unemployment, the project combines wage subsidies for hiring disadvantaged groups with specific needs and integration activities supporting personal development. In **Austria**, as of January 2026, the employment package ‘Aktion 55 plus’ for older long-term unemployed workers will take effect. From EUR 50 million in 2025, the budget for the package will be increased to EUR 100 million by 2027.

Measures to incentivise work, support self-employment, entrepreneurship and the creation of social enterprises were taken in some Member States. Italy introduced a partial exemption from social security contributions for 2025-27 for employed and self-employed mothers of at least two children, excluding domestic workers. The benefit is valid up to the age of 10 of the youngest children, and from 2027, up to the age of 18 of the youngest child for mothers of three or more children. It is reserved for beneficiaries with a taxable income of up to EUR 40 000 per year and has an annual expenditure limit of EUR 300 million. As part of its RRP and supported by the ESF+, **Poland** is currently developing an amendment to the Social Economy Act, with the aim of promoting the social economy and social entrepreneurship. The would be done by strengthening the legal and financial instruments to develop the functioning of social enterprises and improve the coordination of actions of the government and local administrations. A measure running from 2025 until 2028 and funded by the ESF+ supports entrepreneurship in northern **Bulgaria** by providing assistance from developing a business idea to its implementation. By fostering self-employment and entrepreneurial skills, the measure aims to create new jobs and thus help prevent poverty and social exclusion.

Measures to reinforce the system of active labour market policies are increasingly prioritised by many Member States. In May 2025, the Government of Wallonia in **Belgium** approved in first reading two bills to reform the role of the public employment services ‘Forem’. The ‘Forem’ will require an online CV and make jobseeker profiles visible to employers once a career position is defined, helping improve job-matching quality. Job seekers, with some exceptions (e.g. jobseekers in training), will receive individual counselling every four months, targeted offers and be in monthly contact with the PES. In April 2025, **Greece** introduced changes to its digital platform for managing employment data. The new ERGANI 2 system updates its predecessor, including by fully digitalising employment declarations, alleviating administrative burden by streamlining procedures for employers, enhancing labour market monitoring tools and providing a more reliable, transparent employment and insurance registry. In December 2024, **Spain** expanded eligible subsidies under the common employment activation programmes, adding residence allowances and related employer social security contributions in certain regions. The reform also strengthens activation policies by incorporating some youth employment schemes into the common framework.

Many Member States are undertaking major reforms to their Public Employment Services, including institutional changes, increasing efficiency and the digitalisation of services. Through an ESF+ support programme of EUR 183 million, **Romania** is modernising the Public Employment Services (PES). The programme aims at increasing the number of PES staff by 600, train 1 840 PES employees, provide modernised services to 275 000 persons and 21 750 employers. It is also expected to improve the visibility of the PES through a communication campaign and modernise the PES premises. The project will run for 60 months from January 2025 to December 2029. In **Finland**, the responsibility for organising public employment services was transferred to municipalities in January 2025 to increase equal access to services and help the rapid employment of jobseekers by improving employment and business services. In connection with the transfer, a funding model was created for municipalities to develop their employment promotion activities. The direct employment effect of the reform is estimated to benefit between 7 000 – 10 000 people. In December 2024, supported by the RRF and ESF+, **Cyprus** adopted a broad reform of its PES. The ongoing reform will include the implementation of platforms for digitalising the hiring schemes of the Department of Labour, developing a Performance Management System and establishing an early warning and tracking system for young people neither in education, nor in employment and training (NEETs). In January 2025, **France** introduced a decree to adapt the law on full employment to its outermost regions. The changes adapt the law to the institutional specificities of the outermost regions and concern governance, childcare matters as well as extend the deadline for concluding contracts between the unemployed and employment institutions.

Several Member States have implemented reforms to align their unemployment benefit systems to the current labour market conditions. In January 2025, **Finland** abolished the supplements to the labour market subsidy and basic unemployment allowance paid during participation in employment-promotion actions. In June 2025, **Czechia** introduced amendments to its unemployment benefit system to improve financial support and social protection for jobseekers. Support during the initial phase of unemployment will increase to as much as 80% of the individual's previous work income. Also in June 2025, **Estonia** reformed its unemployment protection system, simplifying procedures and introducing a universal basic-rate benefit model to be effective from January 2026. The reform replaces the previous two-tier system with a single unemployment insurance scheme. In July 2025, **Belgium** adopted a major reform of its unemployment benefits system that will enter into force in January 2026. It will limit the overall duration of benefits to two years, following changes to the eligibility criteria, with some exemptions. In October 2025, **Lithuania** amended its Law on Unemployment Social Insurance to increase the minimum unemployment benefit from EUR 241.5 to EUR 350 in 2025, extend the maximum duration of benefit payments close to retirement by four months, and improve the overall targeting of benefits, especially for low-income households. In October 2025, **Sweden** implemented a reform of its unemployment insurance system to better align the provision of benefits with the applicant's actual income loss.

Several Member States have implemented measures to attract foreign talent and ease tight labour market conditions. In May 2025, **Greece** launched the HELIOS+ scheme with support from the ESF+, which aims to support the integration of third-country nationals through a holistic approach that integrates their access to education, the labour market and vocational training. Through amendments to its Aliens Act in March 2025, **Croatia** liberalises access for qualified workers (particularly in the IT sector), strengthens oversight of employers, enhances protection of foreign workers' rights. Moreover, the country implemented new measures to support the return and reintegration of Croatian emigrants. In 2025, **Malta** reformed its Labour Migration Policy with a focus on retention, rights, and labour market needs. Measures include new eligibility criteria for employers, limits on recruitment by companies with high contract termination rates (with exemptions for micro-enterprises), and improved pathways for third country nationals to change employers. To help ease labour shortages and attract high-qualified foreign workers, **Czechia** has adopted a government decree granting free labour market access for citizens of ten non-EU countries. In October 2024, **Germany** adopted the Skilled Labour Strategy India that aims to attract qualified workers from India by improving framework conditions for recruitment, visa issuance, language courses, recognition of foreign professional qualifications and integration.

Some Member States took action to strengthen social dialogue and the role of social partners. In May 2025, **Romania** introduced a draft action plan to promote collective bargaining over 2025-28 by fostering trade union and employer organization membership, supporting informed participation in negotiations and facilitating agreements at sectoral and national levels. It also aims to strengthen social dialogue, introduce deterrent sanctions for non-compliance, and enhance institutional capacity through technical assistance, inspections, and more effective implementation. In October 2024, the government of **Hungary** adopted a decree establishing a legal framework for a Permanent Consultation Forum for the Private Sector (VKF). It aims to ensure the establishment and continuous operation of the mechanisms for setting the minimum wage. In May 2025, **Poland** amended the regulation on the representativeness of employers' organisations. The new law prohibits double membership in such organisations to allow for the correct calculation of their representativeness and thereby applying the same standard as for trade unions.

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

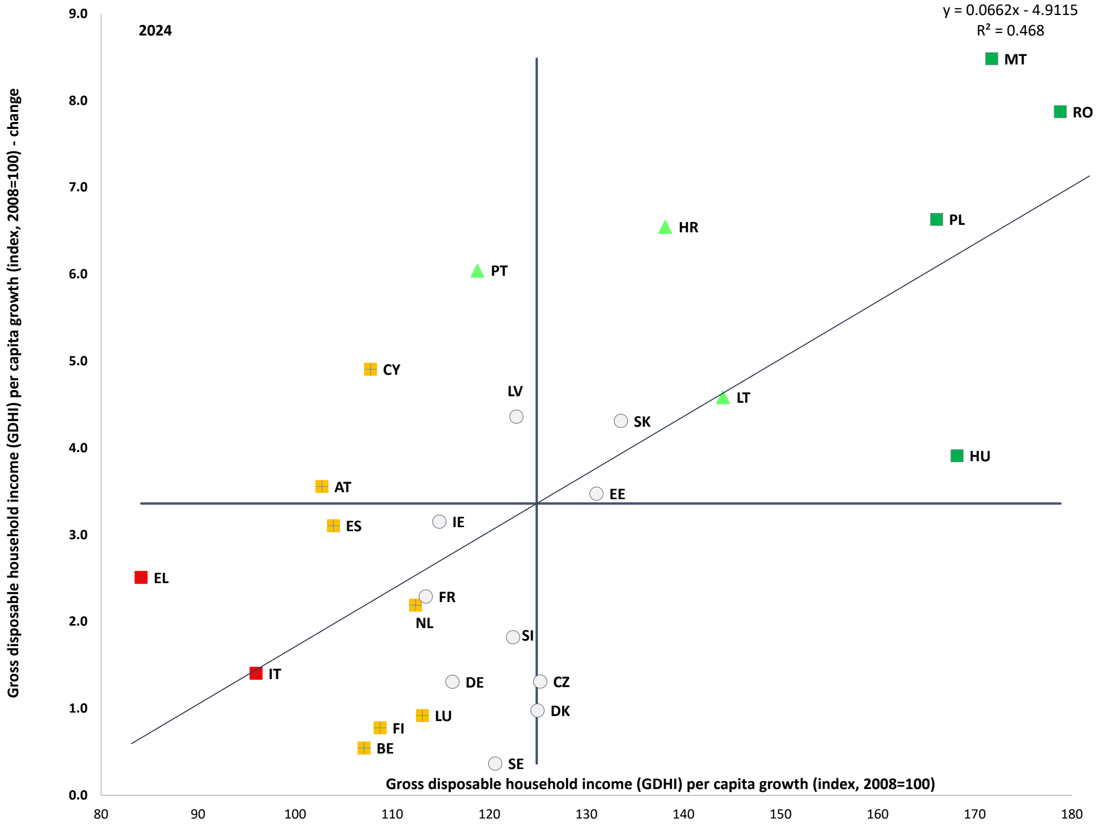
This section reviews the implementation of the employment guideline 8. This recommends that Member States promote equal opportunities for all, foster social inclusion and fight poverty, in line with Pillar principles 2 (on gender equality), 3 (on equal opportunities), 11 (on childcare and support to children), 12 (on social protection), 14 (on minimum income), 15 (on old-age income and pensions), 16 (on healthcare), 17 (on inclusion of persons with disabilities), 18 (on long-term care), 19 (on housing and assistance for the homeless) and 20 (on access to essential services). Section 2.4.1 provides an analysis of key indicators. Firstly, poverty or social exclusion risks as well as income inequality are discussed. This is followed by the analysis of minimum income and social protection systems more generally, and their poverty reducing impact. Social housing and housing affordability are also analysed under Guideline 8. Section 2.4.2 reports on policy measures undertaken by Member States.

2.4.1 Key indicators

The growth in real gross disposable household income (GDHI) per capita index increased substantially at EU-27 level in 2024. It stood at 141.3 (level in 2008=100) in 2024, 2.5 points higher than in 2023. The greatest increase was observed in Malta, Romania and Poland, while smaller but still substantial ones were reported in Croatia, Portugal and Cyprus (see Figure 2.4.1). Malta, Romania, Poland and Hungary were 'best performers' in 2024, due to high levels (more than 160% relative to 2008) and also to large increases for the first three. A number of Member states saw lower increases, some of them remaining at average levels, such as Sweden, Denmark, Czechia and Slovenia. In light of their performance in 2024, Greece and Italy were found to be in 'critical situations' due to persistently low levels, following modest improvements. The situation was 'to watch' in 2024 in Belgium, Finland, and Luxembourg (where levels were close to the EU average but after only relatively small improvements), as well as in Cyprus, Austria, Spain and the Netherlands (where levels were below the EU average despite improvements around the average).

Figure 2.4.1: Growth in gross disposable household income (GDHI) per capita increased for the EU with strong variation across Member States in 2024

Real gross disposable household income (GDHI) per capita growth index, 2024 levels and changes from previous year (2008=100, Social Scoreboard headline indicator)

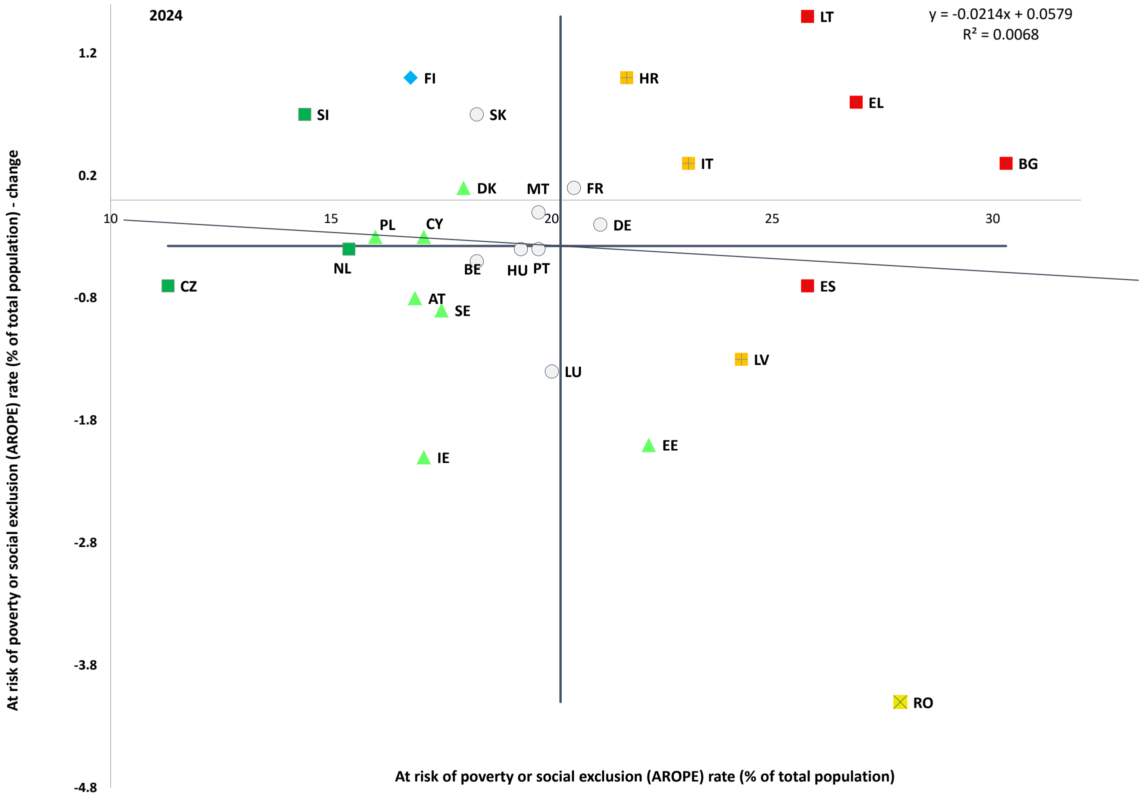


Note: Axes are centred on the unweighted EU average. The legend presented in the Annex. Data not available for BG.
Source: Eurostat [tepsr_wc310], European sector accounts.

The EU saw very modest improvements in reducing the rate of people at risk of poverty or social exclusion in 2024, with no clear sign of upward convergence. The AROPE rate decreased to 21% from 21.3% in 2023, with almost 2 pps difference between men and women (20% vs 21.9%). The situation in 2024 was 'critical' in Bulgaria, Greece, Lithuania and Spain, for which the relatively high levels (at 30.3%, 26.9%, 25.8% and 25.8%, respectively) did not improve significantly (Spain), increased slightly (Bulgaria and Greece) or even significantly (by 1.5 pps in Lithuania) – see Figure 2.4.2. Croatia, Italy and Latvia were 'to watch', either because of the relatively high level (24.3% in Latvia) or the increase (+1 pp and +0.3 pps for Croatia and Italy, respectively). At the same time, Romania experienced a 'weak but improving' situation, recording one of the highest levels in the EU (27.9%) after the largest decline (-4.1 pps), reflecting continuing efforts to reduce poverty. Conversely, Czechia, Slovenia and the Netherlands were 'best performers' (with AROPE rates at 11.3%, 14.4%, and 15.4%, respectively). Ireland and Estonia showed large declines (-2.1 pps and -2 pps, respectively) despite already good or average levels. No clear sign of upward convergence is apparent among Member States.

Figure 2.4.2: The at-risk of poverty or social exclusion rate only slightly decreased in 2024 in the EU

Share of the population at risk of poverty or social exclusion, 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for HR and provisional data for LT.
Source: Eurostat [ilc_peps01n], EU-SILC.

Regional and urban/rural variation in the risk of poverty or social exclusion across the EU is large, in line with what is observed across Member States. Variation was large across EU (NUTS 2) regions in 2024, including within Member States, especially in Italy, Poland, Hungary and Slovakia (see Figure 8 in Annex 5). AROPE rates ranged from 59.5% in Guayane, 48.8% in Calabria, and 44.5% in Ciudad de Melilla to 8.8% in Jihozápad, 8.6% in Bratislavsky kraj and 6.6% in Provincia Autonoma di Bolzano/Bozen. Outermost regions experienced AROPE rates above the EU average, ranging from 59.5% in Guyane to 22.9% in Madeira. Towns and suburbs recorded somewhat lower AROPE rates in the EU than cities and rural areas (20.3%, 21.3% and 21.3%, respectively). However, variation across Member States was substantial. AROPE rates ranged from 27.8% in Belgium to 12.2% in Poland with regard to cities; from 32% in Bulgaria to 11.7% in Czechia for towns and suburbs; and from 41.7% in Romania to 8.6% in Malta for rural areas. While relatively large AROPE rates in cities go together with relative low ones in rural areas in the western part of the Union, the opposite tends to hold in a number of Mediterranean and Baltic countries and in the eastern part.

Drivers of poverty risks are multiple. They are rooted in inequalities of opportunities due, for instance, to territorial and regional disparities[244], or discrimination[245]. They relate to differences in the effectiveness and efficiency of active labour market policies and social protection and inclusion policies. The intergenerational transmission of disadvantage[246] weighs on children. Active inclusion policies, the design and effectiveness of tax and benefit systems, and access to supporting services (including education, health, social and essential services) play a central role in fighting and preventing poverty risks. To help Member States doing so, the EU has adopted a wide range of initiatives that have the potential to contribute to poverty reduction, if properly implemented[247]. Building on these, the forthcoming EU Anti-Poverty Strategy will aim to help people to get access to the essential protection and services they need, while addressing the root causes of poverty. The overarching objective is to help eradicate poverty in the EU by 2050.

Target Box 3: Progress towards the 2030 poverty reduction target

The population at risk of poverty or social exclusion declined further in 2024, but progress remains insufficient to meet the EU headline target by 2030. The number of people at risk of poverty or social exclusion (AROPE) fell by 1.1 million in 2024, to 93.3 million. Adjusting for breaks in series in Germany and France, the reduction amounts to 2.9 million compared to the 2019 base year, leaving a gap of 12.1 million to the target of 15 million. This implies that an average annual reduction of more than 2 million would be required to reach the target by 2030 (see Figure below). Achieving the target will thus demand a significant acceleration of efforts during the remainder of the decade. Child poverty also declined in 2024 in the EU, with about 0.4 million fewer children (0-17) experiencing poverty or social exclusion risks. Nonetheless, the number remains 0.25 million above the 2019 baseline and 5.25 million above the aggregated national child poverty reduction targets.

[244] See European Commission, Durán Laguna, et al., *Ninth report on economic, social and territorial cohesion*, Publications Office of the European Union, 2024

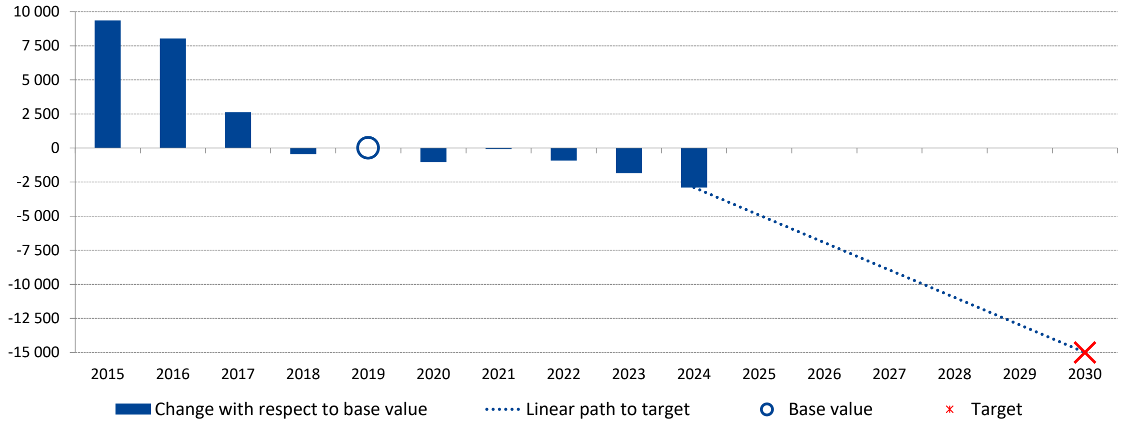
[245] Latest data from 2024 shows, for instance, that 70% of Roma were at risk of poverty, with progress between 2016 and 2024. See: EU Agency for Fundamental Rights, Rights of Roma and Travellers in 13 European countries, 2024.

[246] See UNICEF Innocenti – Global Office of Research and Foresight, *Innocenti Report Card 18: Child poverty in the midst of wealth*, UNICEF Innocenti, Florence, December 2023.

[247] These include the European Child Guarantee, Council Recommendation (EU) 2021/1004 of 14 June 2021; the Directive on adequate minimum wages, Directive (EU) 2022/2041; the Council Recommendation on Access to social protection, Council Recommendation (2019/C 387/01) of 8 November 2019; the Council Recommendation on adequate minimum income ensuring active inclusion, Council Recommendation (EU) 2023/C 41/01 of 30 January 2023; the European Platform on Combating Homelessness, Lisbon Declaration on the European Platform on Combatting Homelessness of 21 June 2021; and the Commission Communication on better assessing the distributional impact of Member States' policies, COM(2022) 494 .

The number of people at risk of poverty or social exclusion has declined in recent years, but progress remains insufficient to achieve the 2030 EU target

Change in EU-27 AROPE level with regard to the 2019 base year and related 2030 EU headline target (total population, thousand persons)



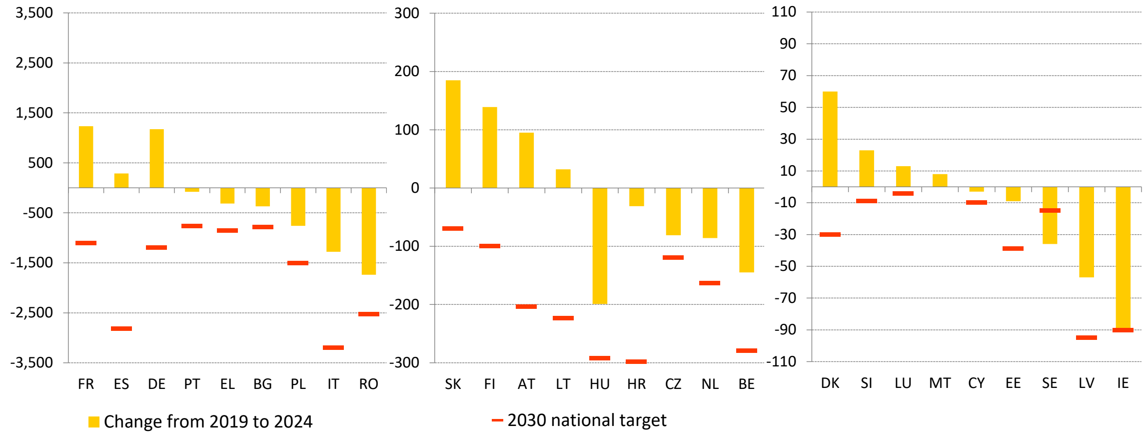
Note: Series adjusted for breaks in series, due to underlying major breaks in DE in 2020 (break adjusted backwards to 2019) and in FR in 2022 (the EU aggregate uses figures for 'Metropolitan France' rather than 'France' to be in line with the 2019 figure for France).
Source: Eurostat [ilc_pecs01] and DG EMPL calculations.

Progress towards the national poverty reduction targets remains uneven across Member States. In 2024, only 14 Member States saw reductions in the number of people at risk of poverty or social exclusion, and only 16 have made progress towards their 2030 targets since 2019 (see Figure below)[248]. Seven of these (Romania, Czechia, Latvia, the Netherlands, Poland, Belgium and Bulgaria) are broadly on track, with Romania achieving a substantial reduction in 2024 (by 739 thousand). Sweden and Ireland became the first two countries to reach their targets in 2024, while the largest relative gaps[249] remain in Luxembourg, Slovakia, Slovenia, Denmark, Finland and France. Among the 21 countries that set complementary targets on child poverty reduction[250], 13 registered improvements in 2024 and 11 have made progress since 2019, while Ireland, Cyprus and Sweden have already reached their targets. On the other hand, Czechia, Germany, Spain, France, Luxembourg, Malta, Austria, Slovenia, Slovakia and Finland have yet to make progress relative to 2019.

[248] For the monitoring of the EU and national poverty reduction targets, as well as an explanation of the breaks in series and related adjustments to the data, see also the 2025 Annual Report of the Social Protection Committee.
[249] For cross-country comparability, the gaps are not measured in absolute terms, but in percent of the target reduction between 2019 and 2030. E.g.: (10 [target] – 4 [progress so far]) / 10 [target] = 60% [gap].
[250] A target on child poverty reduction was set by Belgium, Bulgaria, Czechia, Germany, Estonia, Ireland, Greece, Spain, France, Croatia, Cyprus, Luxembourg, Malta, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland and Sweden. See the 2025 Annual Report of the Social Protection Committee for the monitoring of these targets.

Only about half of Member States have made progress since 2019, and only a third are either on track or have surpassed their targets

Changes in AROPE levels over 2019-24 and national 2030 targets (total population, thousand persons)



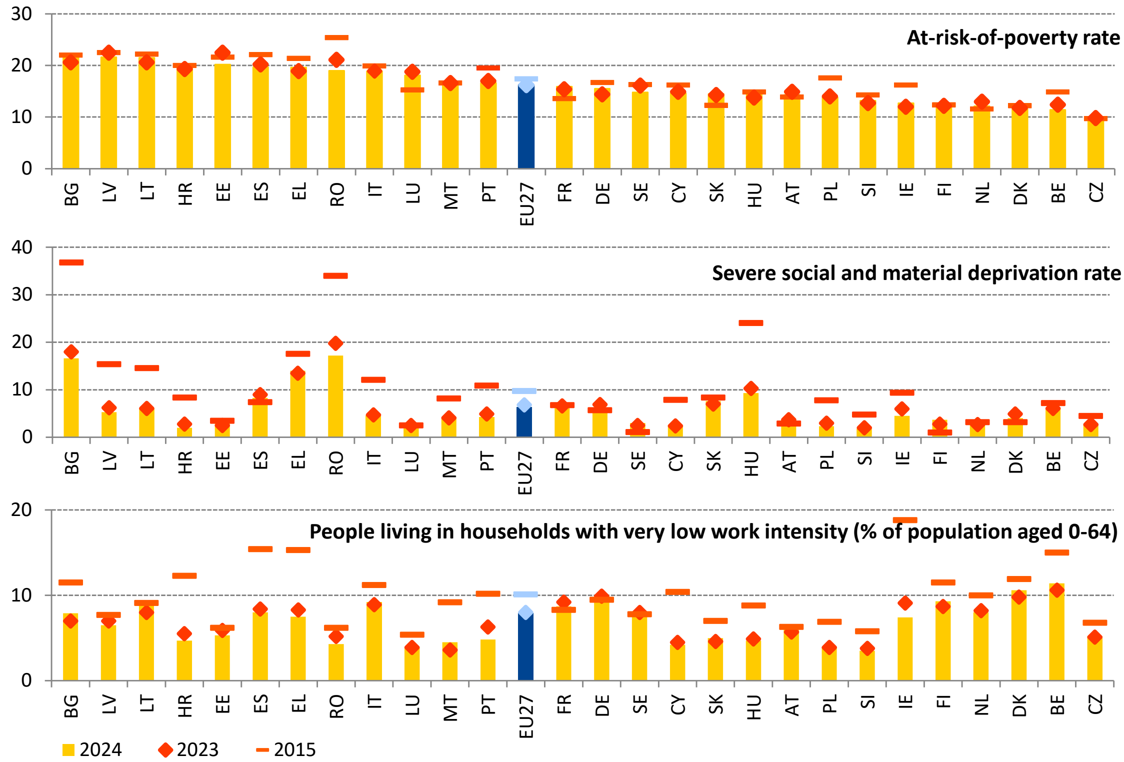
Note: Break in series in 2020 for FR, IE, DK, LU, in 2021 for LU, in 2022 for FR, FI and LU in 2023 and 2024 for HR.Provisional data for LT in 2024. DK and DE express their national poverty reduction targets as a reduction in the number of people living in (quasi-)jobless households (i.e. households with very low work intensity), that is expected to translate into declines in the numbers of people AROPE over the decade. DE expresses its national target compared to 2020 as the reference year. FR set its national target in reference to metropolitan France and the monitoring is aligned to this geographical scope. HU expresses its national poverty reduction target as a reduction of the material and social deprivation rate for families with children that can be translated into AROPE reduction if current circumstances prevail. MT expresses its national poverty reduction target as a reduction of the AROPE rate, in terms of percentage points (i.e. -3.1 pps).
Source: Eurostat [ilc_pecs01] and table on 2030 national targets in Annex 1.

Severe material and social deprivation slightly decreased, while monetary poverty and the share of people living in (quasi)-jobless households remained stable in the EU in 2024. The very modest improvement of the AROPE rate is reflected in its components. Czechia and the Netherlands had some of the lowest AROP rates (referring to 2023 income levels, at 9.5% and 12.1%, respectively), after experiencing decreases – see the top panel of Figure 2.4.3. On the contrary, Bulgaria, Latvia, Lithuania had some of the highest rates (at 21.7%, 21.6% and 21.5%, respectively), some after increases. Romania saw a decrease of 2.1 pps, contributing greatly to the decrease of its AROPE rate. Eurostat's Flash estimates referring to 2024 incomes indicate that AROP rates are expected to have been stable also in 2024 in the EU on average and in most Member States, while increasing in Finland, Portugal, Greece and Slovenia, and decreasing in Estonia[251]. The share of people in severe material and social deprivation decreased slightly in the EU overall – see the middle panel of Figure 2.4.3. The share of people living in (quasi-)jobless households remained stable in 2024 (based on 2023 activity) – see the lower panel of Figure 2.4.3.

[251] Significant changes only. See Eurostat, Flash estimates of income inequalities and poverty indicators for 2024 (FE 2024), Experimental results. Version 1 – June 2025.

Figure 2.4.3: Severe material and social deprivation slightly decreased, while the at-risk of poverty rate and the share of people living in (quasi)-jobless households remained stable

Components of the at-risk-of-poverty or social exclusion rate headline indicator (%, 2015, 2023, 2024)

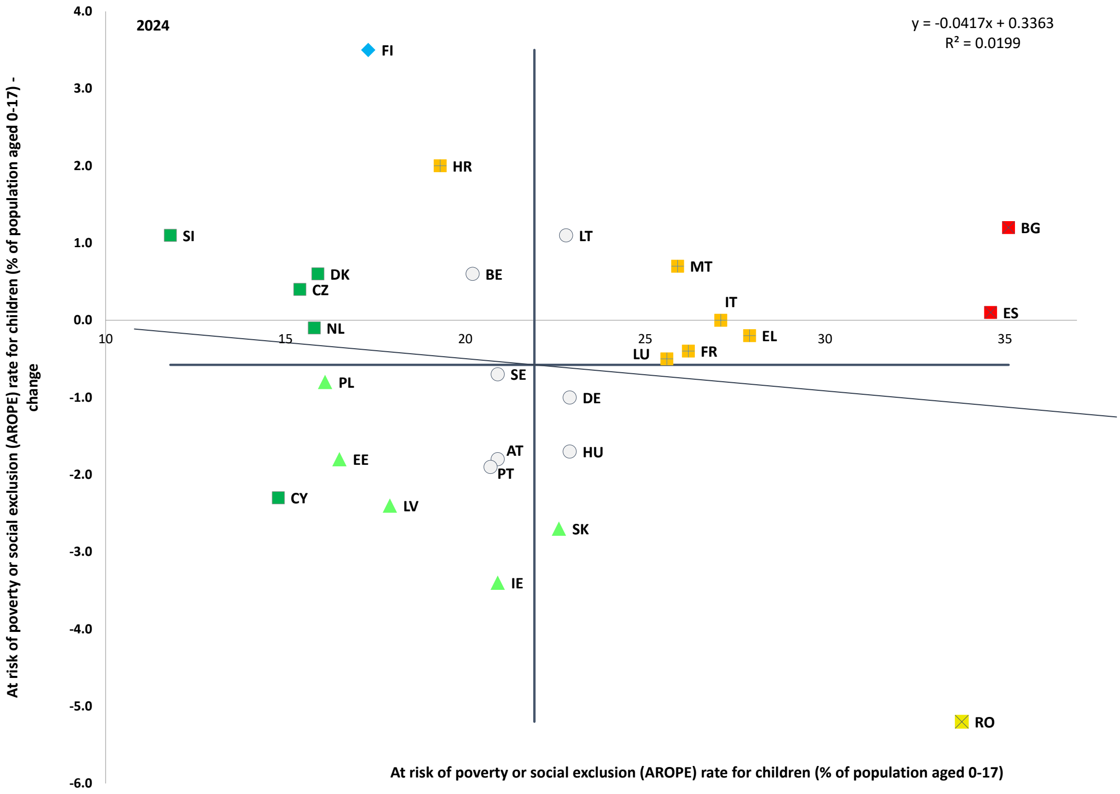


Note: Indicators are ranked by AROPE rates in 2024. Break in series for HR for the at-risk-of poverty rate. Provisional data for LT.
Source: Eurostat [tessi010], [tepsr_lm420], [tepsr_lm430], EU-SILC.

Child poverty slightly declined but remains at a higher level than for the population as a whole, with no clear sign of upward convergence. The number of children at risk of poverty or social exclusion decreased from 19.96 million in 2023 to 19.52 million in 2024 and their share from 24.9% to 24.2% on average in the EU. Even though 2024 is the second consecutive year during which a decrease in the absolute number is recorded, the incidence of child poverty is still 3.2 pps higher than for the total population. Slovenia, Cyprus, Czechia and the Netherlands are among the 'best performers', with AROPE rates for children below 16%, and relatively minor changes compared to 2023, except for Cyprus (-2.3 pps) and Slovenia (+1.1 pps). Bulgaria and Spain are, on the other hand, in 'critical situations', with rates reaching 35.1% and 34.6%, respectively. Unlike the broadly unchanged rates in Spain, the figure for Bulgaria also increased, by 1.2 pps. Throughout the EU, the largest increases were recorded in Croatia (+2 pps) and Finland (+3.5 pps), while the largest decreases in Ireland (3.4 pps), Romania (5.2 pps) and Slovakia (2.7 pps). No apparent sign of upward convergence among Member States is visible. Lifting children out of poverty and social exclusion is instrumental to help them realise their full potential and break the cycle of intergenerational poverty. Implementing the European Child Guarantee in all Member States is key in this respect.

Figure 2.4.4: The at-risk-of poverty or social exclusion rate for children slightly declined in the EU

Share of children at risk of poverty or social exclusion, 2024 levels and change from previous year (%), Social Scoreboard headline indicator

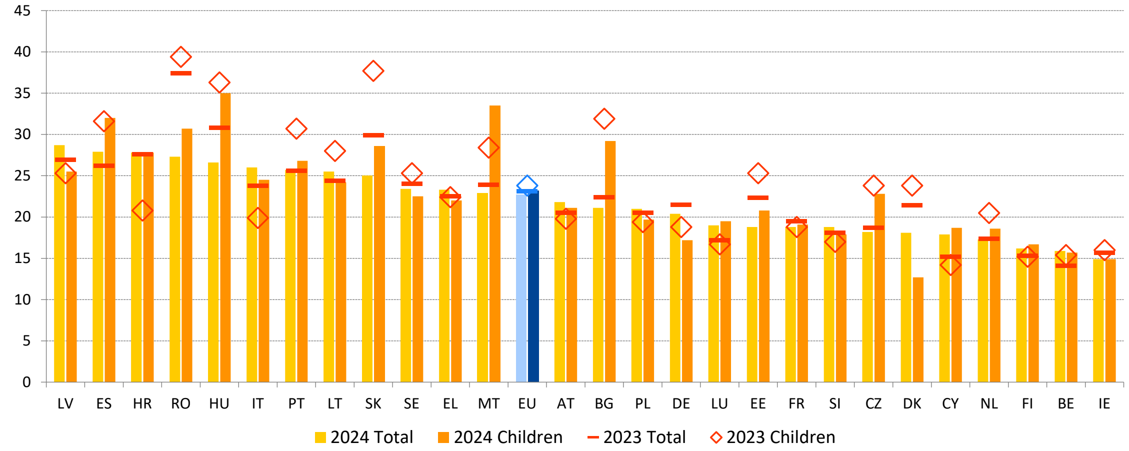


Notes: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for HR and provisional data for LT.
Source: Eurostat [ilc_peps01n], EU-SILC.

The components of the risk of poverty or social exclusion rate for children remained largely stable in the EU, with the only exception of severe material and social deprivation that decreased. The at-risk-of-poverty (AROP) rate decreased slightly, from 19.5% in 2023 to 19.3% in 2024, on average in the EU. The largest increases, by 2 pps, were recorded in Croatia, Lithuania, Malta and Finland, and the largest decreases, by 3 pps, in Portugal, Romania and Slovakia. As in 2023, the AROP rates were the highest in Spain (29.2%), Bulgaria (28.2%) and Romania (26.2%), and the lowest in Denmark (10.1%), Slovenia (10.7%) and Finland (11.6%). Eurostat's flash estimates foresee a 0.4 pps drop in the incidence of monetary poverty for children on average in the EU in 2024. As regards severe material and social deprivation, the EU rate for children moderately shrank in 2024, reaching 7.9% in 2024, after 8.4% in 2023. At the national level, it ranged from 1.2% in Croatia to 21.2% in Romania. It rose in the Netherlands and Finland by 2 pps and decreased by the same amount in Germany, Greece, Latvia, Lithuania and Hungary. Lastly, the share of children living in (quasi)-jobless households remained stable at 7.4% in 2024 (against 7.5% in 2023) in the EU and in most Member States, except in Bulgaria (+2.1 pps), Finland (+2.3 pps) and Portugal (-2.6 pps).

Figure 2.4.5: The depth of poverty slightly declined in the EU but was often greater for children than for the total population

The relative at risk of poverty gap (%), total population and children (0-17)



Note: Break in series for HR and provisional data for LT in 2024.
Source: Eurostat [ilc_li11], EU-SILC.

The depth of poverty declined slightly for the total population in the EU but remained higher for people living in (quasi)-jobless households and for children[252]. For the total population, it declined by 0.4 pps, to 22.7% in 2024 (referring to 2023 incomes), compared to the year before – see Figure 2.4.5. The depth of poverty was the largest in Latvia, Spain and Croatia, after increases by 1.8, 1.7 and 0.2 pps, respectively. The increases were largest in Cyprus (+2.7 pps) pps), Latvia and Luxembourg (+1.8 pps for both). At the EU level, the poverty depth for people 18-64 living in (quasi)-jobless households was significantly larger than for the total population, at 35.5% in 2024[253]. For children, it declined to 23.2% in 2024, 0.6 pps lower than in 2023, but was still higher than for the total population. The largest increases (over 5 pps) were recorded in Italy and Malta as well as Croatia (after a break in series), while the largest decreases (over 9 pps) in Denmark and Slovakia.

Persons with disabilities remain at a higher risk of poverty or social exclusion than the rest of the population. In 2024, their AROPE rate was 28.7% in the EU (after no change in three years), which is 10.8 pps higher than for the rest of the population. At 36.2%, it is even higher and on an increasing trend, for persons with severe disabilities. In five countries the gap with respect to those without disabilities exceeded 20 pps in 2024[254]. Persons with disabilities of working age face higher risks of poverty or social exclusion (34.5%) than other age groups, and so do women than men (29.4% vs 27.8%). Support in access to inclusive education, training and employment for persons with disabilities and the provision of personal assistance and support services are essential in reducing the gap in poverty or social exclusion risks for persons with disabilities.

Despite a further slight decrease, the risk of poverty or social exclusion rate for people born outside the EU remained much higher than for EU natives. The AROPE rate for

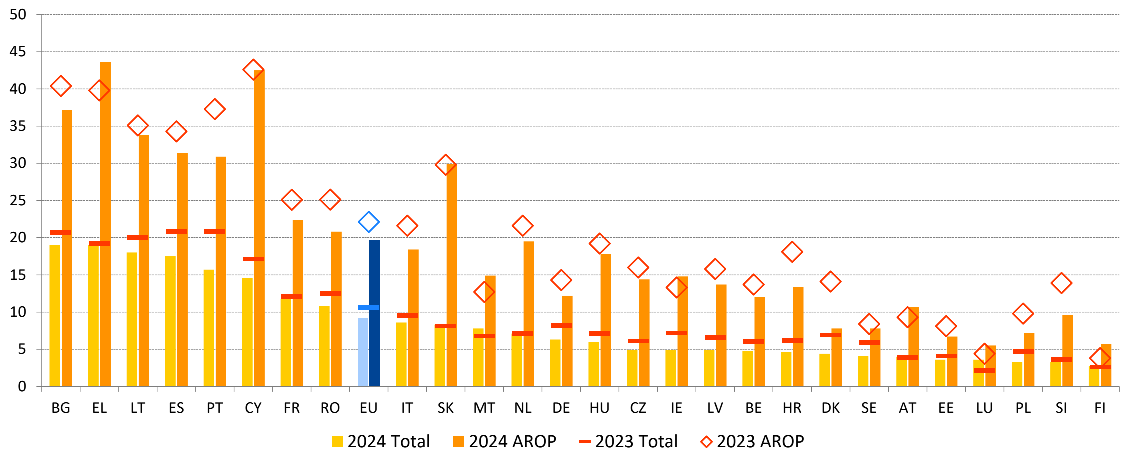
[252] This indicator, also known as relative median at-risk-of-poverty gap, is calculated as the difference between the median equivalised disposable income of people below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold, expressed as a percentage of the at-risk-of-poverty threshold. This threshold is set at 60% of the national median equivalised disposable income of all people in a country and not for the EU as a whole.
[253] Eurostat [ilc_li12]. See Figure 2.4.11 for the poverty rate of people living in (quasi-)jobless households.
[254] Wide gaps were observed in Lithuania, Croatia, Latvia, Estonia and Hungary, all of which had large rates along with Bulgaria and Romania.

people born outside the EU was higher than that of natives in all Member States and more than double on average, at 38.2% vs 18%. The gap was the widest in Romania, Austria, Spain, Belgium and Sweden (all in excess of 23 pps)[255]. These gaps largely mirror the disadvantaged employment situation of this group (see Pillar Box 5 in section 2.2.1).

A significant number of Roma in the EU continue to face greater poverty or social exclusion risks. According to the latest survey data, on average, 70% of Roma in the survey countries were at risk of poverty in 2024[256], with progress recorded between 2016 and 2024. On average, 77% of Roma children (below 18) lived in households at risk of poverty. Also, a higher share of Roma (37%) faced severe material deprivation compared to the general population, especially the younger and older cohorts. The 2020-30 EU Roma strategic framework for equality, inclusion and participation calls on Member States to reduce the poverty gap between Roma and the general population, including children, by at least half and to ensure that by 2030 the majority of Roma escape poverty[257]. With the Council Recommendation for Roma equality, inclusion and participation, Member States committed to combatting the extremely high at-risk-of-poverty rate and material and social deprivation among the Roma[258]. The assessment of renewed national Roma strategic frameworks calls on Member States to address the areas for improvement identified as well as to renew and amend their frameworks, including to make them more ambitious[259]. The Council Conclusions on ensuring equal access for Roma to adequate and desegregated housing, and to address segregated settlements,[260] invite Member States to identify and use all funding available for this purpose.

Figure 2.4.6 The inability to keep home adequately warm declined in the EU in 2024 compared to the previous year, varying significantly across Member States

Persons unable to keep home adequately warm, total and at-risk-of poverty population, 2023 and 2024 (%)



Notes: Provisional data for LT in 2024 and break in series for LT in 2023.
Source: Eurostat [ilc_mdes01], EU-SILC.

[255] Eurostat indicator [ilc_peps06n], comparing those born in non-EU countries to those born in the reporting country; persons aged 18 years or more. Low reliability data for Romania.
[256] See: EU Agency for Fundamental Rights, Rights of Roma and Travellers in 13 European countries, 2024. The respective value was 80% in both 2016 and 2021/2019, with different countries included – see Figure 4 on page 30 of the related report. The survey countries in 2024 were: BG, CZ, EL, ES, FR, HU, IE, IT, PT, RO.
[257] See: The new EU Roma strategic framework for equality, inclusion and participation (full package).
[258] See: OJ C 93, 19.3.2021, p. 1–14.
[259] For the assessment see: COM/2023/7 final in the full package.
[260] Council Conclusions on Measures to ensure equal access for Roma to adequate and desegregated housing, and to address segregated settlements.

A main indicator of energy poverty – the inability to keep home adequately warm - decreased in the EU in 2024 for the first time since 2021, but remains significantly higher for people experiencing poverty or social exclusion risks. The share of people unable to keep their homes adequately warm decreased to 9.2% in the Union in 2024, down from 10.6% the previous year. The 2024 decrease is the first after two consecutive years of increases. It reflects falling gas and electricity retail prices, as well as a mix of energy-efficiency measures implemented in EU countries and other support measures. Still, the 2024 level remains well above the 2021 value of 6.9%. In addition, older people, single parents and women are more exposed to energy poverty. Variation across Member States also decreased somewhat in 2024, but still ranges from 2.7% in Finland to 19.0% in Bulgaria. The energy poverty indicator analysed here declined in 2024 in most Member States, and to the largest extent in Portugal (5.1 pps), Spain (3.3 pps), Denmark and Cyprus (both 2.5 pps). Small increases were observed, on the contrary, in Luxembourg (+1.5 pps), Malta (+1.0 pp), Slovakia (+0.2 pps), Austria and Finland (+0.1 pps), while the situation was stable in the Netherlands. For people experiencing poverty risks, energy poverty is much higher, with 19.7% of them unable to keep their homes adequately warm on average in the EU, compared to 7.1% of the rest of the population. People at risk of poverty face the highest energy poverty rate in Greece (43.6%) and the lowest in Luxembourg (5.5%). When considering another indicator of energy poverty, the arrears on utility bills of households, data shows that the level of arrears since 2022 has remained at the same level[261]. In addition, as global temperatures continue to rise, increasing number of people in Europe struggle to keep their homes adequately cool. In 2023, 26% of EU households reported to be unable to keep their homes comfortably cool in summer. This figure rises to nearly 35% among the lowest income group and early findings indicate that those already affected by energy poverty during winter are likely to struggle in summer, too[262].

Transport poverty varies largely across Member States. Transport poverty covers the three dimensions of affordability, accessibility and availability[263], as well as the cross-cutting dimension of adequacy. Private transport affordability, as measured by the share of people unable to afford a personal car, remained stable in the EU, at 5.6% in 2023 and 2024, after a steady decline over 2015-21 from 7.9% to 5.7%[264]. It varies significantly across Member States, ranging from 1.8% in Malta to 15.6% in Romania. Availability of public transport remains a challenge, in particular in rural area. Against this background, cars remain the

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[261] Eurostat indicator [ilc_mdes07] EU-SILC.

[262] Based on a forthcoming JRC report Koukoufikis, G. et al., *Addressing Residential Cooling Demand and Summer Energy Poverty in the EU - Towards a Cooler Future*, Publications Office of the European Union, Luxembourg, JRC143288. The indicator for assessing summer energy poverty in the EU is derived from an ad-hoc module of the EU-SILC survey collected in 2023. There, the indicator coded HC070, measures 'a household's inability to keep their dwelling comfortably cool during summer due to inadequate cooling systems or poor thermal insulation'.

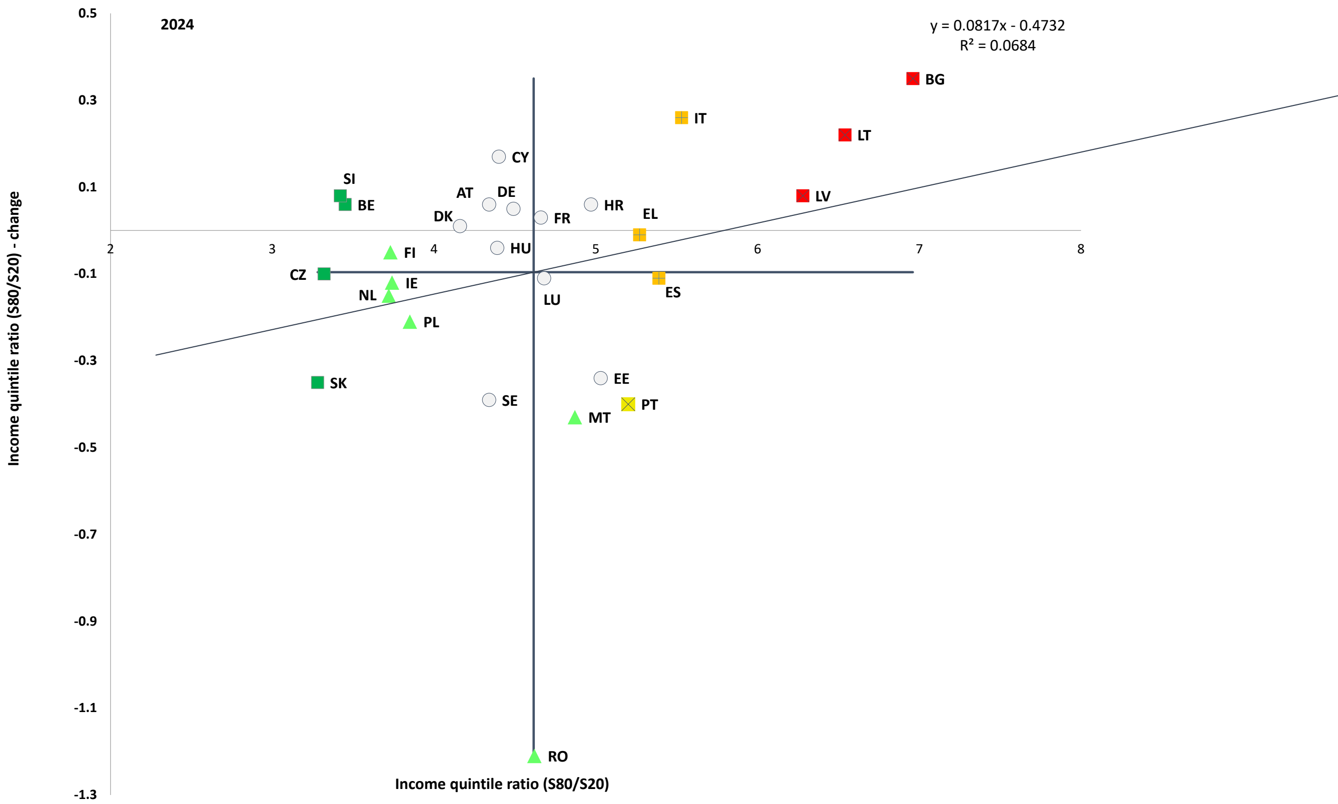
[263] Transport poverty is defined in the Social Climate Fund Regulation as the inability or difficulty of individuals and households to meet the costs of private or public transport, or their lack of or limited access to transport needed to reach essential socio-economic services and activities, taking into account the national and spatial context – see Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund. Due to this multidimensional character and limited data, no unique trend across all dimensions can be identified, and indicators at EU level are currently being developed for all three dimensions. See Transport poverty: definitions, indicators, determinants, and mitigation strategies - Final Report. European Commission, November 2024.

[264] Eurostat Indicator [ilc_mddu05]. It is the only transport poverty indicator with annual updates at EU level.

dominant mode of passenger transport in the EU, accounting for 83.1% of passenger kilometres in 2023.[265]

Figure 2.4.7: Income inequality continued to slightly decrease on average in the EU in 2024, but with some signs of divergence across Member States

Income quintile share ratio (S80/S20), 2024 levels and changes from previous year (Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for HR, provisional data for LT.
Source: Eurostat [tessi180], EU-SILC.

Income inequality continued to slightly decrease on average in the EU in 2024, but with signs of divergence, driven mostly by Member States with high inequality levels. Income inequality, as measured by the income quintile share ratio (S80/S20), slightly declined in the EU, from 4.72 in 2023 to 4.66 in 2024 (referring to incomes in 2022 and 2023, respectively). Variation is nonetheless large among Member States. 'Critical situations' were recorded in Bulgaria, Lithuania and Latvia, with levels of income inequality among the highest in the Union, which further increased in 2024 – see Figure 2.4.7. Three countries characterised by relatively high income inequality levels (after an increase for Italy and decreases for Greece and Spain) are 'to watch'. The decrease in income inequality was by far the largest in Romania (-1.2), yielding a level that is now in line with the EU average. 'Best performers' in 2024 were Belgium, Slovenia, Czechia and Slovakia. Overall, diverging trends are observed in the EU. On the one hand, in some Member States with high inequality levels further deteriorations took place. On the other hand, some Member States with low levels recorded further decreases. This points to divergence across Member States. Income inequalities show

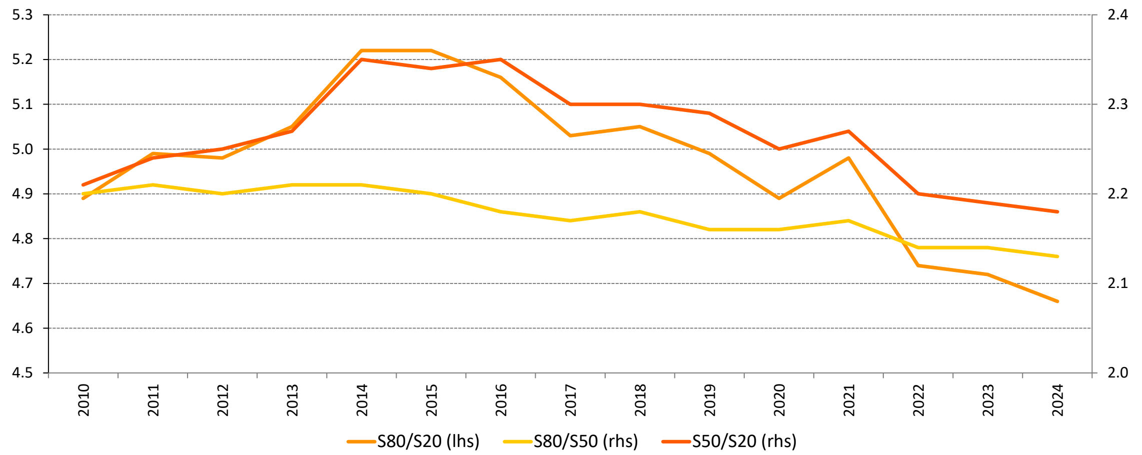
265 See the Eurostat Indicator [tran_hv_psmod].

heterogeneity also across EU regions. These are relatively pronounced also within countries such as in Italy, Romania, Hungary and Belgium (see Figure 4 in Annex 5). According to Eurostat's flash estimates, income inequalities are expected to show a stable trend in all countries for the income year 2024[266].

In a longer-term perspective, income inequality declined over the past ten years, albeit with fluctuations. During the 2010s, income inequalities in the EU, as measured by the income quintile share ratio (S80/S20), sharply increased with the double-dip recession and then declined to levels known before the economic and financial crisis, with a further decrease in most recent years – see Figure 2.4.8. In 2024 income inequality at the bottom of the income distribution (as measured by the S50/S20 ratio) was broadly back to pre-financial crisis levels, while it was slightly below earlier levels at the top of the income distribution (S80/S50). This highlights the impact of swift and effective policy responses in the EU in recent years, especially when comparing the overall stability following the COVID-19 pandemic and the increased cost-of-living in 2020-23 with the sharp increase of the early 2010s. Distributional impact assessments[267] of reforms and investments remain particularly important to factor in their impact on income inequality and inform policy design *ex ante* also in this light.

Figure 2.4.8: Income inequalities in the EU fluctuated over the last fifteen years, but declined in most Member States after 2015

Quantile share ratios S80/S20, S80/S50 and S50/S20, (2010-2024, income years 2009-2023)



Note: Estimated data for quintile share ratio S80/S20 in 2014-2018.
Source: Eurostat [tessi180], [ilc_di11d], [ilc_di11e], EU-SILC.

Social protection benefit expenditures increased in real terms in 2024 in all Member States but large variation remains across countries and branches. The share relative to GDP increased in the EU from 26.7% in 2023 to 27.3% in 2024; however, it remained well below the peak of about 30% reached during the COVID-19 crisis[268]. The convergence across Member States observed over the last decade slowed somewhat, due to moderate

[266] See Eurostat, Flash estimates of income inequalities and poverty indicators for 2024 (FE 2024), Experimental results. Version 1 – June 2025.
[267] See Commission's Communication on Better assessing the distributional impact of Member States' policies (COM(2022) 494 final).
[268] Eurostat, Social protection benefits expenditures (*spr_exp_func*, extracted on 28/10/2025). 2024 data are estimates covering all Member States. Provisional data for Estonia.

increases in the share relative to GDP in almost all Member States[269]. As a result, variation across Member States remained large, with six countries having shares above 28% and another six below 18%[270]. Social protection benefit expenditure in the EU increased by 6.9% in 2024 in nominal terms and by 3.8% in real terms, which is the strongest rise over the past decade except in 2020, when the COVID-19 crisis required massive support. Changes in real terms were positive in all Member States, ranging from increases of more than 10% in four Member States to around 1% in three[271]. At EU level, growth in real terms in 2024 occurred for almost all functions and was most pronounced for unemployment benefits (+6.4%) and family/children benefits (+4.6%), followed by sickness and healthcare benefits (+4.1%) and old-age and survivors' benefits (+4.0%). Social exclusion benefits were the only function to record a decline in real terms (-7.3%).

Spending on old-age and survivors' benefits continued to account for almost half of all social protection benefit expenditure in the EU. This share was 47.0%, followed by healthcare and sickness- (29.7%), family/children- (8.7%), disability- (7.0%), unemployment- (4.0%) and housing benefits (1.4%), whose share were all stable compared to last year. The share of expenditures on social exclusion benefits declined from 2.5% in 2023 to 2.2% in 2024.

Despite improvements in recent years, in almost all Member States minimum income support is generally not sufficient to lift people out of poverty. Minimum income schemes act as a social safety net of last resort[272]. For a single adult household, the level of support was the most generous in the Netherlands, where it almost reaches the at-risk-of-poverty threshold (of 60% of median equivalised disposable household income). It was the lowest in Italy, Hungary and Romania, where it is around or below 10% of median income – see Figure 2.4.9[273]. Compared to 2023, adequacy of support has improved in Portugal (+18 pps), Bulgaria (+10 pps), Romania (+4 pps) and Slovakia (+2 pps), while it has decreased in other countries. For households composed of two adults and two children, the adequacy of support tends to be similar to or higher than for a single adult household, mainly due to a more prominent role of family benefits. Still, the level of support for this type of household is sufficient to lift them out of poverty only in Lithuania[274]. Finally, in all Member States the net income earned by a person working full-time at the minimum wage (or at a corresponding low wage in those countries that do not have statutory minimum wages) is systematically higher than the income support received through social assistance when out of work.

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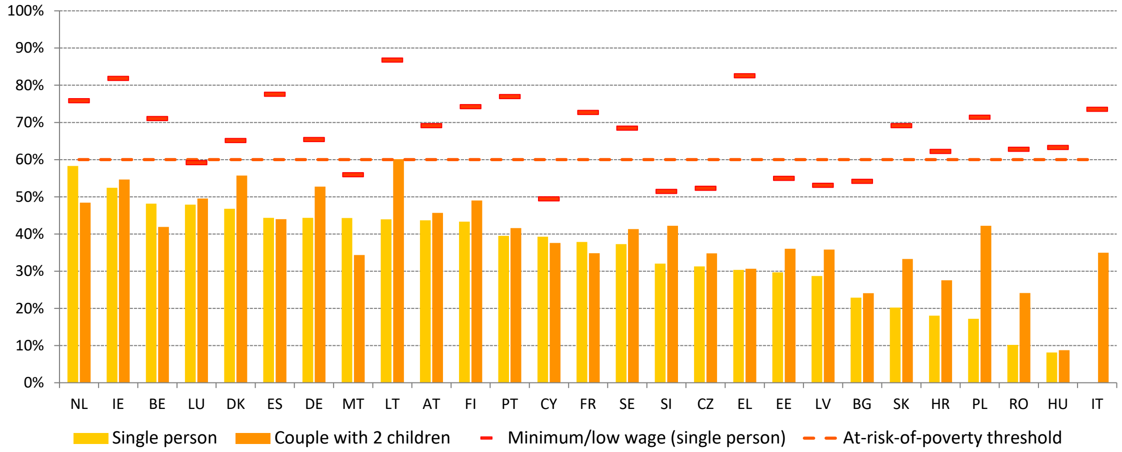
[269] Between 2023 and 2024, the share of social protection benefits expenditure in percentage of GDP decreased only in DK and EL, while it was stable in SE and increased in all other 24 Member States.
[270] They are FI, FR, AT, DE, BE and IT and EE, RO, LT, HU, MT and IE, respectively.
[271] They are EE, HR, PL and SK and HU, EL and SE, respectively.
[272] Council Recommendation on adequate minimum income ensuring active inclusion (2023/C 41/01).
[273] The adequacy of support can be assessed by comparing the disposable income of households that rely on minimum income solely (and have no income from work) with the at-risk-of-poverty (AROP) threshold. In addition to minimum income benefits, households may be entitled to receive housing and family benefits.
[274] Compared to 2023, for households composed of two adults and two children under 14, improvements in adequacy were observed in Slovakia (+6 pps), Bulgaria (+6 pps), Portugal (+4 pps), Romania (+2 pps), the Netherlands (+1 pp) and Poland (+1 pp), while decreases were observed in the other countries.

Figure 2.4.9: Adequacy of income support to jobless households receiving minimum income remains relatively low

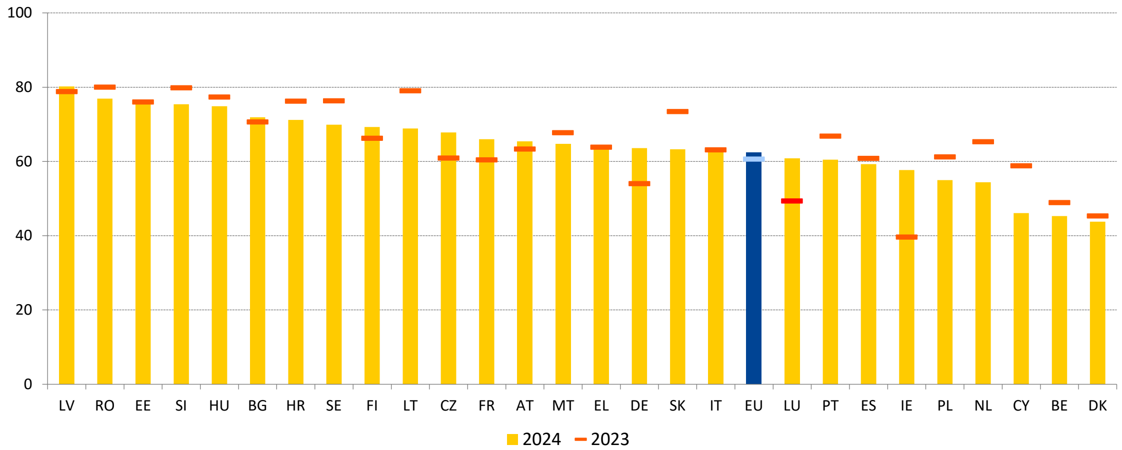
Net equivalised disposable income of households (single person, and two adults with two children under 14 years of age) receiving social assistance, as a percentage of median equivalised disposable income, 2024 (%)



Note: Adult members of the household not employed and not receiving unemployment benefits. Net incomes including social assistance, family and housing benefits, after taxes and social security contributions. Net income of a single person working full-time at the statutory minimum wage (or at 50% of the average wage for the countries that do not have a statutory minimum wage: DK, IT, AT, FI and SE).
Source: Own calculations based on output from the OECD tax-benefit model, model version 2.6.3, and Eurostat [ilc_di03], EU-SILC.

Figure 2.4.10: Poverty risks remain high among (quasi-)jobless households

At-risk-of-poverty rate of persons living in (quasi-)jobless households (%)



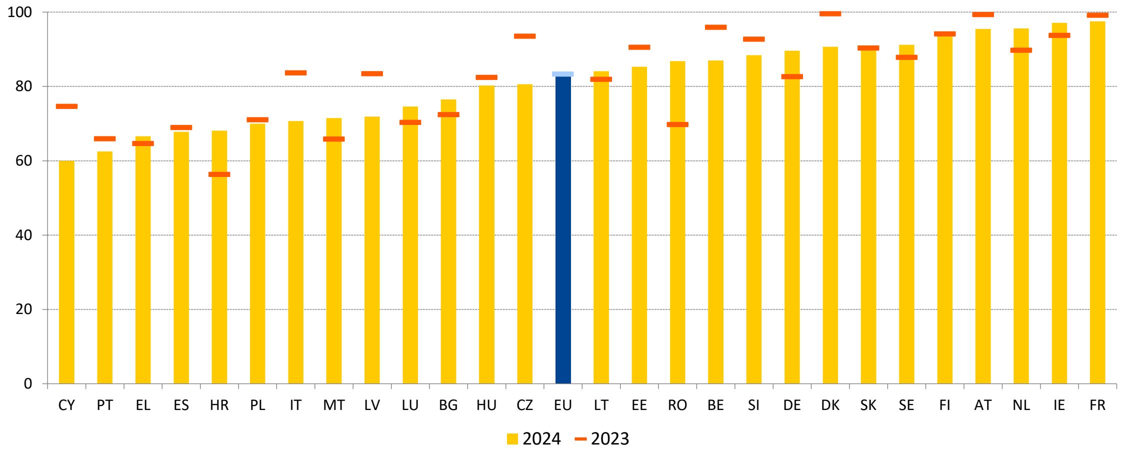
Note: Break in series in 2024 and 2023 for HR. Provisional data in 2024 for LT. (Quasi-)jobless households [with very low work intensity] are households where the members of working age worked a working time equal or less than 20% of their total work-time potential during the previous year.
Source: Eurostat [ilc_li06], EU SILC.

Joblessness remains a key driver of poverty risks, while social benefits do not reach all households in need on average in the EU. In 2024, 62.4% of people living in (quasi-) jobless households (i.e. that worked for 20% or less of their total potential working time) were at risk of poverty in 2024 – see Figure 2.4.10. This share increased (+1.8 pps) compared to the previous year, with important differences remaining among Member States. The at risk-of-poverty rate of (quasi-)jobless households ranged from 80.2% in Latvia (+1.4 pps from 2023) to 43.8% in Denmark (-1.5 pps from 2023). At the same time, the share of people at risk of poverty and living in (quasi-)jobless households who received social benefits remained stable at 83.1% in the EU in 2024 (compared to 83.3% the year before) – see Figure

2.4.11[275]. There are important differences on this between Member States, with the rate ranging from (close to) 100% in Ireland and France to 60% in Cyprus.

Figure 2.4.11: The share of people at risk of poverty, living in (quasi-)jobless households who are covered by social benefits shows wide variation across Member States

Benefit recipient rate for persons at-risk-of poverty aged 18-64 and living in (quasi-)jobless households (%)



Note: Provisional data in 2024 for LT.
Source: Eurostat [ilc_li70], EU SILC.

The impact of social transfers (excluding pensions) on poverty reduction slightly decreased in the EU in 2024, with strong declines in some Member States. It decreased (by 0.5 pps) to 34.2% in the Union, in line with the contraction of real spending in 2023. The decrease was largely driven by strong decreases in Germany, Ireland, Lithuania and France – see Figure 2.4.12[276]. In 2024 (referring to 2023 incomes), 'critical situations' were recorded in Greece, Latvia, Croatia and Portugal, which all had very low impacts of social transfers on poverty reduction (between 16.6% and 22.4%). Seven Member States were 'to watch'. Among them, Germany, Lithuania, Hungary and Luxembourg registered a decrease in impact, while Spain and Malta improved, but were all along with Bulgaria (and except for Germany) at relatively low levels of effectiveness. On the contrary, Belgium, Denmark and Finland were 'best performers' (with poverty-reducing impacts above 45%). Differences in the impact of social transfers on poverty reduction were large also across regions, including within countries, especially in Belgium, Germany, Sweden, Italy, Hungary, Slovakia and Poland (see Figure 9 in Annex 5), and also for outermost regions. Women experienced a somewhat smaller poverty reducing impact of transfers than men in the EU on average (at 33.7% vs 34.6%). The impact of social transfers on the risk of poverty among children remained broadly unchanged in 2024 in the EU (41.4% in 2023 vs 41.9% in 2024). It dropped in 15 Member States (up to -11.1 pps in Lithuania, -5.5 pps in Germany and -4.8 pps in Luxembourg), and increased in the remaining Member States (up to 12.3 pps in Hungary, 8.7 pps in Poland, and 7.7 pps in Estonia)[277].

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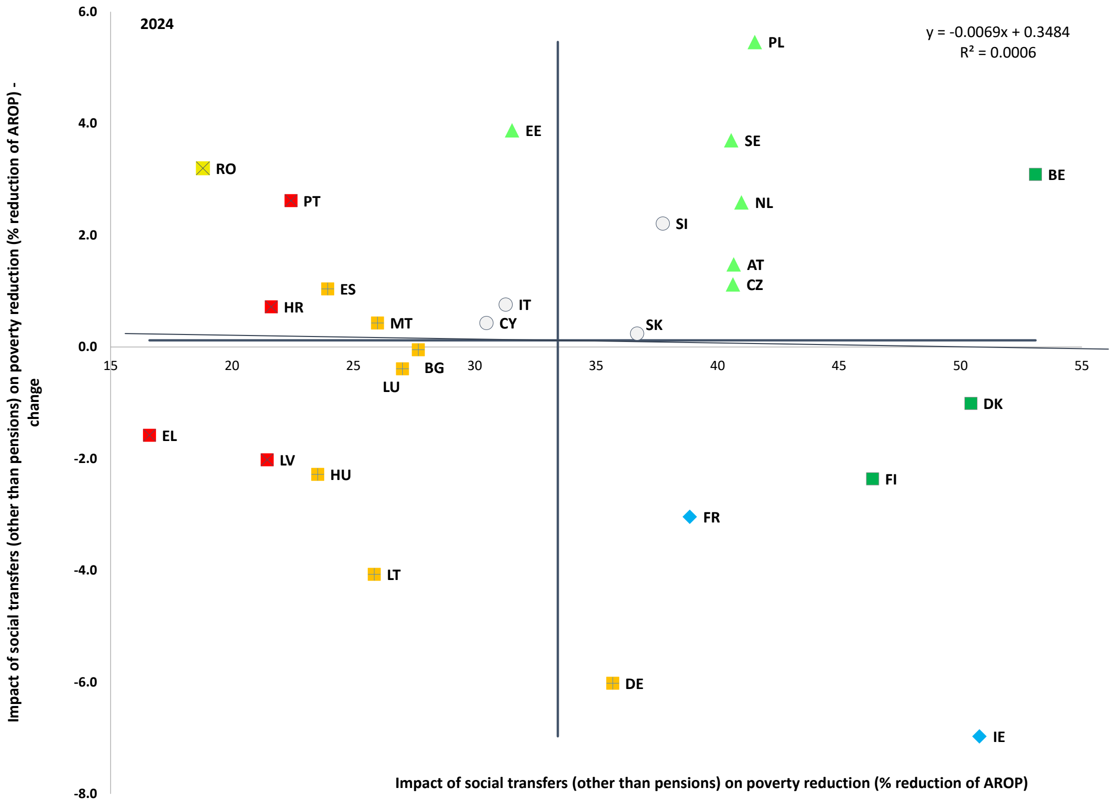
[275] This includes any type of social benefits, and not only minimum income schemes.
[276] The value is still higher than it was before the COVID-19 pandemic.
[277] This is based on the Benchmarking framework on childcare and support to children established by the Indicators' Subgroup of the Social Protection Committee. The indicator can be calculated from the AROP rate for children after and before transfers (excluding pensions). Social transfers in kind, including, among others, free early childhood education and care, education and healthcare, are not considered in this analysis.

Figure 2.4.12: The impact of social transfers (excluding pensions) on poverty reduction saw strong declines in some Member States

Impact of social transfers (other than pensions) on poverty reduction, 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Break in series for HR. Provisional data for LT.

Source: Eurostat [tespm050], EU-SILC

The social situation among people in non-standard forms of employment remains less favourable than that for other workers, though social protection benefits are more likely to reduce their poverty risks. The impact of social transfers on poverty reduction in 2024 (referring to 2023 incomes) in the EU was significantly higher for workers in non-standard forms of employment compared to the average worker (11.8%)[278]. It was 22.8% for employees on temporary contracts and 22.9% for part-timers. The impact was 26.6% for the self-employed. Nevertheless, monetary poverty remained greater for them in most Member States. In the EU as a whole, the at-risk-of-poverty (AROP) rate was 13.4% for temporary workers against 5.2% for those on permanent contracts. This rate was 13.8% for part-timers (vs 7.1% for full-timers) and 20.9% for the self-employed (vs 6.3% among all employees)[279]. Monetary poverty for workers on temporary contracts was higher than 15% in eight Member States[280], and even above 25% in three of them (Bulgaria, Denmark and Cyprus). Among the

[278] Special extraction by Eurostat from EU-SILC based on the major breakdowns of the key indicator on adequacy in the monitoring framework on access to social protection. See: Access to social protection for workers and the self-employed. Update of the monitoring framework – 2025 (forthcoming).

[279] The material and social deprivation rate is however lower for the self-employed compared to employees (respectively 6.9% and 8.1% in the EU in 2024).

[280] These are BG, DK, CY, SE, HU, IT, MT and AT.

self-employed, the poverty rate in 2024 was higher by around 5 pps or more than the EU average in six Member States[281], close to 30% in Poland and Estonia, and as high as 52.3% in Romania. People in non-standard forms of employment also faced higher social and material deprivation rates (13.8% at EU level in 2024 for temporary workers compared to 7.6% for permanent employees, and 11.1% for part-timers vs 7.4% for full-timers).

The coverage of social cash benefits varies widely across Member States, categories of workers and employment status. The share of working-age people (16-64) at risk of poverty before social transfers who were receiving social cash benefits[282] in the EU in 2024 (referring to 2023 incomes) was close to pre-COVID levels after a decrease over the last few years. It was higher among workers on temporary contracts (38.3%) than for those with permanent contracts (23.3%) and among part-timers (30.1%) than for full-time workers (23.7%). These patterns hold in most Member States. However, in five Member States (Cyprus, Slovenia, Sweden, Portugal and Hungary), temporary contract employees were less likely to receive benefits than those under permanent contracts. In seven Member States (Slovenia, Latvia, Lithuania, Italy, Portugal, Luxembourg and Bulgaria) part-time workers were less likely to receive benefits than full-time ones. In three countries (Greece, Poland, and Romania), less than 10% of people in employment and at risk of poverty before social transfers were receiving social cash benefits in 2024. The self-employed at risk of poverty (before social transfers) were the least likely to receive social cash benefits, with a coverage rate of 11.5% in 2024 in the EU. In 2024, this share remained below 5% in seven Member States[283]. Slightly more than half (52.8%) of the unemployed at risk of poverty were receiving social benefits on average in the EU in 2024. Five Member States (Belgium, Denmark, Finland, Germany and Austria) achieved coverage rates above 80%, while this share was much lower, at around 12-13%, in four other Member States (Poland, Greece, Slovakia and the Netherlands). Over the last two years, the at-risk-of-poverty rate among the unemployed increased by almost 3 pps, from 46.1% in 2022 to 48.9% in 2024.

Overall, access to adequate social protection remains diverse across Member States, despite some improvements over recent years[284]. With regard to formal coverage[285], as of spring 2025, gaps remained in 18 Member States[286] for at least one group of non-standard workers in at least one branch of social protection. The branches most affected by lack of access are: unemployment (17 Member States) followed by sickness (13 Member States) and maternity/paternity benefits (13 as well). Groups affected by lack of coverage include trainees and interns, workers under non-standard contracts such as civil law contracts, short-term temporary contracts (e.g. one-day labourers), workers earning below the income threshold required for coverage, seasonal workers and domestic workers. Moreover, in

[281] These are RO, PL, PT, LV, EE and ES. See Eurostat [ilc_li04], EU-SILC.

[282] Special extraction by Eurostat of the recipient rate indicator for 'effective access' in the monitoring framework on access to social protection: Access to social protection for workers and the self-employed. Update of the monitoring framework – 2025. (forthcoming). The target population is that at risk of poverty before social transfers. Social cash benefits covered in the indicator are those received at individual level, excluding pensions.

[283] These are PT, SI, PL, NL, CZ, RO and EL.

[284] See Commission report on the implementation of the Council Recommendation on access to social protection for workers and the self-employed, COM/2023/43 final and Monitoring framework endorsed in 2020 and forthcoming update (2025).

[285] Formal coverage of a group means that in a specific social protection branch (e.g. old age, sickness, unemployment, maternity) the existing legislation or collective agreement states that the individuals in the group are entitled to participate in a social protection scheme covering a specific branch.

[286] AT, BG, CZ, DE, EL, ES, FR, HR, HU, IT, LV, NL, PL, PT, RO, SE, SI, SK

eleven[287] Member States access to at least one social protection branch was voluntary for at least one group of non-standard workers. As for the self-employed, they faced formal coverage gaps in one or more branches of social protection in 19 Member States[288], most often in relation to unemployment benefits (19 Member States) and benefits for accidents at work and occupational diseases (14 Member States). In most cases, these gaps affected all self-employed, while in about one third of Member States they were specific to certain groups, such as farmers, craftsmen or liberal professions. Furthermore, in 15 Member States, coverage for the self-employed was voluntary, most often with regard to sickness and maternity benefits, followed by benefits in respect of accidents at work and occupational diseases. Available national estimates point to very diverse levels of take-up of voluntary schemes by the self-employed.

House price growth has exceeded income growth over the last decade, putting affordability under pressure. Increases in house prices are not inherently concerning if they align with households' financial capacity to afford housing. However, over the last decade, house prices in the EU have grown around 10% faster than incomes on average, reducing affordability - though with large differences across countries[289]. The house price-to-income ratio increased by 20% or more from 2014 to 2024 in Portugal, the Netherlands, Hungary, Luxembourg, Ireland, Czechia and Austria. As the end of this period saw increasing interest rates, housing affordability has decreased further in most countries for those needing to borrow to purchase a home. Small and inefficient rental markets in many Member States fail to provide a viable alternative to buying, with high rental costs in many capitals and a decline in the social rental stock over recent decades. While rents for existing contracts have grown at a significantly slower pace than house prices, rents on new contracts have surged. The situation varies among income groups and age cohorts, with lower-income and young people being the most affected. Indeed, at EU level, the share of total housing costs in disposable household income averaged at 19.2% but reached 36.9% for people at risk of poverty[290]. Young people, on the other hand, are more likely to face higher rents when renting for the first time, earn lower incomes and be less credit-worthy.

The share of people facing housing cost overburden eased somewhat in the EU in 2024 but remained significantly higher for people experiencing poverty and presented considerable variation across Member States. In 2024, the share of the population facing housing cost overburden decreased to 8.2%, from 8.8% in 2023, but significant differences exist – see Figure 2.4.13[291]. Greece registered the highest housing cost overburden rate in the EU (28.9%, after a 0.4 pps increase), being in a 'critical situation' along with Denmark (at 14.6% after a decrease by 0.8 pps). Six Member States are 'to watch' due to a level that is still relatively high after a decrease (Germany and Sweden) or having experienced some of the largest yearly increases even if at lower levels (Portugal, Hungary, Estonia and Lithuania). On the other hand, Cyprus was the 'best performer' (2.4%). Croatia (3.7%) and Slovenia (3.8%) were 'better than average', along with, among others, some other countries that presented large yearly decreases (Romania, Luxembourg, Bulgaria and the Netherlands). The housing cost overburden rate for people at risk of poverty decreased by 2.1 pps in 2024, more than for the general population. However, it remained significantly higher, at 31.1%

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[287] AT, CZ, DE, DK, HU, LU, NL, PL, RO, SI, SK.

[288] AT, BE, BG, CY, CZ, DE, EE, EL, FR, IE, IT, LT, LV, NL, PL, PT, RO, SI, SK.

[289] See Cousin G., Frayne C., Dias Martins V. and B. Vasicek, *Housing in the European Union: Market Developments, Underlying Drivers, and Policies*, European Economy Discussion Paper 228/October 2025.

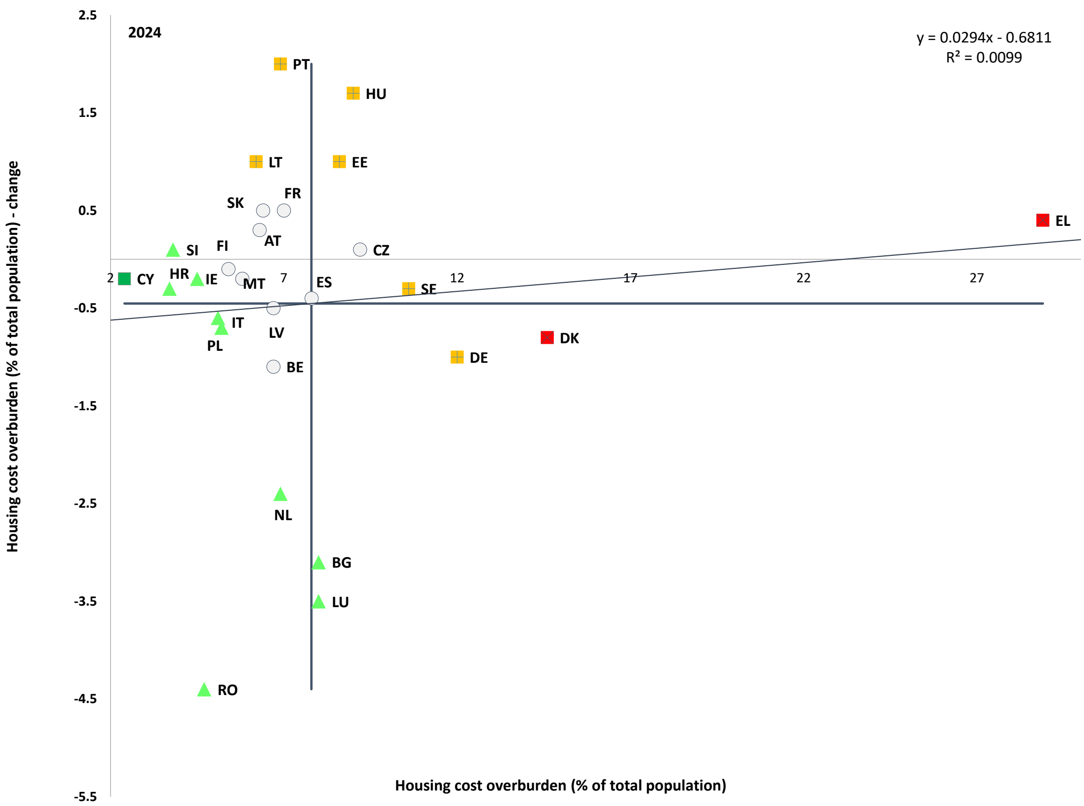
[290] Eurostat indicator [ilc_mded01], EU-SILC.

[291] See Annex 2 for the definition of the indicator.

against 3.8% for the rest of the population. Persons with disabilities are also disproportionately overburdened by housing costs in comparison to persons without disabilities (10.4% vs 7.8%). The highest housing cost overburden rates for the at-risk-of-poverty population in 2024 were in Greece (88.9%, up by 2.6 pps) and Denmark (65.6%, reduced by 6.7 pps), while the lowest were registered in Cyprus (9.2%), Romania (16.3%) and Croatia (16.8%). In 2024, 9.8% of the EU population in cities lived in a household facing housing cost overburden, against 6.3% in rural areas. Housing cost overburden was higher in cities than in rural areas in all Member States, except for Romania, Bulgaria, Lithuania and Croatia. Also, the overall housing cost overburden in the EU is higher for tenants in the private rental market (19.2%) compared to tenants on reduced price or free rents (10%). It is 5% for owners with outstanding mortgages or loans.

Figure 2.4.13: The share of population facing housing cost overburden varies considerably across Member States

Share of persons living in households with housing cost overburden, 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Axes are centred on the unweighted EU average. The legend is presented in the Annex. Provisional data for LT.

Source: Eurostat [tespm140], EU-SILC.

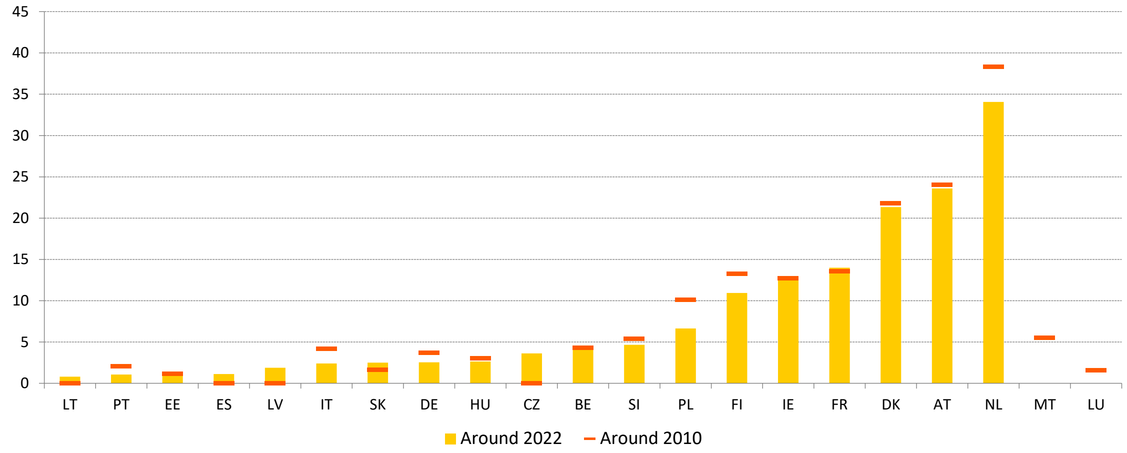
Overcrowding and inadequate housing still affect a considerable share of households in the EU, and large variation is recorded on social housing provision across Member States. In 2024, 16.9% of people in the EU lived in overcrowded households, with broad stability compared to 2023[292]. Overcrowding rates above 30% were recorded in Romania (40.7%), Latvia (39.3%), Bulgaria (33.8%), Poland (33.7%) and Croatia (31.7%). By

[292] Eurostat indicator [ilc_lvho05a], EU-SILC.

contrast, the lowest overcrowding rates (below 6%) were observed in Cyprus (2.4%), Malta (4.4%), the Netherlands (4.6%) and Ireland (5%). Moreover in 2023, 15.6% of the population in the EU experienced housing deprivation, defined as homes with a leaking roof, damp walls, floors or foundations or rot in window frames or floors[293]. Social housing does not exist in all EU Member States. Moreover, definitions and providers as well as eligibility and allocation mechanisms, vary (income-based thresholds are nonetheless the most common criterion). Data on the size of the social housing stock indicate large variation across Member States. In many of them, there was also some decrease over the past decade – see Figure 2.4.14. Increased construction, land and financing costs are commonly reported challenges in relation to social housing provision[294]. The number of adults with disabilities living in residential institutions continued to increase in the EU as a whole, with among others the lack of accessible housing solutions hindering their process of deinstitutionalisation.

Figure 2.4.14 There is wide variation across Member States in the share of social housing within the total housing stock

Social rental dwellings, % of the total housing stock in selected years (2010, 2022)



Note: 'Around 2022' refers to years 2016-2022 and 'Around 2010' refers to years 2010-2013.
Source: OECD (2024), OECD Affordable Housing Database - indicator PH4.2. Social rental housing stock.

Homelessness is an increasing social challenge for all Member States. Although differences in definitions and data collection methods hinder cross-country comparison and quantification of homelessness at EU level, a rising trend is identifiable in most Member States, even in those with declining trends in recent years. In 2024, Finland recorded 3 806 homeless persons, a year-on-year increase of 11%, for the first time over a decade. Similarly, in 2024 Denmark counted 5 989 homeless people, with an increase of 3% on 2022, and an increase of 20% on 2009[295].

The share of older people (65+) at risk of poverty or social exclusion continued to decline at EU level in 2024. The decrease to 19.2%, compared to 19.7% in 2023, was driven mostly by an improvement in the AROPE rate for women (which nonetheless remained substantially higher than for men, at 21.5% and 16.3%, respectively). The situation was also very diverse across Member States, with AROPE rates for older people ranging from 9.5% in Czechia to 42.9% in Latvia. At the same time, in 2024 income inequality for the 65+ (as

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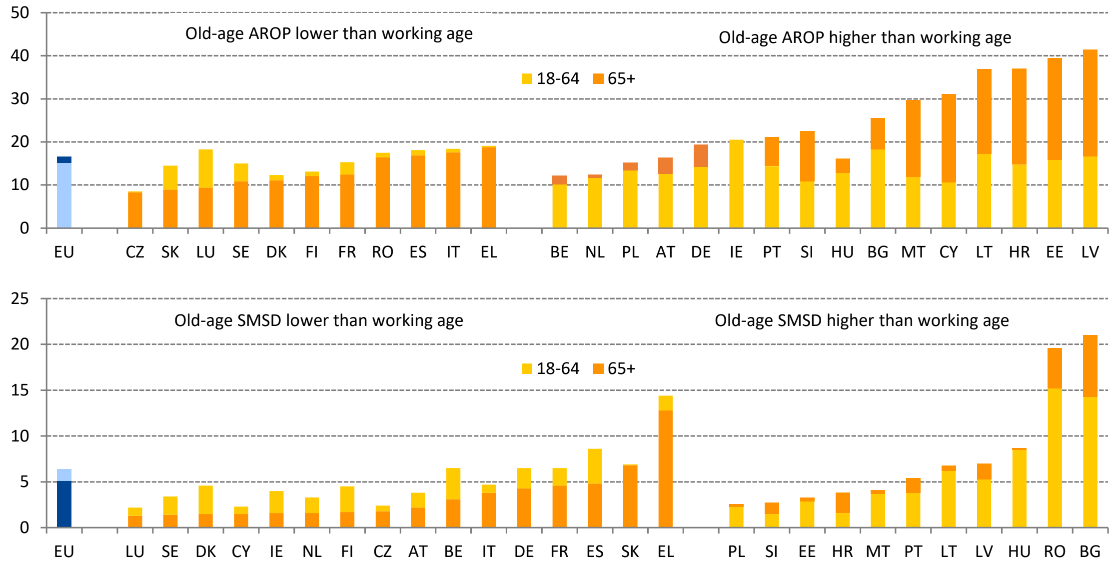
[293] Eurostat indicator [ilc_mdho01], EU-SILC.
[294] See OECD, *Social Housing: A Key Part of Past and Future Housing Policy*, OECD Publishing, 2020, Paris.
[295] See: Fondation pour le Logement des Défavorisés – FEANTSA: *Tenth overview of housing exclusion in Europe – 2025*, 2025.

measured by the income quintile share ratio, S80/S20) stagnated at 4.11, against the decreasing trend for the working-age population. Still, it remained lower than for the total population (4.66), also reflecting the redistributive impact of pension and tax systems.

Figure 2.4.15 Older people (65+) face higher poverty risks than the working-age population, but are generally less exposed to severe material and social deprivation

At-risk-of-poverty (AROP) rates (top panel) and severe material and social deprivation (SMSD) rates (bottom panel), by age groups (%, 2024)



Note: The bars for each series are overlaid: on the left, the 18-64 bar is taller and partially visible behind the fully visible 65+ bar; on the right, the 65+ bar is taller and partially visible behind the fully visible 18-64 bar.
Source: Eurostat [ilc_li02] and [ilc_mdsd11], EU-SILC

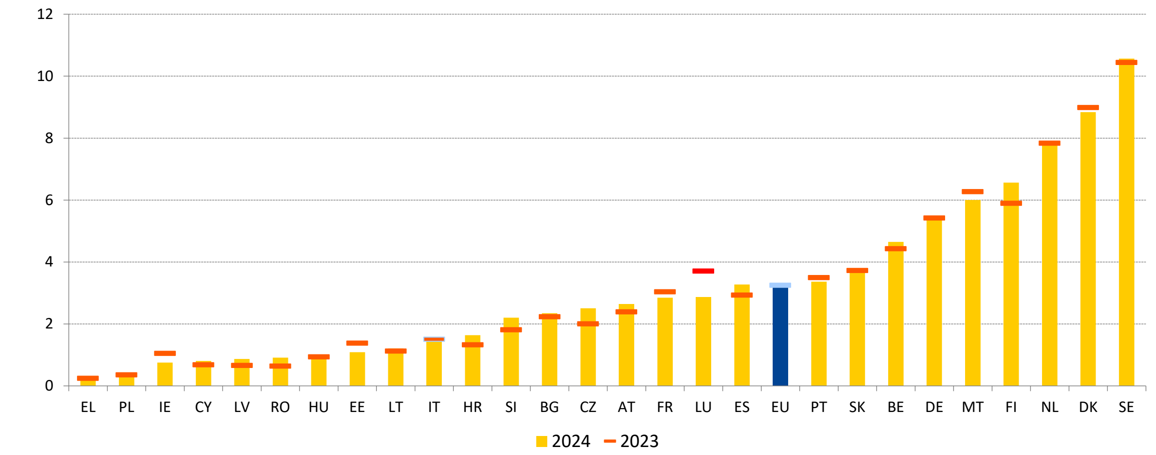
The decline in the AROPE rate for older people in the EU is linked to a decrease in both their monetary poverty and their severe material or social deprivation rate. The at-risk-of-poverty (AROP) rate for the 65+ decreased from 17.3% in 2022 to 16.6% in 2024 (referring to 2023 incomes). Nevertheless, the AROP rate for the 65+ remained slightly higher than for those of lower age, on average in the EU. Across Member States, the situation was diverse, with AROP rates between 8.3% and 41.4% - see Figure 2.4.15. While in several countries people aged 65+ were less exposed to monetary poverty than the working-age population, in others the poverty risk in old age was up to two times higher. The severe material and social deprivation (SMSD) rate for older people declined to 5.1% in the EU in 2024, after stagnation at around 5.5% since 2020. It ranged from around 1% to above 20% across Member States. In contrast to the AROP rate, the SMSD rate for older people was slightly lower than for the working-age population (6.4%) on average in the EU and in the majority of Member States.

The aggregate replacement ratio for pensions remained stable at the EU level in 2024. This measure, comparing pension benefits of people aged 65-74 to the work income of those aged 50-59, was 0.6 in the EU in 2024 (vs 0.59 in 2023 and 0.58 in the previous years). It ranged from 0.35 in Croatia to 0.84 in Greece. The ratio was slightly lower for women than for men, at 0.58 and 0.62, respectively, in the EU. This implies that women, whose work incomes are on average lower to start with, suffer a further deterioration in their income situation compared to men when they retire.

Structural challenges in relation to the availability, affordability and quality of long-term care (LTC) are expected to intensify in light of population ageing. The number of people potentially in need of LTC in the EU is projected to rise from 31.2 million in 2022 to 33.2 million in 2030 and 37.8 million in 2050[296]. Limited access to formal services leads to unmet needs or excessive burden on informal carers, who are mostly women. In 2019, 46.6% of people aged 65+ with severe difficulties in personal care or household activities in the EU reported unmet needs for help. This was significantly more pronounced for people in the lowest income quintile (51.2%) compared to those in the highest (39.9%)[297]. Lack of affordability and availability, also due to labour shortages, are already reported that underline the scope for further strengthening long-term care provision, the more so in light of projected demographic developments.

Figure 2.4.16 The ratio of LTC workers per 100 persons aged 65+ shows marginal improvements across the EU, with big variation across Member States

LTC workers per 100 individuals aged 65+, 2024



Note; LTC workers are selected by crossing sector (NACE) codes 87.1, 87.3, 88.1 and occupations (ISCO) codes 2221, 2264, 2266, 2634, 2635, 3221, 3255, 5321, 5322.
Source: DG EMPL calculation from a special extraction from Eurostat, EU LFS 2024

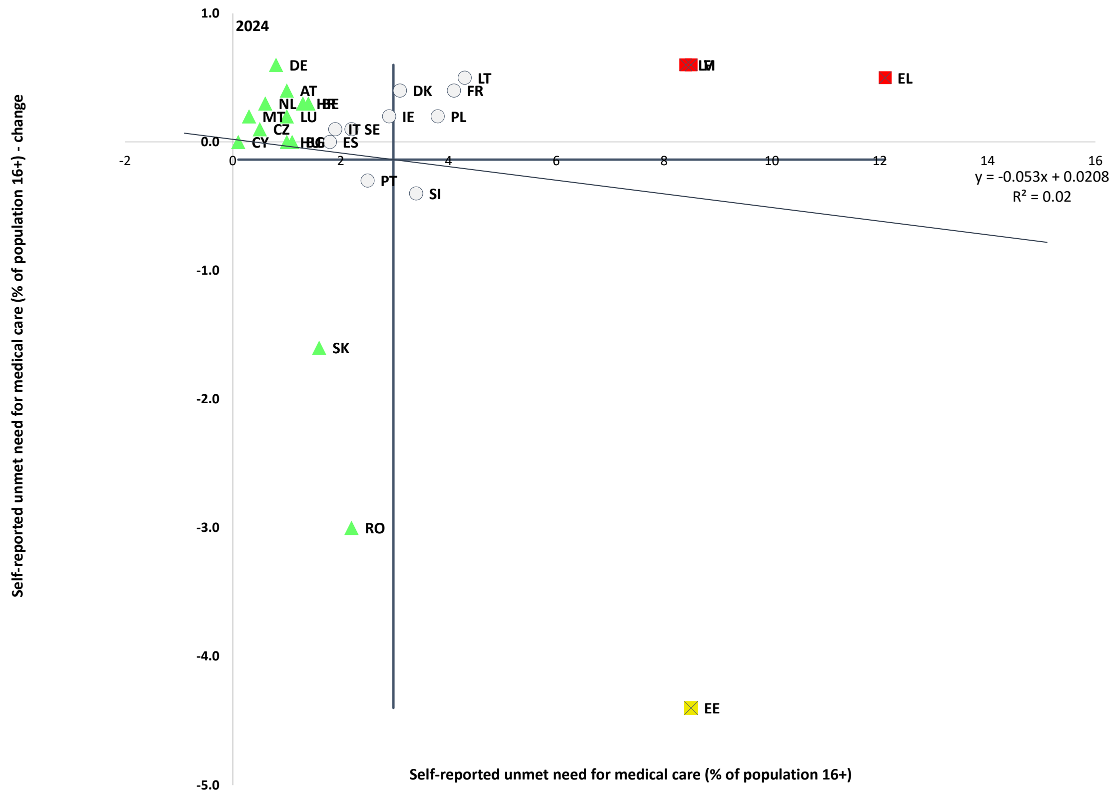
Despite the job creation potential of the LTC sector, labour and skills shortages (also due to the sector's low attractiveness) exacerbate challenges related to access and negatively impact the quality of the services provided. In 2024, 3.2 million workers, mostly personal care workers (65%) and nurses (29%), were employed in the LTC sector in the EU, representing around 1.6% of the workforce[298]. Women represent 87% of the LTC workforce, while also bearing more informal caregiving responsibilities. The sector has a high job creation potential, with health-related occupations (e.g. health professionals, personal care workers) expected to expand in line with demographic trends[299]. On average in the EU there were nonetheless 3.3 LTC workers for every 100 individuals aged 65+ in 2024, showing a very small improvement compared to 2023. There was, however, high variability across Member States, ranging from 0.3 in Greece to 10.4 in Sweden – see Figure 2.4.16. Skills and labour shortages are also due to the sector's low attractiveness, which is driven by difficult working conditions, including in relation to health and safety, and relatively low

[296] According to the projections from the baseline scenario. See European Commission, 2024 ageing report – Economic & budgetary projections for the EU Member States (2022-2070), Publications Office of the European Union, 2024.
[297] Eurostat indicator [hlth_ehis_tadlh] and [hlth_ehis_tadlhi]. EHIS wave 3.2019.
[298] Source: European Commission (DG EMPL) calculation from a special extraction by Eurostat, EU LFS 2024. The size of the LTC sector may nonetheless be bigger, given the significant incidence of undeclared work.
[299] See: Cedefop skills forecast 2035: the twin transition and the demographic challenge drive demand for high-level skills.

wages. LTC workers' wages stand at around 89% of the average gross hourly wage, and are at around 65% in Bulgaria, Italy and Estonia[300]. Insufficient career progression pathways and access to upskilling opportunities are also reported. Domestic and live-in carers, who are often mobile EU or third-country workers, may face particularly difficult working conditions in the LTC sector, including in terms of access to social protection.

Figure 2.4.17: The prevalence of unmet needs for medical care was broadly stable at EU level, and increased slightly for most Member States, with only a few sizeable decreases

Self-reported unmet needs for medical care, 2024 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Self-reported unmet need for medical care due to financial reasons, long waiting list or distance are accounted for. Axes are centred on the unweighted EU average. The legend is presented in the Annex. Data are provisional for LT.

Source: Eurostat [tespm110], EU-SILC.

The share of people reporting unmet needs for medical care remained stable on average in the EU in 2024. The share was 2.5% in the EU, which is only 0.1 pps higher than in 2023. Among the Member States with the highest values (above 8%), and hence in 'critical situations', Greece, Finland and Latvia remained close to the previous year's value after moderate increases (0.6 pps) that were nevertheless among the largest in the EU - see Figure 2.4.17. At the same time, Estonia, Romania and Slovakia witnessed the largest decreases. Despite this year's significant improvement, the share of unmet medical needs in Estonia remained high ('weak but improving'), whereas Romania and Slovakia became 'better than average'. The lowest figures were recorded in Cyprus, Malta, Czechia, the Netherlands, Germany, Austria, Luxembourg and Hungary, all below 1%, some of which nevertheless

[300] European Commission (DG EMPL) calculation using a special extraction from Eurostat, Structure of Earnings Survey, 2022.

after some larger increases. Regional differences in unmet needs for medical care were recorded too, with the strongest ones in Italy and Romania (see Figure 10 in Annex 5). Reporting of unmet needs was also more frequent on average in rural areas than in towns and suburbs (2.8% vs 2.1% in the EU, respectively), with large differences across Member States. Reporting of umet needs tended to be around 60% larger within the poorest fifth of the population, particularly so in some countries (e.g., 4.9% vs 2.2% in Romania, 4.8% vs 2.5% in Portugal, 4% vs 2.2% in Sweden, and 14.4% vs 8.4% in Latvia).

2.4.2 Measures taken by Member States

Several Member States have undertaken reforms to improve the adequacy of their minimum income schemes, in line with the 2023 Council Recommendation[301]. To improve adequacy, **Spain** adopted a Royal Decree in January 2025, which increased the minimum income benefit by 9%. **Croatia** amended the Social Welfare Act to increase the basic amount at least by 25% for households with children. Increases also took place, inter alia, in **Latvia**, **Lithuania** and **Luxembourg**. With the view to improving adequacy, some Member States such as **Estonia** are developing a methodology to set the level of minimum income benefits, while **Latvia** increased the reference value from 20% to 22% of the median income level for its guaranteed minimum income threshold.

To improve the coverage of minimum income schemes, a number of Member States took measures to facilitate take-up and reduce administrative barriers. In **Estonia**, amendments to the Social Welfare Act are foreseen to simplify the application process by retrieving data from national registers and applying a standardised approach across the country. In **Luxembourg**, a new national anti-poverty plan, to be adopted by the end of 2025, should announce, *inter alia*, the creation of a one-stop-shop for social benefits and related enquiries, in order to improve their take-up. **Romania** launched in January 2024 the VMI (minimum inclusion income) programme to increase coverage and improve adequacy of support, while enhancing beneficiaries' access to employment services. **Croatia** adopted in March 2025 several amendments to improve coverage, adequacy and targeting of social benefits, with a particular focus on people suffering from persistent poverty.

In line with the active inclusion approach, efforts are ongoing to facilitate integration in the labour market, including for minimum income beneficiaries. In **Portugal**, a new work incentive scheme will allow the combination of income from work and social support. Several Member States have also made efforts to improve activation measures for minimum income beneficiaries. In **Romania**, as part of its RRP, a new minimum income inclusion programme was implemented, setting out that by the end of Q2 2025 at least 60% of beneficiaries would receive at least one labour market activation measure.

Member States have continued to implement initiatives to improve access to social services and the affordability of energy and transport services, particularly for vulnerable groups. Spain has allocated EUR 198.7 million to enhance regional and local services that benefit children and families in need. In **Romania**, the Integrated Community Services programme was launched across 2 000 rural communities, featuring the establishment of integrated teams and the training of social services workforce, with the goal of providing comprehensive services to at least 450 000 vulnerable people, with ESF+ support. **Luxembourg** has increased its support for low-income households by tripling the energy allowance in 2025 and expanding (partial) eligibility to those earning up to 30%

[301] See: Council Recommendation of 30 January 2023 on adequate minimum income ensuring active inclusion.

above the income threshold. **The Netherlands** introduced a temporary aid scheme with a budget of EUR 60 million to assist low-income households in managing their energy bills in 2025. **Portugal** has broadened access to public transport by offering free passes to all people under the age of 23, regardless of their enrolment status in educational institutions.

In 2024-25, measures taken by some Member States aimed to strengthen access to social protection for workers and the self-employed, in line with the 2019 Council Recommendation[302], in particular for unemployment benefits. France improved access for workers with discontinuous employment histories, in particular seasonal workers as well as former prisoners, while **Italy** eased the requirements to access the discontinuity allowance for workers in the art sector. **Estonia's** 2026 reform towards a universal base-rate benefit is expected to improve access for workers in irregular or project-based employment by reducing the qualifying period (to eight months of work within three years). **Poland** is preparing a law to support the inclusion (from mid-2026) of professional artists into the social security system, while its 2025 reform removed the (20%) reduction in the basic allowance for jobseekers with less than five years of contributory periods.

Member States focused on improving the social protection coverage for the self-employed and non-standard forms of employment. From 2025, **Cyprus** extended to them parental leave and benefits related to accidents and occupational diseases. **Malta** granted paid paternity leave to self-employed fathers. In **Belgium**, from 2026, digital platforms will have to insure their self-employed staff against workplace accidents. Enhancements of existing schemes for the self-employed were done or are expected by **Croatia** for sickness benefits and **Italy** for sickness benefits and parental leave. The **Netherlands** is preparing a new law to introduce mandatory basic disability insurance for all self-employed. From 2025, **Czechia**'s overhaul of work-agreement contracts ('DPP') modifies insurance thresholds and extends to them sickness, pension, and some leave entitlements, while **Bulgaria** extended the compensation periods in case of temporary invalidity due to occupational accidents or diseases for short-term agricultural workers. **Spain** reinstated the multiplier coefficient for 'permanent seasonal workers' to adjust benefit calculations and improve access to incapacity and retirement pensions, and adapted fixed-term contracts under production grounds to the agricultural and agri-food sectors. **Croatia** expanded maternity, parental, and paternity benefits by raising compensation levels, easing requirements, and extending coverage to the self-employed, part-time, and other excluded workers.

A number of Member States continued to improve transparency and simplification of social protection schemes including via digital tools. For instance, **Spain** launched in September 2024 a new mobile application to provide up-to-date information and in January 2025 a new website that incorporates telematic access for procedures, information and services on pensions and benefits. **Slovakia** further expanded in mid-2024 online transparency by enhancing its Insuree's Electronic Account to include real-time data on sickness and maternity benefits (in addition to pensions and contributions). **Czechia** also adopted simplification measures in mid-2025, streamlining pension payment processes for beneficiaries abroad. **Germany** further developed its Digitale Rentenübersicht, supported by the RRF, in 2024–25 by extending provider connections and improving online access to comprehensive pension information.

[302] See: Council Recommendation of 8 November 2019 on access to social protection for workers and the self-employed.

Several reforms aimed at easing the financial burden on parents and address child poverty through in-cash benefits. With ESF+ support, **Bulgaria** will develop a mapping exercise of children living in extreme poverty. Several other countries increased child benefits (e.g. **Cyprus, Malta**), or childcare benefits (e.g. **Latvia**, for children with disabilities). In 2024, **Spain** launched an ESF+-funded programme of distribution of cards/vouchers and their periodic recharge, implemented by the Spanish Red Cross, to support families with dependent children whose income is under the poverty threshold. **Ireland** introduced a Newborn Baby Grant, which provides a one-time payment of EUR 280, in addition to the first month of Child Benefit, to parents of children born on or after 1 January 2025. In 2024, **Malta** increased its birth Bonus to EUR 500 for the first child and to EUR 1000 for each additional child in the household. Besides childbirth grants, other enhancements include a draft law in **France,** which aims to extend family allowances to parents from the birth of their first child, instead of only from the second child, thereby supporting single-child families who face high poverty risks. **Ireland** also extended the coverage of their Working Family Payment, which supports workers on low pay with children, through the extension of the means test income limit. Additionally, **Finland** has proposed reforms to amend the Act on child support to strengthen it as an income source for eligible households with children.

Various reforms have been enacted to enhance children's access to key goods and services, in line with the European Child Guarantee. Portugal, for example, implements a programme providing free pre-school education to 5 000 children, focusing on areas with limited public and solidarity network options. The initiative involves contracting with private, cooperative, and social education institutions to open 200 new pre-school facilities, with significant investment running from 2025 through 2028. **Cyprus** launched a reform to extend free compulsory pre-primary education for children aged 4+, with the support of the RRF. **Latvia** increased the childcare allowance for children with disability from EUR 313 to EUR 413 per month to provide additional financial support to families to meet care-related costs. **Poland** adopted quality standards for childcare facilities. Besides early childhood education and care, **Cyprus** introduced the provision of breakfast to vulnerable students in public schools, in an initiative co-funded by the ESF+. In **Romania**, the government launched the 'Healthy Meal' programme, with ESF+ support, which grants students in vulnerable schools a daily hot meal or food package, contributing to their wellbeing. It also creates a network of 150 day-care centres to prevent the separation of children from their families by providing dedicated activities for both children and parents, with RRF support.

Member States have adopted measures to improve employment chances of persons with disabilities as well as the accessibility of services. Bulgaria strengthened the financing for active labour market policy measures, including subsidised employment and training opportunities for persons with disabilities. **Greece** promotes the recruitment of persons with disabilities in local government organisations. **Romania** developed community-based, integrated services in rural communities to improve access to healthcare, education and social services. With a similar aim, **Spain** adopted measures to strengthen access to key support services, like personal assistance, home care and telecare. Some Member States continued to invest in residential services for persons with disabilities, either to increase their capacity, as in **Malta** and **Spain**, or to improve their quality, as in **Romania**. **Spain** and **Estonia** are adopting measures to improve accessibility of assistive technologies, including digital solutions.

Several Member States have designed and adopted integrated, long-term national strategies addressing homelessness. Germany launched in April 2024 for the first time a National Action Plan to tackle homelessness, which provides national guidelines for coordinated action by the federal government, the states and the municipalities. **Portugal** updated its multi-annual strategy for the integration of the homeless, which includes an integrated warning system for risk situations, personalized interventions with case managers at local level, and an increase in 'housing first' solutions and shared apartments. **Slovenia** plans to adopt for the first time a strategy to prevent and end homelessness, providing a definition of it and focusing on adequate, stable, accessible and safe accommodation for all.

Pensions and active ageing remain high on the reform agenda of Member States, with most measures aimed at supporting longer working lives and postponing retirement. In **Ireland**, the Employment Bill 2025 will enable people to choose to continue working beyond the pensionable age, unless the employer can show a legitimate and proportionate justification to force retirement. In **Malta**, those who have cumulated enough social security contributions to retire will receive a higher top up to their pension for each additional year they remain employed until the age of 65. In **Belgium**, from October 2025, the self-employed can build up further pension rights if they continue working and paying social security contributions beyond retirement age. From its part, **Luxembourg** will equivalise accumulation rules for employees and self-employed when combining early old-age or disability pensions with professional activity. **Lithuania** introduced additional incentives to work for older people and persons with disabilities, expanding the payment of social assistance old-age and disability pensions to the employed belonging to these groups. **Italy** introduced incentives to continue working for those who meet the eligibility requirements for certain early retirement schemes. The statutory retirement age was increased in **Czechia** and **Denmark**. A broad agenda on active ageing and demography was put forward in **Greece**, while **Bulgaria** continued with the implementation of its active ageing strategy, and **Cyprus** developed one for the first time. Early retirement for people in risky occupations was expanded in **Czechia**, while in the **Netherlands** the early retirement scheme with tax waivers for physically demanding jobs was better targeted and prolonged to 2029.

Several countries took action to improve pension adequacy and support those on low pensions. In **Malta** measures were passed to this effect, including a small increase for all old-age pensions in 2025, a gradual increase of widower pensions, a higher grant for seniors aged 75-79, and improved tax exemptions for pensioners aged 61+. Adjustments were also introduced in the cost-of-living bonus. In **Italy**, a temporary increase in minimum pensions was decided for 2025 and 2026, and social supplements introduced for pensioners in disadvantaged conditions, while **Portugal** put in place an extraordinary pension supplement for those on low pensions. In **Latvia**, the minimum old-age pension was increased, and state old-age and disability pension supplements are gradually being reintroduced. **Lithuania** indexed all old-age, disability and survivors' pensions, while **Romania** suspended in 2025 the recently introduced mechanism of indexation of social benefits for those on minimum and low pensions, who received a one-off financial aid instead. **Denmark** increased the supplementary pension through a passenger tax on air travel. Other Member States have adopted measures to strengthen the level and adequacy of disability benefits (**Estonia**, **France**, **Cyprus**, **Romania**, **Spain**, **Slovenia**) and the financial support to carers (**Malta**, **Slovakia**, **Romania**).

Measures were taken in some countries to support pension adequacy while contributing to ensuring pension sustainability, also in relation to the development of multi-pillar pension systems. In **Italy**, individuals can now voluntarily pay an additional pension contribution rate on top of the standard one. **Latvia** operated a 1% transfer of state funded pension contribution rates from the second pillar state pension fund to the first pillar pay-as-you-go scheme. **Ireland** introduced an auto-enrolment retirement savings system, which will be launched on 1 January 2026. **Malta** announced similar measures on auto-enrolment, increased the contributory period and, to promote the diversification of retirement income, introduced educational initiatives and strengthened tax benefits to encourage the uptake of third pillar pension schemes. Broad pension reforms to ensure both pension adequacy and sustainability are being pursued in **Croatia**, while a review of the pension system is being run in **Bulgaria** and foreseen in **Malta**.

Member States have introduced measures to strengthen healthcare coverage and enhance equitable access and quality of care. The 2025 budget for **Bulgaria**'s National Health Insurance Fund was increased by 16%, including for measures expanding cancer test coverage, and supporting pharmacies in underserved areas. **Denmark** is implementing its largest reform in 20 years in 2025 to cut waiting times, expand patient choice, and improve access to care. Since January 2025, **Estonia** is raising co-payments to boost funding, while consolidating hospitals, in the context of its RRP, since December 2024, to improve efficiency and reduce unmet medical needs. **Germany** introduced a reform in November 2024 restructuring the hospital sector and introducing a new reimbursement system to reduce unnecessary medical procedures. Starting from January 2025 **Latvia** expanded the list of reimbursable medicines, increased the level of public reimbursement for medicines, set price caps on manufacturers, and limited co-payments to initial prescriptions. **Poland**'s RRP supports the National Cardiological Network to improve cardiological care nationwide with a law adopted in June 2025.

Steps have also been taken to strengthen primary care, enhance service integration, and advance digitalisation, including support for data exchange. At the beginning of 2025, **Ireland** restructured its health system with six new Health Regions under the Sláintecare reform to boost integrated care, decentralise decision-making and provide a population-based approach to service planning. Since 2025, **Luxembourg** has been working to create integrated care networks for diabetes and morbid obesity, bringing together primary and specialised care providers. In September 2024, **Portugal** announced the creation of new 'Model C family health units', operated by private healthcare providers but integrated into the national health service to expand access in primary healthcare delivery. In September 2024, **Slovenia** approved a primary healthcare strategy for 2024–31. Under its RRP, **Greece**'s November 2024 reform law aims to strengthen primary healthcare by broadening doctors' eligibility to become 'personal doctors' and incentivising specialisations in general/family or internal medicine. **Croatia** is rolling out a digital health reform through a national IT platform to connect oncology institutions, as part of its RRP. **Hungary**'s RRP for 2025 focuses on advancing healthcare digitalisation and strengthening primary care, including the development of GP communities and improved chronic disease management. In November 2024, **Romania** published its 2024–30 National Digital Health Strategy, aiming to improve digital governance, skills, infrastructure, and innovation in health digitalisation, which are commitments contained in its RRP.

Member States also took measures to address healthcare workforce shortages, including through better staff retention. Supported by RRF, **Austria** deployed 150 community nurses by the end of 2024. In June 2025, **France** expanded nurses' roles by authorizing them to lead reimbursed prevention consultations. **Latvia** approved a 2025-29 health workforce strategy within its RRP focused on better working conditions and new roles. **Malta** developed a health workforce planning tool under its RRP to support human resources, budgeting, and hiring.

Measures to improve public health have also focused on prevention and health promotion, including mental health and cardiovascular diseases. In December 2024, **Czechia** introduced a National Cardiovascular Plan 2025–35, launching new screening and prevention programmes fully covered by insurance. Supported by the RRF, **Finland** promotes prevention and early detection measures through regional integrated multisector service models for 22 wellbeing services counties. **Slovakia**'s RRP promotes systemic mental health improvements, including staff training.

Member States have undertaken various measures to adapt and improve long-term care systems in response to demographic changes and societal needs. Some of these efforts go towards improving adequacy and availability of services through better integration, new care models and use of ICT. Flanders (**Belgium**) has initiated a four-year project 'ToekomstZorg' to develop intersectoral long-term care. With RRF support, **Bulgaria** is modernizing and expanding its social services with plans to renovate residential care facilities and create new ones by June 2026, in line with quality standards set out by the 2022 Regulation on the Quality of Social Services. **Denmark**'s reform of the long-term care sector (of July 2025) aims to enhance support for independent living through preventative actions and services provided based on individual needs. **Greece**'s Long-term Care Strategy (of July 2024) aims to establish an effective social protection system for long-term care, proposing strategic objectives and a comprehensive governance plan. **Spain** is transforming its care model under its RRP, emphasizing deinstitutionalization and community-based care, supported by investments in tele-care services and residential facilities. **Croatia** is working with RRF and ESF+ support towards an integrated long-term care system and plans to build zero-energy centres to ensure integrated care for older people, while also expanding home and community-based care services. **Lithuania** IS developing a new model of long-term care, aiming to enhance home and community-based long-term care. **Hungary** has set up a new partnership forum for monitoring its long-term care strategy. **Poland** is revising its legal framework to define long-term care and informal care, introducing a 'senior voucher' to increase funding and defining a quality assurance system for long-term care. **Austria** is updating care reform measures to relieve family caregivers and improve workforce supply and efficiency. **Portugal** has amended the Informal Caregiver Statute, facilitating the application processes and extending caregiver access to non-family members. In **Slovenia**, temporary measures aim to improve staffing and working conditions in care services from July 2024. **Slovakia**'s amendment to the Act on Social Services standardizes allowances for caregivers, significantly aiding those with severe disabilities. **Finland** has lowered its staff-to-patient ratio for care for older people to ensure the flexibility and sustainability of long-term care amid rising demand, cost pressures and persistent labour shortages. Some Member States continued to invest in increasing the capacity (e.g. **Malta**, **Spain**) or improving the quality (e.g. **Romania**) of residential care facilities for persons with disabilities and older persons with disabilities.

CHAPTER 3. FIRST-STAGE ANALYSIS OF THE SOCIAL CONVERGENCE FRAMEWORK

The first-stage country analysis examines labour market, skills and social developments in each Member State to detect potential risks to upward social convergence that warrant further analysis in a second stage. This country-specific analysis is based on the principles of the Social Convergence Framework (SCF) and is in line with Article 148 TFEU. It also responds to Article 3(3), point (b) of Regulation (EU) 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance. The latter indicates that the yearly surveillance by the Commission of the implementation of the employment guidelines, as part of the European Semester, includes the progress in implementing the principles of the European Pillar of Social Rights and its headline targets, via the social scoreboard and a framework to identify potential risks to upward social convergence[303]. The first-stage analysis of the framework is based on the Social Scoreboard headline indicators and identifies *potential risks* to upward social convergence (see the methodological box at the end of this section as well as Annexes 6 and 2 for further details). To determine the existence of *actual challenges* to upward social convergence and the key factors driving them, a second-stage analysis will follow in Spring 2026. The latter relies on a wider set of quantitative and qualitative evidence and accounts for the measures taken or planned by the Member States to address the challenges. In what follows, section 3.1 presents the key horizontal findings based on the first-stage analysis of the SCF. The country analysis follows in section 3.2, indicating which countries require further analysis in the second stage.

3.1 Key horizontal findings

In 2024 employment rates converged upwards and the EU unemployment rate reached an all-time low, accompanied by a slight decrease in poverty risks, against the background of modest economic growth; some risks to upward convergence are nonetheless identified in the labour market, skills and social domains[304]. The application of the JER traffic-light methodology to the Social Scoreboard headline indicators helps pinpoint challenges of particular relevance for the implementation of the European Pillar of Social Rights (see Annexes 6 and 2, respectively). Aggregating the signals from the Social Scoreboard indicators on a country-by-country basis allows for an overall evaluation of potential risks to upward social convergence faced by the EU and its Member States. A summary of key horizontal findings is outlined below (see also Table 3.1.1 and Figure 3.1.1).

- **While upward convergence continued for the employment and long-term unemployment rates, labour market outcomes for young people and persons with disabilities stagnated or slightly deteriorated.** Employment rates increased in nearly all (21) Member States, though with a slower pace of improvement compared to past years. The increase was greater for the countries with lower employment rates,

[303] In addition, in Recital 8 of the Regulation, it is clarified that 'As part of its integrated analysis of employment and social developments in the context of the European Semester, the Commission assesses risks to upward social convergence in Member States and monitors progress on the implementation of the principles of the European Pillar of Social Rights on the basis of the Social Scoreboard and of the principles of the Social Convergence Framework'.

[304] The EU is on track to reach its employment rate target of 78% until 2030, with a gap of only 2.2 pps remaining. However, further efforts are needed to reach the EU 2030 targets on adult learning and poverty reduction. Adult learning participation was only at 39.5% in 2022, vs a target of 60%, while poverty reduction efforts had only yielded a reduction of 2.9 million by 2024, vs a target of 15 million.

thus pointing to upward convergence. At the same time, performance was mixed on the unemployment rate. The EU rate was at its all-time low in 2024, but the indicator exhibited some divergence across Member States, reflected in a relatively high number (eight) of 'critical' and 'to watch' situations. At the same time, significant regional and territorial disparities persist in many Member States.Overall, developments in long-term unemployment rates were more positive, with upward convergence recorded in the EU in 2024. Most Member States were able to make some progress in integrating women in the labour market, but with only a few signs of convergence and still a total of eight Member States 'to watch' or facing a 'critical situation' on this dimension. Progress mostly stalled for young people, with only a marginal improvement of the rate of young people neither in employment, nor in education and training (NEETs) in 2024 and no clear signs of upward convergence. Finally, the disability employment gap increased significantly at EU level and witnessed large and increasing disparities among Member States, with eight countries 'to watch' or in a 'critical situation'.

- **Slow and uneven progress on education and skills limits the potential of human capital development and poses risks to competitiveness and social and territorial cohesion, unless policy efforts are considerably stepped up.** Participation in adult learning (as measured by the Adult Education Survey) increased somewhat in the EU between 2016 and 2022, but Member State performance diverged, as most gains were made in the better-performing countries. Data from the EU Labour Force Survey indicate an overall increase in participation also between 2022 and 2024[305]. The same applies over the period 2021-23 for the share of adults with at least basic digital skills. A relatively high number of Member States (nine and ten, respectively) are 'to watch' or in a 'critical situation' for these two indicators. This highlights significant challenges in relation to the green and digital transformation and the need to strengthen the EU competitiveness. At the same time, slight improvements were recorded in the EU in 2024 regarding the share of early leavers from education and training (ELET) and the participation in early childhood education and care (ECEC). However, averages for these two indicators hide very substantial differences between Member States, with a greater number of 'critical' and 'to watch' situations in 2024 (moving from nine to ten in both cases), and no signs of upward convergence. Also, low and declining levels of basic skills pose serious challenges across the EU. All this highlights the scope for significant policy efforts in this policy area, in line with the Union of Skills initiative.

- **While overall improvements were recorded in poverty or social exclusion risks and income inequality at EU level, disparities persist and almost all social indicators saw a lack of upward convergence among Member States.** The share of the total population and of children at-risk-of poverty or social exclusion (AROPE) fell slightly in the EU in 2024. Nevertheless, performance varied significantly among Member States, with no clear signs of convergence. For children expriencing poverty risks, the number of countries 'to watch' or in a 'critical situation' increased to eight in 2024. Disparities in AROPE rates partly relate to significant differences in the impact of social transfers (excluding pensions) on poverty reduction. This indicator deteriorated slightly in 2024 in the EU, and displayed the largest number of 'critical' and 'to watch' situations (eleven), with a lack of clear upward convergence. Income

[305] See Eurostat [trng_lfs_17], EU LFS.

inequality (as measured by the S80/S20 indicator, or income quintile share ratio) improved and witnessed a significant reduction of ‘critical’ and ‘to watch’ situations in 2024. However, the countries with the highest inequality levels deteriorated further, while good performers improved, with increased divergence. Significant regional disparities are also observed, including high rates of poverty or social exclusion in the EU’s outermost regions. Real gross disposable household income per capita rose substantially in 2024. While all countries improved, the largest increases were registered among those Member States that were already performing well, implying divergence, with 9 ‘critical’ or ‘to watch’situations. A slight deterioration was reported on the self-reported unmet needs for medical care, with overall very limited convergence in 2024. On the contrary, some upward convergence could be observed for the housing cost overburden rate with improvements in nearly two thirds of Member States.

The first-stage country analysis identifies nine Member States as requiring a deeper second-stage analysis in light of the challenges indicated by the Social Scoreboard headline indicators, signalling potential risks to upward social convergence. These risks are assessed using the SCF methodology, which takes into account the level and annual change of each headline indicator of the Social Scoreboard relative to the EU average, as outlined in the related EMCO-SPC Key Messages and the underlying Working Group report (see the Box at the end of this section). The Member States concerned are Bulgaria, Greece, Spain, Italy, Lithuania, Luxembourg, Romania, Latvia and Finland. Of these, the former seven Member States were in the second-stage analysis also in the previous year (though improvements were observed in some, as discussed in this Chapter), while Latvia and Finland are included for the first time this year[306] Croatia, Estonia and Hungary that were in the second-stage analysis last year are not this year[307]. For the aforementioned nine countries, potential risks to upward social convergence were identified in relation to challenging situations in a large number of policy areas, while for Latvia, Lithuania, Luxemburg and Finland, deteriorations over time also played a key role for a smaller number of policy areas. The indicators signalling potential risks to upward social convergence for most of the aforementioned countries include income inequality, the overall AROPE rate and the impact of social transfers (other than pensions) on poverty reduction, followed by early leavers from education and training, the share of young NEETs, the employment rate, real gross disposable household income growth per capita, the share of the population with at least basic digital skills and the AROPE rate for children. For the nine Member States, a deeper second-stage analysis will be conducted by the Commission services in Spring 2026.

[306] For Latvia, this is due to increases in the share of young NEETs as well as in the unemployment and long-term unemployment rates. It also relates to a low and decreasing impact of social transfers (excluding pensions) on poverty reduction and a sharp deterioration in the participation of children below 3 in formal childcare. For Finland, the identification for the second-stage analysis mostly relates to the relative deteriorations in the unemployment and long-term unemployment rates.

[307] Estonia, Hungary and Croatia, which were also in the second stage analysis last year, are not subject to it this year. Estonia is not in light of improvements recorded in income inequality, disposable household income, the AROPE rate, the impact of social transfers on poverty reduction, and unmet needs for medical care. Hungary is also not in the second-stage analysis as the latest data show improvements on early leavers from education and training, the AROPE rate (overall and for children), the disability employment gap and the long-term unemployment rate. For Croatia, a break in time series is present in 2024 for all social indicators based on EU-SILC, which does not allow to meaningfully interpret changes. In particular, the structural break is behind the ‘to watch’ situation for AROPE, overall and for children.

Table 3.1.1: Social Scoreboard: overview of challenges across Member States by headline indicator

			Best performers	Better than average	Good but to monitor	On average	Weak but improving	To watch	Critical situations
Equal opportunities	**Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64)**	2022	DE, HU, NL, SE	AT, DK, EE, FI, FR, IE, LU, MT, SK		BE, ES, LV, PT	RO	CY, HR, IT, LT, SI	BG, CZ, EL, PL
	Early leavers from education and training (% of population aged 18-24)	2024	EL, HR, IE, PL	BG, CZ, PT, SI		AT, BE, FI, FR, LV, MT, NL, SE	HU	CY, DK, EE, IT, LT, LU, SK	DE, ES, RO
	Share of individuals who have basic or above basic overall digital skills (% of population aged 16-74)	2023	FI, IE, NL	AT, BE, CZ, DK, EE, ES, HU, SE		DE, EL, FR, LT, MT, PT		CY, HR, IT, LU, LV, SI, SK	BG, PL, RO
	Youth NEET rate (% of total population aged 15-29)	2024	MT, NL, SE	CZ, DE, DK, HR, IE, PT, SI		AT, BE, ES, FI, HU, PL, SK	BG, CY, EL	EE, FR, LU, LV	IT, LT, RO
	Gender employment gap (percentage points)	2024	EE, LT, LV	HR, HU, LU, PT, SE	FI	AT, BE, BG, DE, ES, FR, IE, NL, SI	CZ	CY, DK, PL, SK	EL, IT, MT, RO
	Income quintile ratio (S80/S20)	2024	BE, CZ, SI, SK	FI, IE, MT, NL, PL, RO		AT, CY, DE, DK, EE, FR, HR, HU, LU, SE	PT	EL, ES, IT	BG, LT, LV
Fair working conditions	**Employment rate (% of population aged 20-64)**	2024	CZ, MT, NL	CY, DE, DK, HU, IE	EE, SE	AT, BG, LT, LV, PL, PT, SI, SK	EL, HR	FI, FR, LU	BE, ES, IT, RO
	Unemployment rate (% of labour force aged 15-74)	2024	CZ, DE, MT, PL	BG, CY, HR, HU, IE, IT, NL, SI		AT, BE, PT, RO, SK	EL, ES	DK, EE, FR, LT, LU, LV	FI, SE
	Long-term unemployment rate (% labour force aged 15-74)	2024	MT, NL	AT, CY, CZ, DE, IE, PL, SI	DK	BE, BG, FR, HR, HU, LT, LU, RO, SE	EL, ES, IT	EE, FI, LV, PT	SK
	Gross disposable household income (GDHI) per capita growth (index, 2008=100)	2024	HU, MT, PL, RO	HR, LT, PT		CZ, DE, DK, EE, FR, IE, LV, SE, SI, SK		AT, BE, CY, ES, FI, LU, NL	EL, IT
Social protection and inclusion	**At risk of poverty or social exclusion rate (% of total population)**	2024	CZ, NL, SI	AT, CY, DK, EE, IE, PL, SE	FI	BE, DE, FR, HU, LU, MT, PT, SK	RO	HR, IT, LV	BG, EL, ES, LT
	At risk of poverty or social exclusion rate for children (% of population aged 0-17)	2024	CY, CZ, DK, NL, SI	EE, IE, LV, PL, SK	FI	AT, BE, DE, HU, LT, PT, SE	RO	EL, FR, HR, IT, LU, MT	BG, ES
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP)	2024	BE, DK, FI	AT, CZ, EE, NL, PL, SE	FR, IE	CY, IT, SI, SK	RO	BG, DE, ES, HU, LT, LU, MT	EL, HR, LV, PT
	Disability employment gap (percentage points)	2024	SI	AT, CZ, DE, EE, FI, FR, LV, NL, SE	PT	CY, DK, EL, HU, MT, SK	BG	BE, ES, IT	HR, IE, LT, PL, RO
	Housing cost overburden (% of total population)	2024	CY	BG, HR, IE, IT, LU, NL, PL, RO, SI		AT, BE, CZ, ES, FI, FR, LV, MT, SK		DE, EE, HU, LT, PT, SE	DK, EL
	Children aged less than 3 years in formal childcare (% of population under 3-years-old)	2024	FR, NL, PT, SE, SI	BE, ES, FI, LT, LU	DK	AT, CY, EE, EL, HR, IT		BG, DE, IE, LV, MT	CZ, HU, PL, RO, SK
	Self-reported unmet need for medical care (% of population 16+)	2024		AT, BE, BG, CY, CZ, DE, HR, HU, LU, MT, NL, RO, SK		DK, ES, FR, IE, IT, LT, PL, PT, SE, SI	EE		EL, FI, LV

Note: Update of 30 October 2025. The penultimate value for the indicator on adult participation in learning refers to 2016 and the categorisation relies on the change from that to 2022. As data for the indicator on the share of individuals who have at least basic overall digital skills are collected every other year, the categorisation relies on the change from 2021 to 2023. GDHI per capita growth data are not available for Bulgaria. Disability employment gap data are not available for Luxembourg. Breaks in series and other flags are reported in Annexes 3 and 4.

Figure 3.1.1: Overview of employment, skills and social trends and challenges by Social Scoreboard headline indicators

The EU average, trends and distribution of Member States with a specific JER categorisation among all for each headline indicator, also aggregated for the three Pillar chapters

Headline indicator	Year	EU average value	EU average trend
EQUAL OPPORTUNITIES			
Adult participation in learning	2022	39.5	
Early leavers from education and training	2024	9.4	
Share of individuals who have basic or above basic overall digital skills	2023	55.6	
Youth NEET rate	2024	11.1	
Gender employment gap	2024	10.0	
Income quintile ratio (S80/S20)	2024	4.66	
FAIR WORKING CONDITIONS			
Employment rate	2024	75.8	
Unemployment rate	2024	5.9	
Long-term unemployment rate	2024	1.9	
GDHI per capita growth	2024	114.3	
SOCIAL PROTECTION AND INCLUSION			
At risk of poverty or social exclusion rate	2024	21.0	
At risk of poverty or social exclusion rate for children	2024	24.2	
Impact of social transfers (other than pensions) on poverty reduction	2024	34.2	
Disability employment gap	2024	24.0	
Housing cost overburden	2024	8.2	
Children aged less than 3 years in formal childcare	2024	39.2	
Self-reported unmet need for medical care	2024	2.5	

Notes: Data is missing for some countries in some indicators - see Note for Table 3.1.1.

Critical situations
To watch
Weak but improving
On average
Good but to monitor
Better than average
Best performers

Box 3.1.1: Methodological approach for identifying potential risks to upward social convergence in the first-stage country analysis on social convergence

The analysis relies on existing tools that have been developed with the Member States over the recent years, based in particular on the Social Scoreboard and the so-called JER (traffic-light) methodology[308]. The first-stage country analysis is based on the full set of Social Scoreboard headline indicators. Each of the indicators is scrutinised based on the JER methodology, which determines the relative standing of Member States, expressed in terms of standard deviations from the mean of both the absolute level of the indicator values and its change compared to the year before (see Annex 4 for technical details). Results are summarised into one of seven possible categories for each indicator for the country in question ('best performer', 'better than average', 'good but to monitor', 'on average', 'weak but improving', 'to watch', 'critical situation'). This corresponds with the scale of colours, from green to red.

Each of the Social Scoreboard headline indicators is assessed to identify whether they lead to potential risks to upward social convergence, and hence if further analysis is needed in a second stage. The qualification 'critical situation' refers to Member States which score much worse than the EU average on a specific indicator and in which the situation is deteriorating or not improving sufficiently compared to the year before. A situation is marked as 'to watch' in two cases: a) when the Member State scores worse than the EU average on a specific indicator and the situation in the country is deteriorating or not improving sufficiently fast, and b) when the score in terms of levels is in line with the EU average but the situation is deteriorating much faster than the EU average. Further analysis in a second stage is considered warranted for Member States for which six or more Social Scoreboard headline indicators are flagging red ('critical situation') or orange ('to watch') in the latest JER edition. An additional reason for considering that the situation requires further analysis occurs when an indicator flagging red or orange (as explained before) also presents two *consecutive* deteriorations in its JER categorisation. An example of this is a change from 'on average' to 'weak but improving' in the 2025 JER edition, followed by a further deterioration to 'critical situation' in the 2026 JER edition. This would be counted as an additional 'flag' towards the minimum threshold of six flags overall. For example, if in the 2026 JER edition a country has 5 headline indicators of the Social Scoreboard flagged as red or orange, and one of these five indicators presents two consecutive deteriorations in the 2025 and 2026 JER editions, the country is considered as having overall 6 flags in the 2026 JER edition (5 red/orange signals from the indicators in the 2026 edition + 1 of them with two consecutive deteriorations). As a result, it would require further analysis in a second stage as well. Any break in series and issues in relation to data quality and interpretation are considered in the evaluation of the total number of flags towards the threshold.

The Social Scoreboard headline indicators and their evaluation rely on the most recent data that are available at the data cutoff date[309]. When relevant data for assessing the JER categorisation is missing for a given country, the corresponding JER categorisation from the previous JER edition (if available) is used to fill the missing information. If the indicator has missing values for the latest JER edition *and* the preceding one, the JER categorisations are not counted towards the indicative threshold of 6 flags for the second-stage analysis.

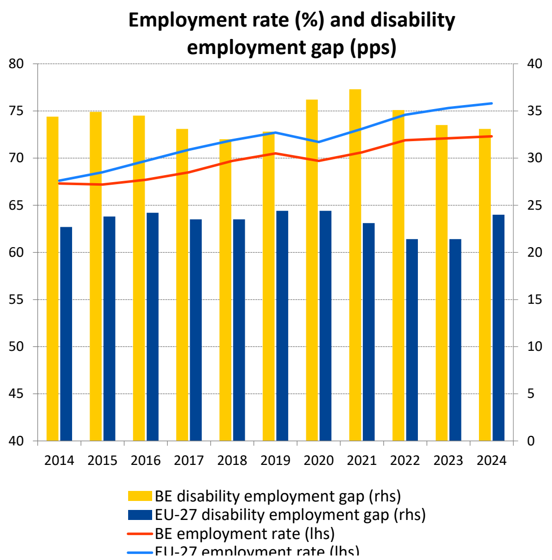
[308] See EMCO-SPC Key Messages, based on the Report of the EMCO-SPC Working Group on the introduction of a Social Convergence Framework in the European Semester.

[309] The data cutoff date is 29 October 2025 for the 2026 Joint Employment Report. Data used and related statistical flags such as breaks are provided in Annex 3 of the report. Breaks are also indicated in the country fiches if they relate to JER categorisations that are counted towards the threshold for the second-stage analysis.

3.2 Country-specific first-stage analysis

Belgium

In 2024, challenges remained in relation to the employment rate, while sizeable labour shortages persisted. On the back of real GDP growth of 1.1%, the employment rate increased slightly (by 0.2 pps) in 2024, to 72.3%, which is below the EU average of 75.8%, and a 'critical situation' again. This is mostly due to Belgium's activity rate (70.8%) being lower than the EU average (75.3%). Strong regional differences also remained. Moreover, some groups, such as people with low education levels (20-64, 47.5%), born outside the EU (20-64, 59.4%) and older people (55-64, 59.4%), were trailing further behind. At 33.1 pps, the disability employment gap continued to be well above the EU average (24.0 pps), and is now 'to watch'. For the gender employment gap, on the contrary, Belgium was 'on average', as for the unemployment and long-term unemployment rates (at 5.7% and 2.0%, respectively). Finally, the gross disposable household income (GDHI) per capita growth index (2008=100), improved in 2024 (to 107.1 from 106.5 in 2023) but has still not caught up with the EU average and remains 'to watch'.



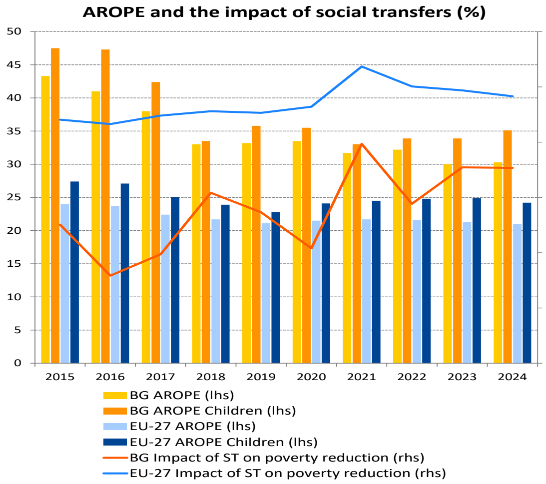
Note: Break in the ER time series (BE) in 2017.
Source: Eurostat [lfsi_emp_a], EU LFS and [tepsr_sp200], EU-SILC

Belgium performs mostly on average in the area of education and skills. The share of adults participating in learning is 'on average', at 34.9% in 2022 (vs 39.5% in the EU), after a decline since 2016. The shares of young people (15-29) neither in employment nor in education and training (NEET) and of those leaving early from education and training worsened. However, at 9.9% and 7.0%, they are still well below the respective EU averages (of 11.1% and 9.4%), although with some regional variation. Belgium has a share of the population having at least basic digital skills (at 59.4% in 2023) that is 'better than average'. The share of children in formal childcare was 52.3% in 2024 (but with a significantly lower rate of 20.1% for children at risk of poverty or social exclusion), after a 3.9 pps drop from 2023.

Social policies helped mitigate poverty and social exclusion risks as well as income inequalities. Belgium is among the 'best performers' regarding the impact of social transfers (other than pensions) on poverty reduction (53.1% vs 34.2% in the EU), and for income inequality, as measured by the income quintile share ratio (3.45% vs. 4.66% in the EU). Both the AROPE rate overall (18.3%) and for children (20.2%) were 'on average' in 2024, though the latter increased (by 0.6 pps) for the first time since 2017. Self-reported unmet needs for medical care, at 1.4% in 2024, were 'better than average', while the housing cost overburden rate, at 6.7%, was 'on average' (vs 8.2% at EU level).

In light of the findings from the above first-stage analysis, and notably 3 indicators flagging as 'critical' or 'to watch', **Belgium does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

Bulgaria



Note: Break in the AROPE (BG) time series in 2016 and the impact (BG) in 2016 and 2022.
Source: Eurostat [ilc_peps01n], [tespm050], EU-SILC.

Bulgaria faces significant challenges in the social domain. The share of people at risk of poverty or social exclusion (AROPE) represents a 'critical situation' as being one of the highest in the EU (30.3% vs 21.0% in 2024), with a recent uptick following last year's significant decrease ('weak but improving' situation at that time). For children in particular, the AROPE rate reached 35.1% in 2024, much above the EU average of 24.2%, and is also a 'critical situation'. Persons with disabilities (43.8%), older people (36.6%), people living in rural areas (40.8%) and the Roma continued to be more exposed to poverty or social exclusion risks than others[310]. Overall, social transfers (excluding pensions) still reduced poverty by a limited extent in Bulgaria (27.7% vs 34.2% in the EU), which is 'to watch' (vs 'weak but improving' last year). Furthermore, income inequality, as measured by the income quintile share ratio, ranks among the highest in the EU (6.96 vs 4.66) after one of the largest increases from the previous year, and is also a 'critical situation'.

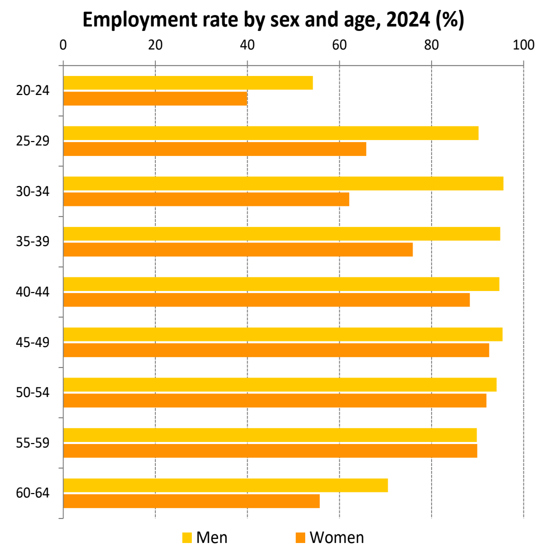
The country faces challenges related to skills development. While it increased by 3.8 pps from last year, participation of children below 3 in early childhood education and care remained well below the EU average in 2024 (21.2% vs 39.2%), and is 'to watch'. This poses challenges to learning prospects, including later in life. More than half of 15 year-old students lack basic skills (53.6% in maths in PISA 2022). Adult participation in learning stood at 9.5% in 2022 (vs 39.5% in the EU), which is among the lowest in the EU, after a decrease since 2016, and represents a 'critical situation'. This is the case also for the share of adults with at least basic digital skills, at 35.5% vs 55.6% in the EU in 2023, despite an increase since 2021. Improvements in skills development could raise productivity and support the green and digital transitions.

The labour market kept performing strongly overall, though some vulnerable groups still have margins for improvement. Supported by robust economic growth in 2024, the employment rate reached a historic high of 76.8%, above the EU average (75.8%), while the unemployment rate continued its downward trend, falling to 4.2% (vs 5.9% in the EU). Long-term unemployment saw only a slight improvement, decreasing by 0.1 pps to 2.2% between 2023 and 2024, and is above the EU average of 1.9%. The share of young people neither in employment nor in education and training (NEET) followed the decreasing EU trend and is now 'weak but improving', at 12.7% in 2024 (1.6 pps above the EU average). Although the disability employment gap decreased to 35.4 pps and is now 'weak but improving' (from a 'critical situation' last year), it is still well above the EU average (24.0 pps).

In light of the findings from the above first-stage analysis, and notably 7 indicators flagging as 'critical' or 'to watch', **Bulgaria is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 3.1.1).

[310] See: EU Agency for Fundamental Rights, Rights of Roma and Travellers in 13 European countries, 2024.

Czechia



Source: Eurostat [lfsa_ergan], EU LFS.

Positive labour market outcomes overall are coupled with challenges for certain population groups. In 2024, Czechia was again among the 'best performers' in the EU with a continuously increasing and high employment rate (82.3%) and a low and stable unemployment rate (2.6%) against the background of recovering economic growth. Performance on the long-term unemployment rate was 'better than average', at 0.8% in 2024. This was the case also for the share of young people (15-29) neither in employment nor in education and training (NEET), which fell significantly (by 1.5 pps) to 8.6% in 2024. The disability employment gap narrowed to 21.7 pps, below the EU average of 24.0 pps. The gender employment gap also improved (by 1.3 pps) in 2024, reaching 12.6 pps, however still above the EU average of 10.0 pps, and therefore 'weak but improving'. Conversely, the participation rate of children under the age of 3 in formal childcare remained in a 'critical situation', at just 7.3% in 2024, significantly below the EU average of 39.2%. This is rooted in the insufficient capacity in early childhood education and care services and may impact children's long-term learning prospects and women's labour market participation. Finally, a stronger labour force participation of underrepresented groups, such as women, displaced Ukrainian citizens and the Roma, could help alleviate labour and skills shortages.

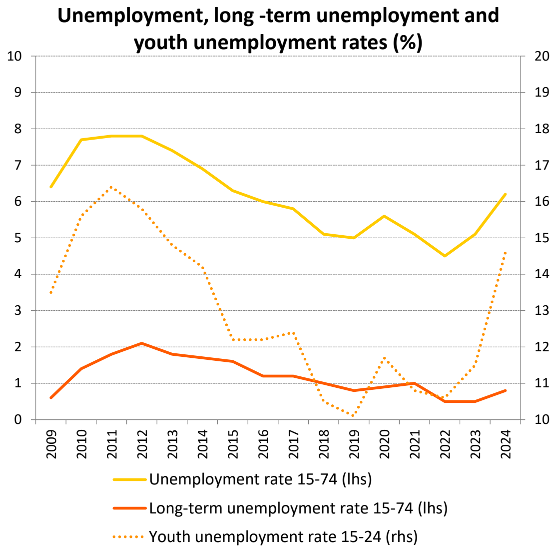
Czechia's performance in relation to skills is good, but adult participation in learning is lagging behind. The share of early leavers from education and training decrased to 5.4% in 2024 (vs 9.4% in the EU), and was 'better than average'. This was the case also for the share of adults with at least basic digital skills, at 69.1% in 2023 (vs 55.6% in the EU). However, adult participation in learning is in a 'critical situation', at only 21.2 % in 2022, against the EU average of 39.5%.

The country displayed positive social outcomes. In 2024, the share of people at risk of poverty or social exclusion (AROPE) was 11.3% overall and 15.4% among children (vs 21.0% and 24.2%, respectively, in the EU), putting the country among the 'best performers'. The gross disposable household income (GDHI) per capita index (2008=100) improved slightly in 2024 standing at 125.2, from 123.6 in 2023 (vs 114.3 in the EU), and is 'on average'. The housing cost overburden stood 'on average' too in 2024, at 9.2%. Finally, Czechia was still 'better than average' regarding self-reported unmet needs for medical care.

In light of the findings from the above first-stage analysis, and notably 2 indicators flagging as 'critical', **Czechia does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

Denmark

Employment overall is strong but challenges related to unemployment increased. Strong employment growth continued with the employment rate reaching 80.2% in 2024 (+0.4 pps compared to 2023), reflecting robust economic growth (3.5%) and an increasing labour supply. At the same time, the unemployment rate increased significantly, by 1.1 pps, to 6.2%, which is above the EU average (5.9%) for the first time over a decade, and 'to watch'. Its long-term component, while still one of the lowest in the EU (0.8% in 2024), increased (from 0.5% last year), and is now 'good but to monitor'. While pressure on the labour market appears to be easing, the country continues to face labour shortages, notably in the ICT, healthcare and construction sectors, with persisting regional differences[311]. The situation of young people (15-29) neither in employment nor in education and training (NEET) was still 'better than average' in 2024, after a decrease by 0.6 pps to 8.0%, but the youth unemployment rate (15-24) increased sharply, from 11.5% in 2023 to 14.6% in 2024. At the same time, the gender employment gap widened for the second consecutive year, against a decrease at EU level. At 6.5 pps, it is still lower than the EU average of 10.0 pps but 'to watch'. The disability employment gap widened by 5.7 pps, remaining close to the EU average that also increased (by 2.6 pps)[312].



Notes: Break in the series in 2016, 2017 and 2023.
Source: Eurostat [une_rt_a], [une_ltu_a], EU LFS.

Denmark performs well on skills overall but vulnerabilities persist for young people. The participation rate of adults in learning, at 47.1% in 2022 (vs 39.5% in the EU), and the share of adults having at least basic digital skills, at 69.6% in 2023 (vs 55.6% in the EU), are both high. At the same time, in 2024 the share of early leavers from education and training was still 10.4% (vs 9.4% in the EU), and is 'to watch', also in light of the shortages of skilled labour. While Denmark has one of the highest share of children under 3 in formal childcare in the EU, at 62.9%, this is now 'good but to monitor' following a 7.0 pps drop.

Social outcomes are very good overall, but housing costs continue to weigh on vulnerable groups. The risk of poverty or social exclusion (AROPE) overall is 'better than average' and Denmark is a 'best performer' on the impact of social transfers (other than pensions) on poverty reduction and on the AROPE rate for children. However, at 14.6% (vs 8.2% in the EU), the share of households overburdened by housing costs is one of the largest in the EU and a 'critical situation'. This reflects the limited supply of affordable housing in larger cities, where the rate was 22.7% (vs 8.6% in rural areas).

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'critical' or 'to watch', **Denmark does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

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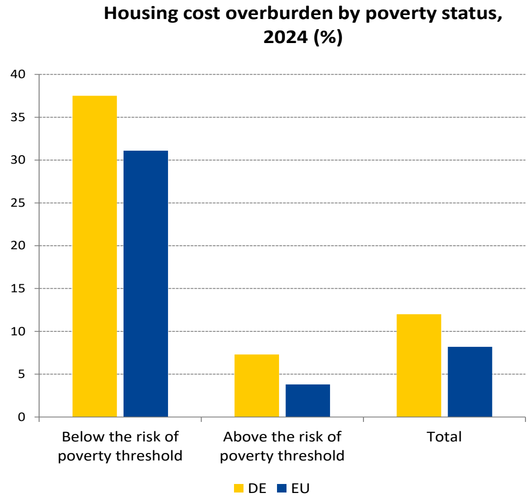
[311] The Danish Agency for Labour Market and Recruitment (March 2025), Recruitment Survey Report
[312] There is a break in series in 2024.

Germany



Source: Eurostat [tessi163], EU-SILC.

The impact of social transfers on poverty reduction deteriorated and housing affordability continues to present challenges despite improvement. The impact of social transfers (other than pensions) on poverty reduction declined sharply, from 41.7% in 2023 to 35.7% in 2024. Even if still above the EU average of 34.2%, this is a development ‘to watch’. In 2024, the share of people at risk of poverty or social exclusion (AROPE) was at 21.1%, down slightly from 21.3% in 2023 (vs 21.0% in the EU). The AROPE rate for children also fell. Germany remains ‘on average’ on both indicators. In 2024, despite a decrease (by 1 pp) from the year before, 12.0% of the population (vs 8.2% in ther EU) had housing costs above 40% of their total income, a situation ‘to watch’. Some people, such as older people (65+) and those in the lowest income quintile, were particularly affected with shares at 15.3% and 33.3%, respectively (vs 8.8% and 27.8% in the EU).

In the area of education and skills, Germany performs well on adult learning, while the situation regarding early school leavers remains challenging. The share of early leavers from education and training was among the largest, at 12.9% in 2024[313] (vs 9.4% in the EU), and a ‘critical situation’. This requires attention also in light of the deterioration in basic skills of young people since 2012 (PISA 2022). On the other hand, the share of the adult population with at least basic digital skills was ‘on average’ standing at 52.2% in 2023, with significant differences across population groups. Adult participation in learning was high, at 53.7% in 2022, making Germany one of the ‘best performers’ in the EU.

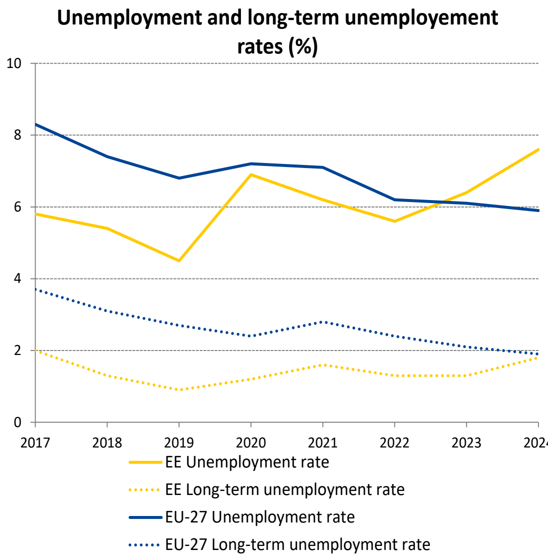
The labour market remains robust overall, but labour shortages persist and women are not sufficiently integrated in the labour market. Despite the economic contraction, the employment rate increased further to 81.3% in 2024 (‘better than average’), while the unemployment and long-term unemployment rates stayed at very low levels (3.4% and 0.9%, respectively) in a context of labour shortages. Germany performed ‘better than average’ concerning the share of young people neither in employment nor in education and training (NEET) (8.7% vs 11.1% in the EU). While the gender employment gap was ‘on average’, at 7.1 pps in 2024, the gender gap in part-time employment widened further to one of the largest in the EU (37.2 pps vs 20.1 pps). This is due also to the design of the taxation system that provides low incentives to increase the number of hours worked, especially for low-wage and second earners. The share of children under 3 in formal childcare was well below the EU average, at 25.1% in 2024 (vs 39.2% in the EU), and ‘to watch’. This may also pose barriers to employment of people with caring responsibilities.

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as ‘critical’ or ‘to watch’, **Germany does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

[313] There is a break in the time series in 2024.

Estonia

In 2024, the Estonian economy stagnated, negatively impacting the labour market. The unemployment rate increased again, by 1.2 pps, reaching 7.6% in 2024, against a decreasing EU average (at 5.9% in the same year). Therefore, this indicator remains 'to watch'. Moreover, the unemployment rate was significantly higher among young people (15-24), at 19.1% (vs 14.9% in the EU) and almost twice as high in the North-East (13.5% vs 6.2% to 7.5% in other regions). Long-term unemployment also increased from 1.3% in 2023 to 1.8% in 2024, against a decrease from 2.1% to 1.9% at EU level, and is now 'to watch'. The employment rate decreased slightly from 82.1% to 81.8%, but remained well above the EU average of 75.8%, and is now 'good but to monitor'. The country has, at the same time, one of the narrowest gender employment gaps in the EU, being consistently among the 'best performers' over the last three years. The gross disposable household income (GDHI) per capita index (2008=100) was 131.0 in 2024 and 'on average'.



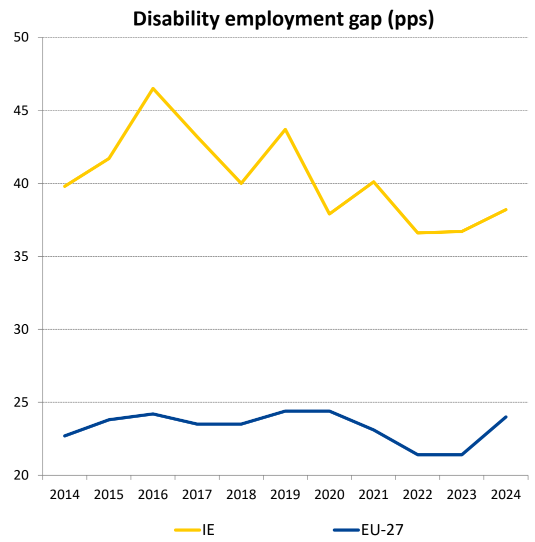
Source: Eurostat [une_rt_a], [une_ltu_a] EU LFS.

In the education and skills domain, the country continued to perform well on adult learning and digital skills, while registering a deterioration on other dimensions. Adult participation in learning remained strong, and the share of adults with at least basic digital skills high, with both indicators still 'better than average'. Nonetheless, the share of early leavers from education and training deteriorated by 1.3 pps to 11.0% in 2024 (reaching the highest level since 2019), despite the positive evolution in the previous year, and is now 'to watch'. The share of young people neither in employment nor in education and training (NEET) increased significantly, by 1.4 pps, reaching 11.0% (vs 11.1% in the EU), and is now also 'to watch'.

Estonia shows some positive developments in the area of social protection and inclusion. The share of people at risk of poverty or social exclusion (AROPE) decreased by 2.0 pps to 22.2% in 2024, while the impact of social transfers (other than pensions) on poverty reduction increased from 27.7% in 2023 to 31.5% in 2024. Both indicators point to an improving situation and are now 'better than average' compared to 'to watch' last year. Income inequality, as measured by the income quintile share ratio, returned to its 2021 value, at 5.03 (vs 4.66 in the EU). Despite progress, the share of people above 65 at risk of poverty or social exclusion remained above the EU average, at 40.0% (vs 19.2% in the EU). Self-reported unmet needs for medical care dropped by 4.4 pps to 8.5% in 2024, but remained well above the EU average of 2.5%. As a result, the indicator moved from 'critical situation' last year to 'weak but improving'. On the negative side, the housing cost overburden rate has almost doubled since 2021, reaching 8.6% and is therefore again 'to watch'.

In light of the findings from the above first-stage analysis, and notably 5 indicators flagging as 'to watch', **Estonia does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box in section 3.1).

Ireland



Note: Break in the IE time series in 2019.
Source: Eurostat [tepsr_sp200], EU-SILC

Employment continued to grow in 2024, but disadvantaged groups still faced challenges. The employment rate, at 79.8%, reached another record high, mainly due to net inward migration translating into greater employment and against the background of resuming robust economic growth. Higher labour force participation, particularly among women, also contributed to this, with the gender employment gap decreasing to 9.3 pps ('on average'). However, still many women remain outside the labour market due to caring responsibilities. The disability employment gap remained among the widest in the EU (at 38.2 pps vs 24.0 pps in the EU), and in a 'critical situation', having increased by 1.5 pps in 2024. Strengthening the employability of under-represented groups, such as persons with disabilities, single parents, the low-skilled, Roma and Traveller minorities, can help them enter the labour market and address existing and future labour and skills shortages.

Poverty or social exclusion rates decreased, though some groups face greater risks. Risks of poverty or social exclusion overall and for children dropped substantially (by 2.1 pps and 3.4 pps, respectively), and are now 'better than average'. However, disadvantaged groups, in particular single parents, Travellers and persons with disabilities, were considerably more at risk. The impact of social transfers (other than pensions) on poverty reduction deteriorated sigificantly in 2024 (by 7.0 pps), but at 50.8% (well above the EU average of 34.2%) and is now 'good but to monitor'. The participation of children under 3 in formal childcare increased to 24.4% in 2024. Yet, it remained 'to watch' as still well below the EU average of 39.2%. Despite significant investments and improvements, some financial and non-financial barriers persist, alongside regional disparities. Ireland fares 'better than average' regarding the housing cost overburden rate. Nevertheless, housing affordability has been deteriorating, as supply growth continues to be far below the increasing demand. There are long waiting lists for social housing and rapidly increasing levels of homelessness, with the latter showing the sharpest increase among children and single parent families in Q1-Q2 2025[314].

Ireland performs well on education and skills. The early school leaving rate, at 2.8% in 2024, was one of the lowest, after one of the largest decreases in the EU, putting Ireland among the 'best performers'. According to the PISA 2022, Irish 15-year-olds are among the best performers in basic skills (reading, mathematics and science) in the EU. Irish adults fared similarly well regarding basic digital skills in 2023. They were also more likely to participate in learning compared to the EU average (48.3% vs 39.5% in the EU) in 2022.

In light of the findings from the above first-stage analysis, and notably 2 indicators flagging as 'critical' or 'to watch', **Ireland does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

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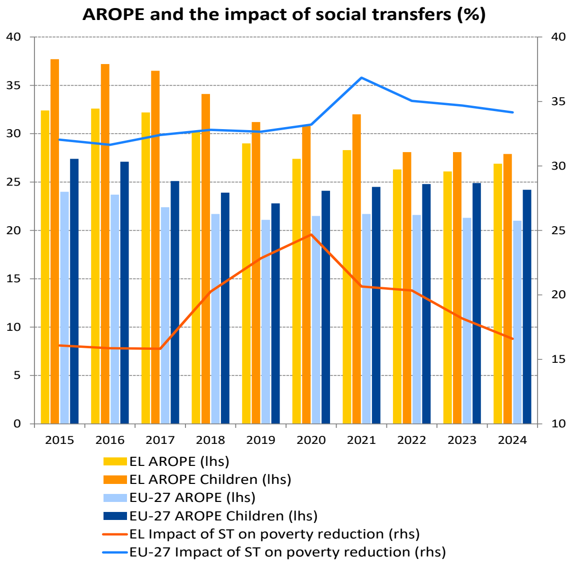
[314] See: Election 2024 Spotlight - Housing and Homeless Quarterly Progress Report Q2 2025

Greece



Note: Break in the impact time series (EL) in 2022.
Source: Eurostat [ilc_peps01n], [tespm050], EU-SILC.

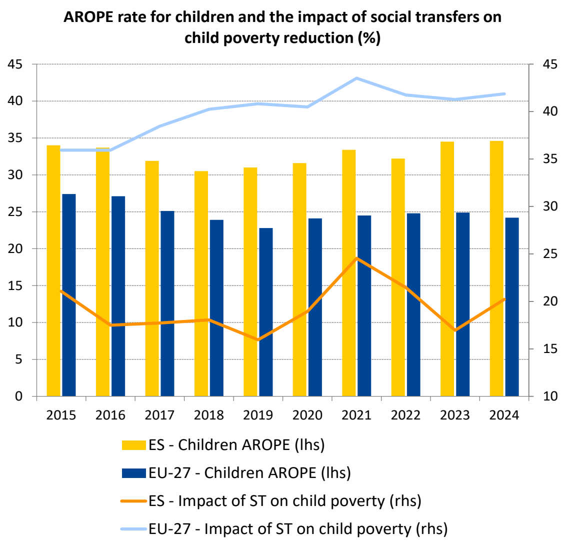
Greece continues to face significant challenges in relation to social protection and inclusion. The poverty-reducing impact of social transfers (other than pensions) decreased by 1.6 pps to 16.6% in 2024, significantly below the EU average of 34.2%. Meanwhile, the share of people at risk of poverty or social exclusion (AROPE) increased to 26.9%, above the EU average of 21.0%, putting an end to a decade-long decline. Both of these indicators point to 'critical situations'. At 27.9%, the AROPE rate for children was also high (vs 24.2% in the EU) and remains 'to watch'. After increases, both the share of households overburdened by housing costs (up at 28.9% in 2024, one of the highest in the EU, vs 8.2% on average), and the self-reported unmet needs for medical care (up at 12.1%, vs 2.5% in the EU) indicate 'critical situations'. Inequality, as measured by the income quintile share ratio, remained at 5.27 in 2024, above the EU average (4.66) and still 'to watch'.

The performance of the Greek labour market is improving, but challenges persist, notably for women and young people. In 2024, the employment rate rose by 1.9 pps on the back of still robust economic growth. However, even after this significant increase, only 69.3% of the working-age population (20-64) was employed (vs 75.8% in the EU), representing a 'weak but improving' situation. This was also the case for the share of young people neither in employment nor in education and training (NEET), which decreased by 1.7 pps to 14.2% in 2024, but still remained significantly above the EU average (11.1%). Meanwhile, in 2024, the employment rate of women was, at 59.9% (after a 2.3 pps increase), still one of the lowest in the EU, and the gender employment gap was among the widest in the EU (18.8 pps vs 10 pps on average) and constituted a 'critical situation'. Furthermore, the gross disposable household income (GDHI) per capita index (2008=100), at 84.1 in 2024, remains among the lowest, despite a 2 pps increase from 2023 (vs an EU average of 114.3), which is a 'critical situation'. On the positive side, the disability employment gap remained 'on average'.

Skills development is stagnating, weighing on employability and competitiveness. The share of adults in learning over the last 12 months, at 15.1% in 2022, was among the lowest in the EU, and represented a 'critical situation'. At the same time, in 2023, 52.4% of adults (vs 55.6% in the EU) had at least basic digital skills, which is 'on average'. The rates of underachievement of 15-year-olds in basic skills were among the highest in the EU, after facing one of the sharpest declines. On the other hand, the share of early leavers from education and training decreased further by 0.7 pps in 2024 to 3.0% (vs 9.4% in the EU), keeping Greece among the 'best performers' in this area.

In light of the findings from the above first-stage analysis, and notably 9 indicators flagging as 'critical' or 'to watch', **Greece is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 3.1.1).

Spain



Note: The impact of social transfer on child poverty reduction is calculated using pre-transfer and post-transfer AROP rates. Break in the AROP (ES) time series in 2022
Source: Eurostat [ilc_li10], [ilc_li02], [ilc_peps01n], EU-SILC.

Spain experiences challenges in relation to social protection and inclusion. In 2024, the share of the population at risk of poverty or social exclusion (AROPE) declined to 25.8%, while the rate for children further rose slightly to 34.6%. Both rates were well above the respective EU averages (21.0% and 24.2%) and still point to 'critical situations'. The impact of social transfers (other than pensions) on poverty reduction rose (by 1 pp) to 23.9% in 2024 but remained low (vs the EU average of 34.2%), and was thus 'to watch'. This is partly due to coverage gaps, including in the minimum income scheme and the child complement. For children in particular, social transfers reduced poverty risks by only 20.2%, well below the EU average of 41.9%. Income inequality, as measured by the income quintile share ratio, also declined slightly but remained high (5.39 vs 4.66 in the EU) and 'to watch'. The gross disposable household income (GDHI) per capita index (2008=100) was also 'to watch' in 2024 due to the still low level after an increase. These challenges are compounded by regional disparities and high in-work poverty.

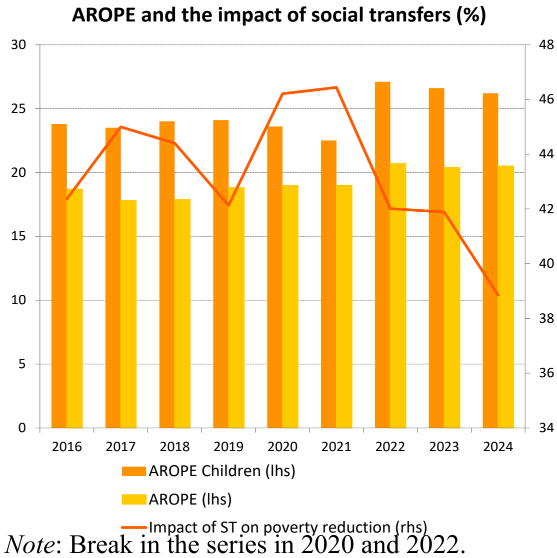
The labour market continued to improve but still presents challenges. The employment rate further increased (by 0.9 pps) to 71.4% in 2024 (vs 75.8% in the EU), supported by robust economic growth and an increase of employment in the health and education, hospitality, ICT and professional sectors. However, due to the large gap with the EU average, this is now a 'critical situation'. At the same time, the unemployment rate (11.4% vs an EU average of 5.9%) and its long-term component (3.8% vs 1.9% in the EU) are 'weak but improving', in light of still high levels despite large declines (by 0.8 and 0.5 pps, respectively). The share of young people neither in employment nor in education and training (NEET) remained sizeable (12.0% in 2024, vs 11.1% in the EU) but is now 'on average' due to a continuous improvement. The disability employment gap is 'to watch' after a marked increase from 13.8 pps to 23.4 pps in 2024.

Spain faces persistent challenges with early leaving from education and training, while performing well on digital skills. The share of early leavers from education and training decreased in 2024 to 13.0% (vs 9.4% in the EU) but remained high and a 'critical situation'. Rates are especially elevated for men (15.8% vs 10.0% for women) and those born outside of the country (25.5% vs 10.3%), as well as in the South and East of Spain. Overall, adult participation in learning was 'on average' in 2022 (at 34.1% vs 39.5% in the EU). Underachievement in basic skills was lower than the EU average but presented significant regional differences. Spain performs also 'better than average' on digital skills and early childhood education, with a relatively high share of children under 3 in formal childcare.

In light of the findings from the above first-stage analysis, and notably 8 indicators flagging as 'critical' or 'to watch', **Spain is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 3.1.1).

France

Poverty risks persist. The share of the population at risk of poverty or social exclusion (AROPE) was broadly stable in 2024, at 20.5% (20.4% in 2023), and 'on average'. The AROPE rate for children, however, remained above the EU average (26.2% vs 24.2% in 2024), and 'to watch'. The impact of social transfers (other than pensions) on poverty reduction has been decreasing faster than in the EU since 2021, falling by 3 pps since 2023 (vs 0.5 pps in the EU). For this reason it is now 'good but to monitor', even if still above the EU average, at 38.9% (vs 34.2%). Inequality, as measured by the income quintile share ratio, is 'on average', after having been increasing since 2018. The outermost regions fare considerably worse than metropolitan France across all areas of the social protection and inclusion domain.



Note: Break in the series in 2020 and 2022.
Source: Eurostat [ilc_peps01n], [tespm050], EU-SILC.

The labour market performed relatively well in 2024 but presents some challenges. In 2024, in a context of real GDP growth of 1.2%, the employment rate rose to 75.1% (vs 75.8% in the EU), while the unemployment rate remained above the EU average, at 7.4% (vs 5.9% in the EU), with the outermost regions faring considerably worse. Both indicators remain 'to watch'[315]. The youth unemployment rate increased (by 1.5 pps to 18.7%), and the share of young people neither in employment nor in education and training (NEET) reached 12.5% (vs 11.1% in the EU), and remains also 'to watch'. While long-term unemployment was 'on average' overall, some vulnerable groups continued to face greater obstacles to their labour market integration, in particular older workers, those born outside the EU and people with low educational attainment. The gender employment gap wideneded in 2024 (by 0.4 pps to 5.9 pps), and is now 'on average'. The disability employment gap has been narrowing since 2020, but widened slightly to 22.4 pps in 2024 (vs 24.0 pps in the EU), still remaining 'better than average'.

France performs relatively well overall regarding skills development. The shares of adults with at least basic digital skills (59.7% in 2023) and of early leavers from education and training (7.7% in 2024) are 'on average'. Adult participation in training is 'better than average' (49.2% in 2022). France is a 'best performer' regarding the share of children below 3 in formal childcare, at 59.3%, far above the EU average of 39.2%, but the childcare participation gap between children at risk of poverty or social exclusion and not reached 41.5 pps in 2024 (vs 20.3 pps in the EU). In addition, the education system is marked by a significant share of low achievers and high inequalities. Shortages of skilled workers persist and could impact on competitiveness.

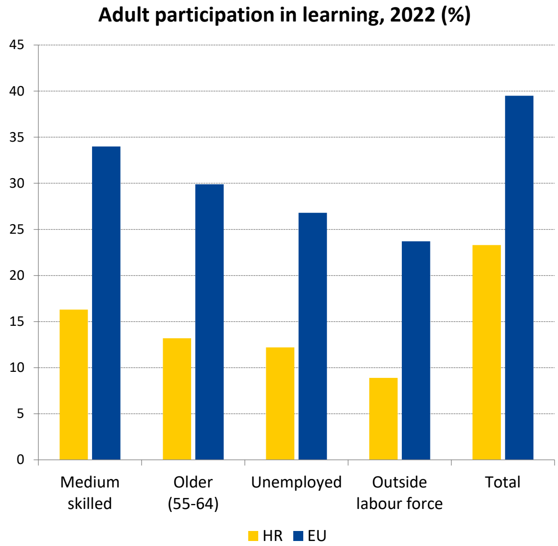
In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'to watch', **France does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

[315] The definition of France's labour market indicators differs from the usual ones since 2021 (see Eurostat).

Croatia

Croatia faces some challenges on social protection and inclusion. The impact of social transfers (other than pensions) on reducing poverty was, despite recent improvements (from 20.35% in 2022), still among the lowest in the EU in 2024 (21.6% vs 34.2%), showing a 'critical' situation for the third year in a row. At the same time, the at-risk-of-poverty or social exclusion (AROPE) rate was 1.0 pp higher in 2024, and for this reason is now 'to watch' (at 21.7% vs 21.0% in the EU), even if the structural break in 2024 calls for caution in interpreting the change. Similarly, but with the same caveat, the AROPE rate for children was 2.0 pps higher in 2024, and thus 'to watch', although still below the EU average (19.3% vs 24.2%). Inequality, as measured by the income quintile share ratio, kept increasing but at a slower pace, and is 'on average'. The housing cost overburden rate and self-reported unmet needs for medical care are 'better than average'.

The country has scope for improvement regarding lifelong learning. The share of children aged less than 3 in formal childcare continued to increase in 2024, to 30.2% (from 29.6% in 2023). While the country remained a 'best performer' on the share of early leavers from education and training, the share of low achievers in education was significant, and especially high in mathematics. Only 23.3% of Croatian adults participated in learning in 2022 (vs 39.5% in the EU), after a drop from 26.9% in 2016. This is 'to watch'. While the share of adults with at least basic digital skills was 59.0% in 2023 (vs 55.6% in the EU), the situation is 'to watch' due to a major decline (-4.4 pps) since 2021.



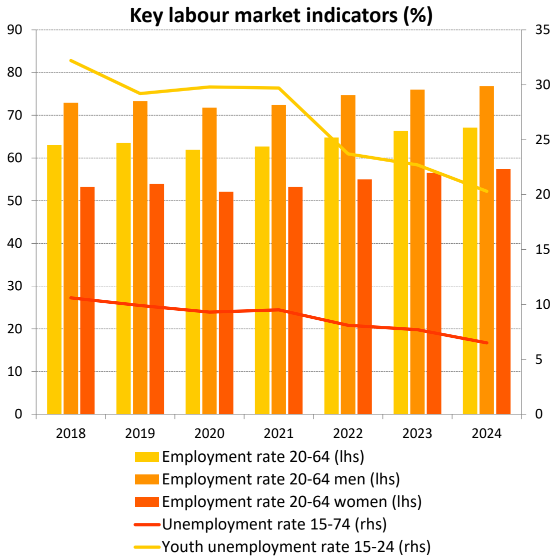
Note: Low reliability data for unemployed and persons outside the labour force (HR).
Source: Eurostat[special extraction from AES]

The labour market is on an upward trend, but persons with disabilities continue to face challenges. The employment rate has been increasing since 2021, but remained lower than the EU average (73.6% vs 75.8%) in 2024, in a 'weak but improving' situation (after a 'critical' one in previous years). At the same time, supported by still relatively strong economic growth, the unemployment and long-term unemployment rates decreased further to 5.0% and 1.8%, respectively. While both the gender employment gap and the share of young people neither in employment nor in education and training (NEET) were 'better than average' in 2024, persons with disabilities continued to face important obstacles. The disability employment gap (at 41.0 pps vs 24.0 pps in the EU) pointed to a 'critical situation', after a further widening. The gross disposable household income (GDHI) per capita index (2008=100) at 138.1 in 2024 was 'better than average'.

In light of the findings from the above first-stage analysis, and notably 6 indicators flagging as 'critical' or 'to watch', out of which 3 face statistical challenges[316], **Croatia does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

[316] A break in time series in 2024 for all indicators in this domain, based on EU-SILC, does not allow to interpret changes. In particular, the structural break is behind the 'to watch' situation for both AROPE and AROPE for children, which does not allow for a correct economic interpretation.

Italy



Notes: Break in the series in 2018.
Source: Eurostat [lfsi_emp_a], [une_rt_a], EU LFS.

Despite some continued improvements, Italy's labour market faces important challenges. The employment rate further increased in 2024, reaching 67.1%. However, it is still one of the lowest in the EU and constitutes a 'critical situation'. Both the South and the islands recorded marked employment growth but the gap in levels with the North-West remains wide, at more than 21 pps. In a context of improvement at EU level, the country's gender employment gap is still one of the widest (at 19.4 pps vs 10.0 pps for the EU), and presents a 'critical situation'. Also, the disability emloyment gap, at 25.1 pps, above the EU average of 24 pps, is 'to watch'[317]. On the positive side, the unemployment rate dropped to 6.5% (vs 5.9% in the EU), against real GDP growth of 0.7%, having recorded one of the largest improvements and is now 'better than average' (from 'to watch' last year). Similarly, the long-term unemployment rate fell to 3.3% and is now 'weak but improving' (after the 'critical situation' of last year). Finally, the gross disposable household income (GDHI) per capita index (2008=100) remains in a 'critical situation' (at 96.0 in 2024 vs 114.3 in the EU), driven by structurally low wages also linked to low productivity and low work intensity.

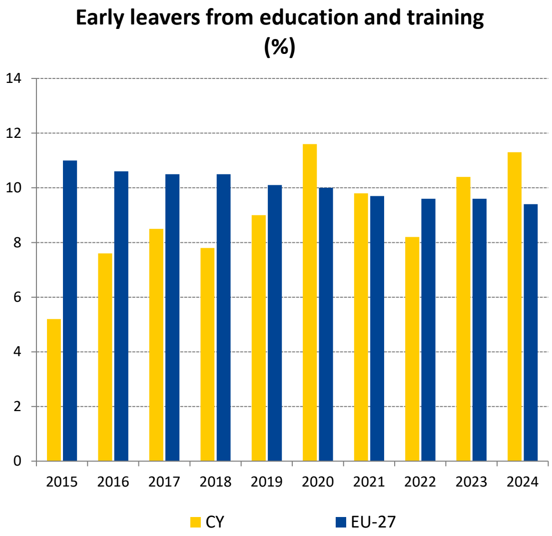
Challenges persist on skills development Despite falling by 0.9 pps since 2023, the share of young people neither in employment nor in education and training (NEET) (15.2%) remains among the highest in the EU, and a 'critical situation'. While the proportion of early leavers from education and training further declined, its level is still high, and the situation is now 'to watch'. Moreover, the share of low achievers in basic skills is high (29.3% in maths, PISA 2022). Both the share of adults participating in learning (29.0% in 2022) and that of adults with at least basic digital skills (45.8% in 2023) are low and 'to watch'.

After a downward trend since 2021, poverty risks increased in 2024. The share of people at risk of poverty or social exclusion increased to 23.1% for the population as a whole (from 22.8% in 2023), and was stable at 27.1% for children (vs 21% and 24.2% in the EU, respectively). Both situations are 'to watch', driven by an increasing share of quasi-jobless households, while the poverty reducing impact of social transfers (other than pensions) is 'on average'. Income inequality, as measured by the income quintile share ratio, is also on the rise and 'to watch' (at 5.53 vs 4.66 in the EU). On a positive note, the number of children below 3 in formal childcare increased by 4.9 pps to 39.4% (vs 39.2% in the EU). Also, the shares of people that report unmet needs for medical care and those that are overburdened by housing costs are both low.

In light of the findings from the above first-stage analysis, and notably 11 indicators flagging as 'critical' or 'to watch', **Italy is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 3.1.1).

[317] There is however a break in series in 2024.

Cyprus



Note: Break in the time series in 2021.
Source: Eurostat [edat_lfse_14], EU LFS.

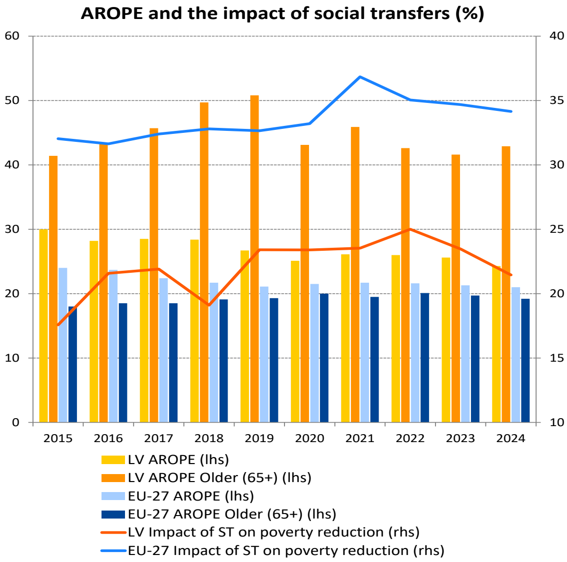
Skills development shows deteriorations and remains a challenge. The share of early leavers from education and training increased further, from 10.4% in 2023 to 11.3% in 2024, and remains 'to watch'. More than half of 15 year-olds (53.2% in maths, PISA 2022) lack basic skills, with one among the sharpest declines in the EU since 2018. Digital literacy is particularly low, after a decline, with only 49.5% of adults having at least basic digital skills in 2023 (vs 55.6% in the EU), which is 'to watch'. While in 2024, 28.2% of workers with higher education qualifications were employed in occupations that did not require that level of qualification, students enrolled in STEM subjects as a share of total tertiary enrolment (ISCED 5-8) was one of the lowest, at only 14.9% in 2023 (vs 26.9% in the EU). The share of adults participating in learning over the previous 12 months is also low, at 28.3% in 2022 (vs 39.5% in the EU), after a large drop from 44.8% in 2016, in a situation that is 'to watch'. On the other hand, the share of children under 3 in formal childcare was 40.1% in 2024 (vs 39.2% in the EU), after a further increase, which is 'on average'.

The labour market is performing well overall but some population groups still face challenges. On the back of robust economic growth, the employment rate increased further to 79.8% in 2024 (vs 75.8% in the EU), and the unemployment and long-term component rates fell to 4.9% and 1.3%, respectively (all 'better than average'). Due to an increase by 1.0 pp from 2023, the gender employment gap (at 10.0 pps) is now 'to watch'. The disability employment gap remained 'on average'. While the youth unemployment rate was below the EU average (13.0% vs 14.9% in the EU), the share of young people neither in employment nor in education and training (NEET) remained high, at 12.9% (vs 11.1% in the EU), and is now 'weak but improving' after a decrease of 1.0 pp. Finally, the gross disposable household income (GDHI) per capita index (2008=100) remains low at 107.7, even after an improvement from 102.7 in 2023, remaining 'to watch'.

Cyprus displayed good social outcomes. The risk of poverty or social exclusion stood at 17.1% overall in 2024 and at 14.8% for children (vs 21.0% and 24.2%, respectively, in the EU), as 'better than average' and 'best performer', respectively. This reflects, among others, the stable impact of social transfers (other than pensions) on reducing poverty, which is 'on average' (30.5% vs 34.2% in the EU), and the low housing cost overburden rate at 2.4%, for which Cyprus is also a 'best performer'. The self-reported unmet needs for medical care are, at 0.1%, among the lowest in the EU and 'better than average'.

In light of the findings from the above first-stage analysis, and notably 5 indicators flagging as 'to watch', **Cyprus does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

Latvia



Note: Break in the impact time series (LV) in 2022.
Source: Eurostat [ilc_peps01n], [tespm050], EU-SILC.

Challenges in the social domain persist. In the context of a GDP stagnation, in 2024 income inequality and poverty risks remained high in Latvia. The income quintile share ratio is among the highest in the EU, at 6.28 (vs 4.66 as EU average), highlighting a 'critical situation'. Against this background, the impact of social transfers (other than pensions) on poverty reduction declined further in 2024 (by 2 pps) to 21.5% (vs 34.2% in the EU). After two consecutive deteriorations, this is now a 'critical situation'. While the share of people at risk of poverty or social exclusion (AROPE) decreased from 25.6% to 24.3% in 2024 (with a marked decline observed for children, to 17.9%), the overall rate remains significantly above the EU average of 21.0%. This is a situation 'to watch'. In particular, the AROPE rate for older people (65+) was already high and rose further, to 42.9% in 2024 (from 41.6% the year before), also related to the low adequacy of pensions. High old-age poverty is closely associated with poor health outcomes and related healhcare costs. The AROPE rate for persons with disabilities has increased further from 38.5% to 39.4% and is well above the EU avarege of 28.7%. The self-reported unmet needs for medical care remained in a 'critical situation', rising to 8.4% in 2024 (from 7.8% in 2023) vs 2.5% in the EU.

Some deterioration was observed in 2024 in relation to labour market outcomes. Following the labour market recovery after the COVID-19 crisis, employment growth slowed down in 2024 in the context of stagnation. While the employment rate (at 77.4%) was 'on average', the unemployment and long-term unemployment rates increased to 6.9% and 2.2%, respectively (vs 5.9% and 1.9% in the EU). The share of young people neither in employment nor in education and training (NEET) increased by 0.7 pps to 10.7% (vs 11.1% in the EU). All these three indicators are 'to watch' in 2024. On the positive side, Latvia has one of the narrowest gender employment gaps in the EU and is a 'best performer'. Also, the disability employment gap remains 'better than average' despite a recent widening.

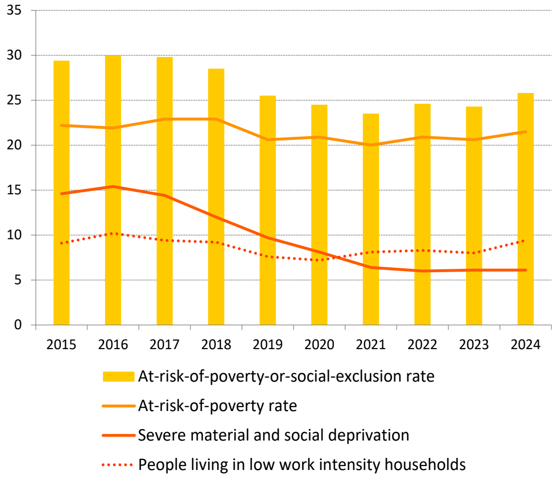
The performance on education and skills remains 'on average', but with some deteriorations. The participation rate of adults in learning (over the past 12 months) was 34.1% (vs 39.5% in the EU). Moreover, the share of adults with at least basic digital skills was 45.3% in 2023 (below the EU average of 55.6%), and remained 'to watch' against the need to support the digital transition. At the same time, the share of children under 3 in formal childcare showed one of the largest decreases in the EU, resulting in a share of 24.9% (vs 39.2% in the EU) and is now 'to watch'. While early school leaving is not prevalent and Latvian 15-year-olds perform well overall in basic skills, urban schools perform significantly better than those in rural areas. The percentage of university students enrolled in STEM programmes is low (25.1% vs 26.9% in the EU), especially among women.

In light of the findings from the above first-stage analysis, and notably 9 indicators flagging as 'critical' or 'to watch', including one that deteriorated over time, **Latvia is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 3.1.1).

Lithuania

The situation regarding social inclusion and protection deteriorated in 2024. The share of people at risk of poverty or social exclusion (AROPE) increased (by 1.5 pps) to 25.8%[318] in 2024 (vs 21.0% in the EU), one of the largest recorded values and yearly increases, constituting a 'critical situation'. People in rural areas and vulnerable groups such as the unemployed, older people and persons with disabilities were particularly exposed. Persons with disabilities faced one of the highest AROPE rates in the EU (45.8% in 2024 vs 28.7% in the EU). Among children, however, the AROPE rate remained 'on average'. The impact of social transfers (other than pensions) on poverty reduction declined from 29.9% in 2023 to 25.9% in 2024 (one of the largest drops), vs 34.2% in the EU. This reflects the low adequacy and coverage of social benefits, and is now 'to watch'. Moreover, inequality, as measured by the income quintile share ratio, was among the highest in the EU in 2024 (6.54 vs 4.66), with one of the largest increases, and is a 'critical situation' again. Finally, although still below the EU average of 8.2%, the housing cost overburden rate rose substantially for a second year in a row, reaching 6.2% in 2024, and is now also 'to watch'.

At-risk-of-poverty or social exclusion rate and its components (AROP, SMSD, LWI; %)



Notes: Provisional data in 2024.
Sources: Eurostat [ilc_peps01n], [tepsr_lm430], [ilc_li02], [tespm030], EU-SILC.

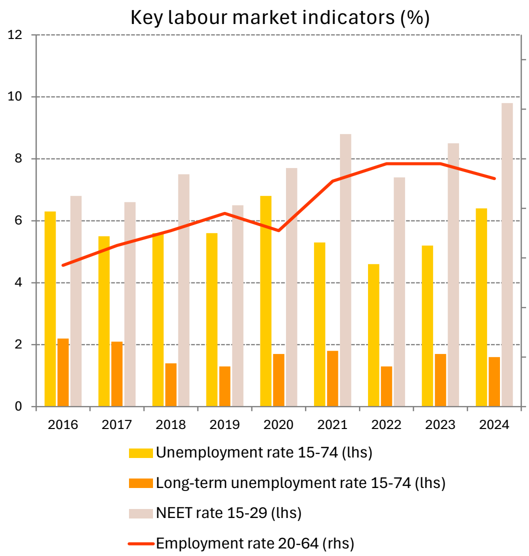
Lithuania faces increasing challenges related to skills development. The share of young people neither in employment nor in education and training (NEET) showed a 'critical situation' in 2024, after a considerable increase (+1.2 pps to 14.7%, vs 11.1% in the EU). At the same time, the share of early leavers from education and training increased by 2 pps to 8.4% in 2024 (vs 9.4% in the EU), a situation that is 'to watch'. Both indicators deteriorated for the second consecutive year. Also, the share of underachievers in basic skills is high (27.8% in maths, PISA 2022). Moreover, adult participation in learning over the past 12 months is 'to watch' as significantly below the EU average (27.4% vs 39.5% in 2022). On the positive side, the share of children below 3 in formal childcare increased to 36.9% in 2024 (vs 39.2% in the EU).

The labour market situation in Lithuania partly recovered in 2024. The employment rate increased by 0.7 pps to 79.2% in 2024 (vs 75.8% in the EU) on the back of robust economic growth. However, the unemployment rate rose further to 7.1% (from 6.9% in 2023), 1.2 pps above the EU average, and remains 'to watch'. The long-term unemployment rate stayed stable (at 2.3%) for the third consecutive year, just 0.4 pps above the EU average. Based on the headline indicator of the Social Scoreboard, the disability employment gap widened from 32.4 pps in 2023 to 39.9 pps in 2024 (vs 24.0 pps in the EU), indicating a 'critical situation'.

In light of the findings from the above first-stage analysis, and notably 9 indicators flagging as 'critical' or 'to watch', including two that deteriorated over time, **Lithuania is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 3.1.1).

[318] Eurostat 2024 data for all social indicators for Lithuania are provisional.

Luxembourg



Source: Eurostat [lfsi_emp_a], [une_rt_a], [une_ltu_a], [lfsi_neet_a], EU LFS.

Recent trends point to challenges related to labour market performance. In 2024, in a context of modest economic growth and persisting skills mismatches, the employment rate fell slightly to 74.2%, further decoupling from the overall EU upward trend (to 75.8% in 2024). This is now 'to watch'. The unemployment rate increased again in 2024 to 6.4% (vs 5.9% in the EU), after one of the largest increases (by 1.2 pps), and remained 'to watch'. On the other hand, the long-term unemployment rate fell (by 0.1 pps) to 1.6% and is now 'on average'. The gross disposable household income (GDHI) per capita index (2008=100) at 113.1 (vs 114.3 in the EU), up slightly from 112.1 in 2023, is also 'to watch'. Against this background, the share of young people neither in employment nor in education and training (NEET) rose significantly (by 1.3 pps) to 9.8% in 2024, for the second consecutive year, and is now 'to watch'. On the other hand, the country was 'better than average' on the gender employment gap.

Luxembourg performs well on education and skills overall but with deteriorations on some dimensions. The share of adults participating in learning during the previous 12 months was high, at 45.2% in 2022, well above the EU average of 39.5%. While a high share of the adult population (60.1%) has at least basic digital skills (vs 55.6% in the EU), the situation is 'to watch' in light of the large deterioration (by 3.6 pps) in the 2023 data. This is the case also for the share of early leavers from education and training, which increased by 1 pp to 7.8% in 2024[319] (below the EU average of 9.4%). Finally, the share of children below 3 years in childcare was 'better than average'.

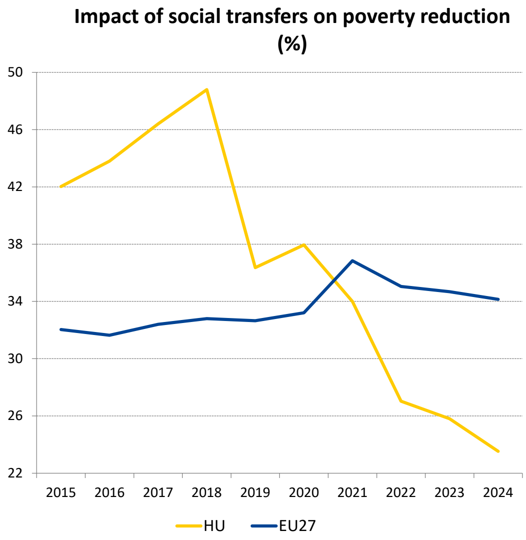
The social situation stabilised in Luxembourg in 2024, although challenges remain. The share of people at risk of poverty or social exclusion (AROPE) fell significantly (from 21.4% in 2023 to 20.0% in 2024, vs 21% in the EU), and is now 'on average'. This was driven primarily by a fall in the AROP rate, from 18.8% to 18.1%, accompanied by a small decrease (by 0.2 pps) in severe material and social deprivation as inflation eased. However, the AROPE rate for children remained above the EU average (25.6% in 2024 vs 24.2% in the EU), and 'to watch'. This is partly explained by the limited impact of social transfers (other than pensions) on poverty reduction, which fell to 27.0% in 2024 (vs 34.2% in the EU), and remains 'to watch'. The share of people overburdened by housing costs became 'better than average' in 2024, falling from 11.5% to 8.0% (vs 8.2% in the EU). The improvement benefitted renters in particular, also due to an expanded and more generous rent subsidy.

In light of the findings from the above first-stage analysis, and notably 8 indicators flagging as 'to watch', including one that deteriorated over time, **Luxembourg is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 3.1.1).

[319] The 2023-24 values for early leavers from education and training are nonetheless flagged as 'low reliability'.

Hungary

Hungary recorded some improvement in poverty and social exclusion, but social challenges remain. Both the at-risk-of-poverty or social exclusion (AROPE) rates for the total population and for children improved in 2024, from 'to watch' to 'on average', after falling to 19.3% and 22.9%, respectively[320]. However, severe material and social deprivation remains high (at 9.3% vs 6.4% in the EU) and monetary poverty (after social transfers) continued to increase, notably for young adults. In combination with a stable monetary poverty rate before transfers, this resulted in a decreasing impact of social transfers (other than pensions) on poverty reduction (to 23.5%, vs 34.2% in the EU). This is 'to watch'. Income inequality remained 'on average'. The housing cost overburden rate saw one of the highest increases (1.7 pps) from 7.3% to 9% in 2024 (vs 8.2% in the EU) and is now 'to watch'.



Note: Break in the time series (HU) in 2022.
Source: Eurostat [tespm050], EU-SILC.

Hungary performs well on adult skills development overall but faces challenges, notably on childcare participation, early school leaving and educational inequalities. Following a substantial increase in 2023, participation of children under 3 in formal childcare decreased from 20.5% in 2023 to 16.6% in 2024, one of the lowest in the EU (vs an average of 39.2%), and is now in a 'critical situation'. The rate of early leavers from education and training improved (by 1.3 pps to 10.3% in 2024 vs 9.4% in the EU), shifting from a 'critical situation' to 'weak but improving'. It nonetheless remains well above the average for the Roma, persons with disabilities and those living in rural areas. In addition, the share of low achievers is high (29.5% in maths, PISA 2022) and socio-economic background has a significant impact on pupils' performance in basic skills[321]. Hungary performs 'better than average' on digital skills and is a 'best performer' on adult learning. At the same time, people with low education levels, the unemployed and those above 55 fare significantly worse than the total population on adult learning.

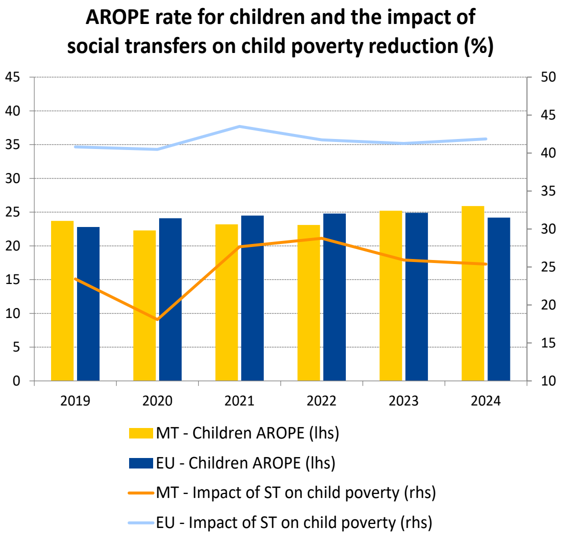
The labour market keeps performing well overall. The employment rate (81.1% vs 75.8% in the EU) and unemployment rate (4.5% vs 5.9% in the EU) continued to be 'better than average', though the employment rates (15-64) for the low-skilled in 2024 (38.5%) and for the Roma in 2023 (47.3%) were well below the country average. The share of young people neither in employment nor in education and training (NEET) remained 'on average'. Yet, the youth unemployment rate deteriorated significantly in the previous two years along with a rapid economic slowdown, from 10.6% in 2022 to 15.2% in 2024 (vs 14.9% in the EU).

In light of the findings from the above first-stage analysis, and notably 3 indicators flagging as 'critical' or 'to watch', **Hungary does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

[320] EU-SILC data and related indicators were revised by Hungary for 2019-2024, see the related note.
[321] OECD, PISA 2022.

Malta

Malta's social outcomes remain mixed, with growing challenges faced by children. The at-risk-of-poverty or social exclusion (AROPE) rate remained 'on average' in 2024, at 19.7% (vs 21.0% in the EU), also reflecting rising levels of gross disposable household income (GDHI) per capita index (2008=100) (171.7 vs 114.3 in the EU in 2024), for which Malta is a 'best performer'. However, the AROPE rate for children kept rising, to 25.9% (vs 24.2% in the EU). In addition, the share of children under 3 in formal childcare recorded a significant decline in 2024 in the EU (-6.9 pps), although remaining above the EU average (at 44.1% vs 39.2%). Both are now 'to watch'. In parallel, the impact of social transfers (other than pensions) on poverty reduction remained low, at 26.0% (vs 34.2% in the EU), also 'to watch'. In particular, the impact is slightly lower for children (25.4%) compared to the general population (26%), compared to the reverse for the EU (41.9% vs 34.2%, respctively). Income inequality, measured by the income quintile share ratio, decreased from 5.30 in 2023 to 4.87 in 2024 (vs 4.66 in the EU), improving to 'better than average'. The housing cost overburden rate slightly decreased to 5.8%, and was 'on average'. Unmet needs for medical care were experienced by only 0.3% of the population (vs 2.5% in the EU), among the smallest shares in the EU.



Note: The impact of social transfer on child poverty reduction is calculated using pre-transfer and post-transfer AROP rates. Break in the AROP time series (MT) in 2022.
Source: Eurostat [ilc_peps_01n], [ilc_li10], [ilc_li02] EU SILC.

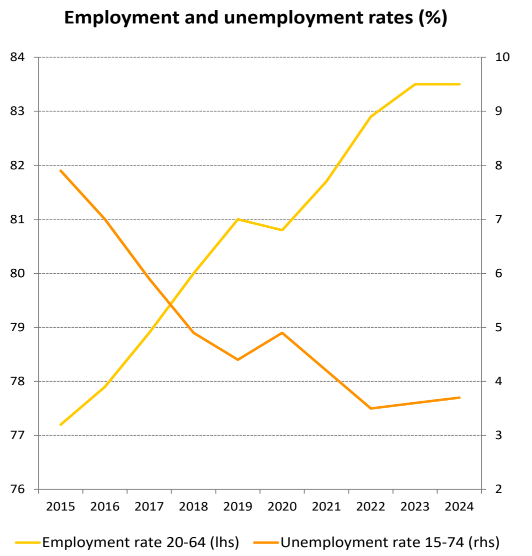
Progress continues in the area of education and skills, but some challenges persist. Following a further reduction, the share of early leavers from education and training declined to 9.6% in 2024 (vs 9.4% in the EU), and is now 'on average'. Yet, the share of low achievers in basic skill remains particularly high (32.6% in maths, PISA 2022). Moreover, bottlenecks to STEM careers already emerge at secondary level, where few students pursue key science subjects. The share of young people neither in employment nor in education and training (NEET) further decreased to 7.2% in 2024 (below the EU average of 11.1%), moving to 'best performer'. At the same time, adult participation in learning over the past 12 months was 39.9% in 2022 and 'better than average', even higher at 65.9% among highly educated people. Similarly, 63.0% of adults had at least basic digital skills in 2023 (vs 55.6% in the EU), which was 'on average', while high variation was recorded across population groups.

In a strong labour market, the gender employment gap remains elevated. In 2024, supported by strong economic growth, Malta had one of the highest employment rates in the EU (83.0%) and a low unemployment rate (3.1%), including its long-term component (0.7%), and was a 'best performer for all three. The disability employment gap narrowed to 25.3 pps (vs 24.0 pps in the EU). While the gender employment gap also declined, to 13.4 pps, it remained 3.4 pps wider than the EU average and among the largest in the EU, thus still presenting a 'critical situation'.

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'critical' or 'to watch', **Malta does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

The Netherlands

The labour market continues to perform relatively well. In the background of recovering economic growth, the employment rate was unchanged at 83.5% in 2024, one of the highest in the EU. Unemployment remained low despite a slight increase to 3.7%. The share of young people neither in employment nor in education and training (NEET) remained among the lowest in the EU, despite having increased further (by 0.2 pps to 4.9%). The disability employment gap narrowed once again, to 20.9 pps. The Netherlands is 'better than average' or a 'best performer' in all these areas. However, the risk of a highly segmented labour market remains a significant structural challenge. While the gender employment gap was 7.6 pps (vs 10.0 pps in the EU, thus 'on average') in 2024, part-time employment was widespread, in particular for women. This resulted in one of the widest gender gaps in part-time employment in the EU (41.9 pps vs an average of 20.1 pps) and a substantial gender pension gap (36.3% vs 24.5% in the EU). Finally, based on 2024 data, gross disposable household income (GDHI) per capita index (2008=100) has not kept up with the EU average (112.4 and 114.3, respectively) and remains 'to watch'.



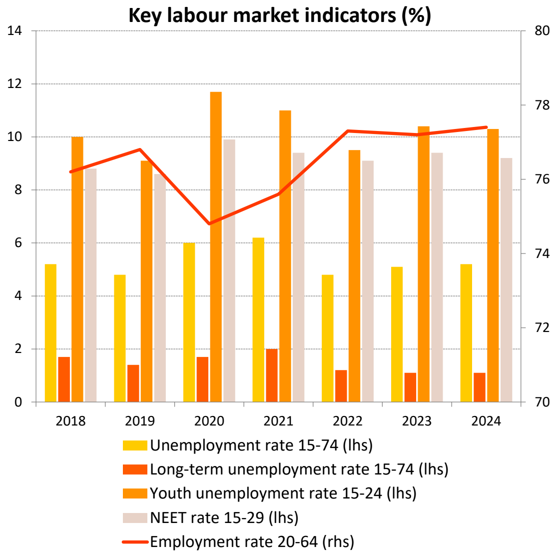
Source: Eurostat [lfsi_emp_a], [une_rt_a], EU LFS.

The Netherlands continues to show overall a strong performance in relation to skills formation. In 2022, 56.1% of adults participated in learning, and in 2023, 82.7% of them had at least basic digital skills, both among the highest shares in the EU. Due to an increase of 0.8 pps, the rate of early leavers from education and training is now 'on average' (at 7.0% in 2024). The deterioration in students' general basic skills and the increase in underachievement, especially among disadvantaged students, warrants monitoring of the situation. Effective outreach for up- and reskilling of those in an unfavourable labour market situation (such as the low-skilled, people with flexible or temporary contracts, people with a migrant background and persons with disabilities) remains important.

The social situation in the Netherlands is good overall. The shares of the population overall and of children at risk of poverty or social exclusion remained stable and among the lowest in the EU (at 15.4% and 15.8%, respectively). Yet, challenges exist for specific groups, such as persons with disabilities or people with a migrant background, especially children. The housing cost overburden rate declined by 2.4 pps and stood at 6.9% in 2024 (vs 8.2% in the EU, now 'better than average').

In light of the findings from the above first-stage analysis, and notably 1 indicator flagging as 'to watch', **the Netherlands does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

Austria



Source: Eurostat [lfsi_emp_a], [une_rt_a], [une_ltu_a], [lfsi_neet_a], EU LFS.

Despite three years of recession, Austria's labour market remains relatively strong. Performance is 'on average' or 'better than average' on almost all the labour market indicators of the Social Scoreboard. Following a slight decrease in the previous year, the employment rate increased by 0.2 pps to 77.4% in 2024 (vs 75.8% in the EU), while the unemployment rate, at 5.2%, remained below the EU average (5.9%), and so did its long-term component (1.1%). The share of young people neither in employment nor in education or training (NEET), at 9.2%, was also below the EU average (11.1%). Women's employment rate was high (73.9%) and increasing, with a narrowing gender employment gap (6.9 pps vs 10 pps in the EU). This is supported by recent policy actions that resulted in a significantly increased (by 6.1 pps) share of children under 3 in formal childcare, at 30.2% (vs 39.2% in the EU). At the same time, the country had one of the widest and growing gender gaps in part-time employment, at 38.9 pps in 2024. Finally, the gross disposable household income (GDHI) per capita index (2008=100) was still low at 102.8 in 2024, which is 'to watch'.

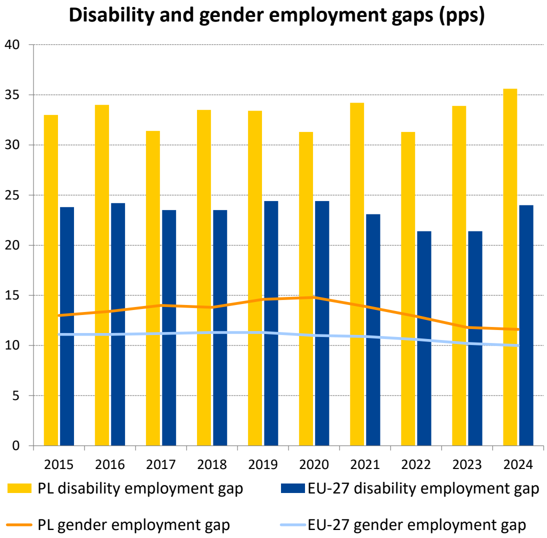
In the area of skills, the country continues to show good performance overall. The share of adults with at least basic digital skills is high (64.7% in 2023), and the share of those participating in learning is well above the EU average (52.2% in 2022, vs 39.5% in the EU, even after a decrease), both 'better than average'. The share of early leavers from education and training further decreased and was 'on average', at 8.1% in 2024. At the same time, about one quarter of young Austrians lack a minimum level of proficiency in mathematics, reading and science. This figure has been continuously increasing since 2012 (PISA 2022). Also, 42.2% of the unemployed had at most lower secondary education[322], making them particularly vulnerable. In this context, improving people's basic skills can help improve employment outcomes.

Austria performs relatively well in the area of social protection and inclusion. The share of people at risk of poverty or social exclusion (AROPE) decreased to 16.9% in 2024 and is 'better than average'. Among children, the rate decreased markedly compared to 2023, to 20.9%, and is 'on average'. The housing cost overburden rate increased by 0.3 pps to 6.3% and is 'on average' too. Finally, the relatively high impact of social transfers (other than pensions) on poverty reduction and the low level of self-reported unmet needs for medical care continue to depict 'better than average' situations.

In light of the findings from the above first-stage analysis, and notably 1 indicator flagging as 'critical', Austria **does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

[322] AMS, Von Arbeitslosigkeit betroffene Personen 2024, 2025.

Poland



Notes: Low reliability data of DEG in 2023 and break in the GEG series in 2019 for PL.
Source: Eurostat [tepsr_sp200], EU-SILC and [tesem060], EU LFS.

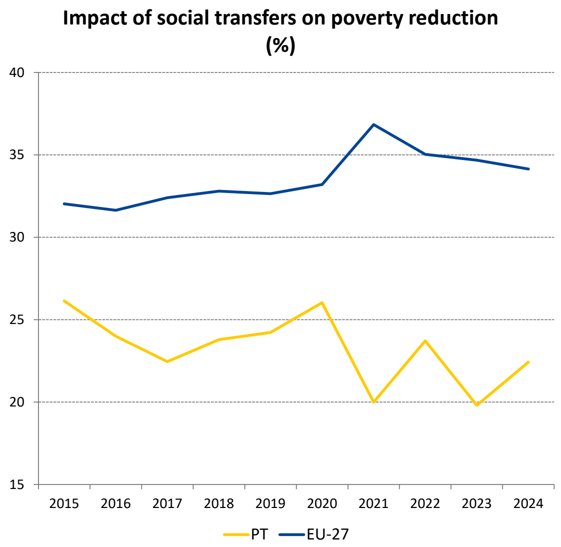
The labour market remains robust overall, but women and persons with disabilities continue to face significant challenges. In a context of robust economic growth in 2024 (3.0%), the employment rate increased further to 78.4% (vs 75.8% in the EU), and the unemployment rate was among the lowest in the EU, at 2.9%, making them one of the 'best performers' in the EU. The gender employment gap dropped slightly but remained 'to watch', at 11.6 pps, above the EU average of 10.0 pps.This is related to women that tend to have more care responsibilities for children and people in need of long-term care, as well as their lower pensionable age. While the share of children below 3 in formal childcare increased in 2024 to 15.1%, it remained far below the EU average of 39.2%, and is a 'critical situation'. This low rate may impact on children's long-term learning prospects and the participation of women in the labour market. With an increase of 1.7 pps to 35.6 pps in 2024, the disability employment gap was among the widest in the EU (the EU average was 24.0 pps), indicating a 'critical situation'.

Digital skills levels and adult participation in learning are very low, and basic skills of young people have declined. The share of adults participating in learning (over the past 12 months) was, at 20.3% in 2022, far below the EU average of 39.5%, representing a 'critical situation'. This resulted mainly from a low participation in non-formal education. In addition, the share of adults with at least basic digital skills (44.3%) was significantly below the EU average in 2023 (55.6%) and a 'critical situation' too. In the PISA 2022 survey, the share of 15-year-old students not meeting minimum levels in basic skills increased to 23% in mathematics, 22.2% in reading and 18.6% in science, which remains lower than the EU average. However, the increase in underachievement since 2018 has been among the highest in the EU. At the same time, Poland remains a 'best performer' regarding early leavers from education and training (4.1% vs 9.4% in the EU in 2024). The percentage of tertiary students enrolled in STEM programmes remains below the EU average (21.2% vs 26.9% in the EU).

The social situation is relatively stable in Poland. In 2024, the at-risk-of-poverty or social exclusion rate (16.0% overall and 16.1% for children), and income inequality (income quintile share ratio at 3.85) remained 'better than average' (compared to 21.0%, 24.2% and 4.66, respectively, in the EU).

In light of the findings from the above first-stage analysis, and notably 5 indicators flagging as 'critical' or 'to watch', **Poland does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

Portugal



Note: Break in the time series (PT) in 2022.
Source: Eurostat [tespm050], EU-SILC.

Despite improvement, the effectiveness of the social protection system in alleviating poverty risks and reducing inequalities remains low, and housing challenges have emerged. In 2024, the impact of social transfers (other than pensions) on reducing poverty increased by 2.6 pps to 22.4%, still well below the EU average of 34.2% and below pre-pandemic levels, in a 'critical situation'. The inequality, as measured by the income quintile share ratio, decreased from 5.60 in 2023 to 5.20 (above the EU average of 4.66) and is now 'weak but improving', while the share of people at risk of poverty or social exclusion (AROPE) remained 'on average', at 19.7% (vs 21% in the EU). Despite improvements in the outermost regions overall, poverty risks continued to be particularly high in the Azores (at 28.4%). The share of the population overburdened with housing costs was 6.9%, still below the EU average of 8.2%, but experienced one of the largest increases in the EU (+2.0 pps), and is now 'to watch'. This reflects the continued increase in housing prices and rentals in recent years.

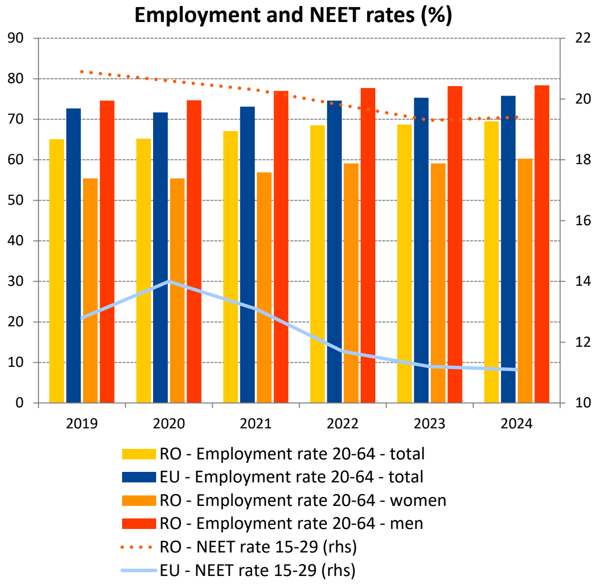
The labour market is resilient overall, but the increase in youth unemployment and still high long-term unemployment rate call for attention. Following a positive trend since 2021, the employment rate improved by 0.5 pps to 78.5% in 2024 and remained 'on average' in a context of robust economic growth. This was also the case for the unemployment rate, unchanged at 6.5% (vs 5.9% in the EU). While the long-term unemployment rate further decreased slightly (to 2.4% in 2024), it remained above the EU average (1.9%) and is therefore 'to watch'. The country performed 'better than average' on the share of youth neither in employment nor in education and training (NEET), but at the same time the youth unemployment rate (15-24) increased for the last two years to 21.6% in 2024 vs 14.9% in the EU. Finally, the disability employment gap (21.3 pps) remained below the EU average (24%) but experienced one of the largest increases in the EU and is now 'good but to monitor'.

While Portugal generally performs on average in the area of skills, some aspects deserve close monitoring. The share of early leavers from education and training decreased by 1.5 pps to 6.6% in 2024, and is now 'better than average'. However, regional disparites persist, ranging from 19.8% in the Azores to 5.2% in the North region. Moreover, the share of underachievers in basic skills is high (29.7% in maths, PISA 2022). The country performs 'on average' for the share of adults with at least basic digital skills and that of adults participating in learning (over the previous 12 months). However, the latter decreased from 38.0% in 2016 to 33.4% in 2022, despite a need for up- and reskilling, also in light of skills mismatches, the digital and green transitions, and population ageing.

In light of the findings from the above first-stage analysis, and notably 3 indicators flagging as 'critical' or 'to watch', **Portugal does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

Romania

The labour market situation is improving, but certain groups remain underrepresented. In the context of weak economic growth in 2024, the employment rate continued to increase (0.8 pps) to 69.5%, still below the EU average (75.8%), thus showing a 'critical situation'. Regional disparities are wide (from 81.1% in Bucureşti-Ilfov to 62.6% in the Sud-Est). The gender employment gap improved, but was still one of the widest in the EU (18.1 pps vs 10.0 pps). The share of young people neither in employment nor in education and training (NEET) was still at a very high level (19.4% vs 11.1% in the EU). The disability employment gap increased significantly by 15.6 pps in 2024 to 44.8 pps (vs 24.0 pps in the EU). For all these indicators, the data point to 'critical situations'. On the other hand, the overall unemployment rate and its long-term component were both below or at the EU average and improved in 2024.



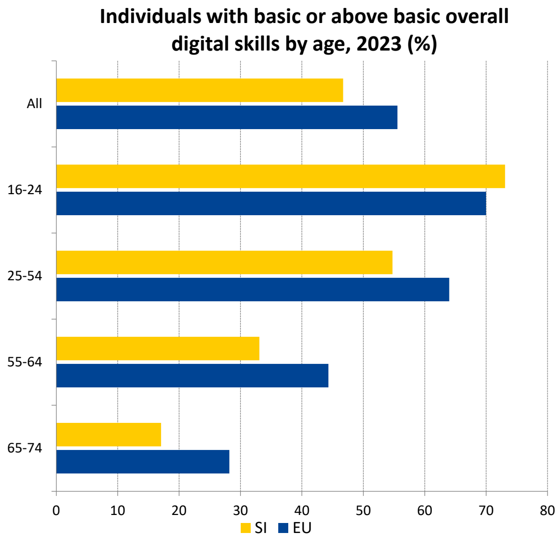
Source: Eurostat [lfsi_emp_a],[lfsi_neet_a], EU LFS.

Persisting challenges to education and skills development put at risk competitiveness and convergence. In 2024, the share of children under 3 years in formal childcare decreased further to 11.4% (from 12.3% in 2023, vs 39.2% in the EU). Similarly, the share of early leavers from education and training reached 16.8% in 2024 (vs 9.4% in the EU). Both are among the weakest in the EU, and pointing to 'critical situations'. The level of basic skills is particularly low (48.6% in maths, PISA 2022). This impacts the social and employment prospects of young people, especially in rural areas and among those disadvantaged, and may also hinder innovation and competitiveness. Furthermore, the share of people with at least basic digital skills was 27.7% in 2023, vs 55.6% in the EU, showing also a 'critical situation' against the need to support the digital transition. Adult participation in learning was 'weak but improving' (at 19.1% in 2022, vs 39.5% in the EU), in a context of significant skills shortages and projected demographic decline.

Despite significant progress, poverty risks remain high, especially for vulnerable groups and in rural areas. The share of people at risk of poverty or social exclusion (AROPE) declined substantially from 46.0% in 2016 to 32.0% in 2023 and 27.9% in 2024 (vs 21.0% in the EU). The AROPE rate for children also decreased markedly in 2024 (to 33.8%, from 39.0% in 2023, vs 24.2% in the EU). Both were 'weak but improving' for two years in a row, while still among the highest in the EU. While reporting one of the largest improvements, the social protection system continues to show low effectivenesses, as social transfers (other than pensions) reduce poverty by only 18.8% (vs 34.4% in the EU), in a 'weak but improving' situation. Both income inequality (4.62 vs 4.66 in the EU) and self-reported unmet needs for medical care (2.2%, down from 5.2% in 2023, vs 2.5% in the EU) improved considerably in 2024. People in rural areas, and vulnerable groups like the Roma nonetheless continue to face greater difficulties than others in access to essential and social services.

In light of the findings from the above first-stage analysis, and notably 7 indicators flagging as 'critical', **Romania is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 3.1.1).

Slovenia



Source: Eurostat [isoc_sk_dskl_i21], ESS ICT Survey.

Slovenia experiences challenges related to low participation of adults in learning and low levels of digital skills. In 2022, only 26.5% of all adults participated in learning. This was significantly below the EU average of 39.5% and represented a decrease of 13.8 pps compared to 2016, being therefore 'to watch'. Furthermore, only 46.7% of adults had at least basic digital skills in 2023, well below the EU average (55.6%), reflecting a decline of 3.0 pps compared to 2021. This situation is also 'to watch'. Moreover, one in four students in Slovenia does not have the minimum level of proficiency in mathematics and reading (PISA 2022) and a downward trend is observed. Positively, the share of early leavers from education and training remains lower than the EU average (9.4%), and decreased by 0.4 pps to 5.0% in 2024. In addition, the share of young people neither in employment nor in education and training (NEET) further declined by 0.2 pps to 7.6% in 2024, which is also 'better than average'.

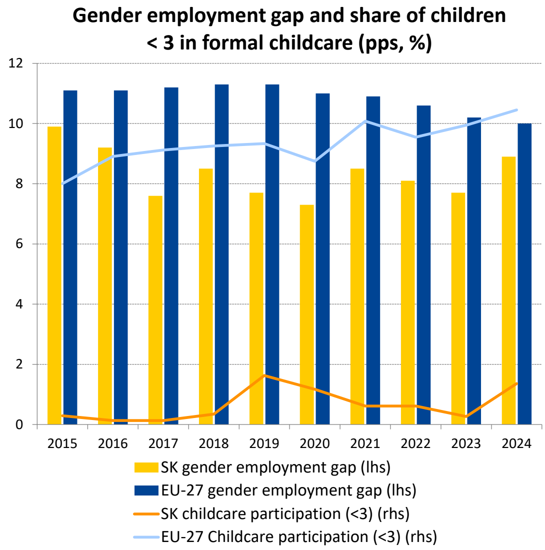
The labour market continues to perform well overall in a context of moderate economic growth, although certain challenges persist. In 2024, the employment rate increased moderately by 0.8 pps to 78.3%, above the EU average of 75.8%. The unemployment rate and its long-term component were both 'better than average' in 2024, at 3.7% and 1.1%, respectively. The gender employment gap, at 6.0 pps, was 'on average', although the participation of children aged less than 3 years in formal childcare was 57.8% in 2024, well above the EU average (39.2%). However, structural factors such as rapid population ageing and skills mismatches risk exacerbating existing labour shortages and hamper competitiveness.

Slovenia has overall good social outcomes. As in previous years, in 2024 the shares of the total population and of children at risk of poverty or social exclusion were among the lowest in the EU, at 14.4% and 11.8%, respectively (and Slovenia was a 'best performer' on both). However, some vulnerable groups, including women above 65, people with low-education, the unemployed, single parent households and people born outside the EU, experienced much higher poverty risks. The impact of social transfers (other than pensions) on poverty reduction was 'on average', at 37.7%, but less effective for older people (65+)[323]. Income inequality, as measured by the income quintile share ratio, at 3.42 in 2024, remained one of the lowest in the EU (a 'best performer' on this too).

In light of the findings from the above first-stage analysis, and notably 2 indicators flagging as 'to watch', **Slovenia does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

[323] See Institute of Macroeconomic Analysis and Development Slovenia, *Quality of Life in Slovenia – Development Report*, 2025.

Slovakia



Source: Eurostat [tesem060], EU LFS and [tepsr_sp210], EU-SILC.

Slovakia faces multiple challenges in relation to skills development. The participation rate of children below 3 years in formal childcare increased from 1.0% in 2023 to 5.1% in 2024, but remained significantly below the EU average (39.2% in 2024) and in critical situation. Additionally, the participation rate continued to be one of the lowest in the EU also for children above 3 years (80.8% vs 94.6% in 2023), including among Roma children. The share of young people leaving education and training early was comparatively low (7.5% vs 9.4% in the EU in 2024), but with one of the largest increases (+1.1 pps), which is 'to watch'. Steadily increasing in rural areas since 2021, it reached 9.8% in 2024. Based on the 2022 PISA survey, one third of 15-year-olds lacked basic skills in mathematics and reading. Finally, the share of adults with at least basic digital skills was 51.3% in 2023 after a drop from 55.2% in 2021, posing additonal risk to the digital transition, which is 'to watch'. On the positive side, the share of adults participating in learning over the past 12 months was 'better than average'.

The labour market performs well in general, but presents some challenges. In 2024, in the context of robust economic growth, the employment rate reached a record high of 78.1%, and the unemployment rate was at a record low of 5.3% (vs 75.8% and 5.9%, respectively, in the EU). The long-term unemployment rate is still in a 'critical situation', as it improved little in 2024, to 3.5% from 3.8% in 2023, remaining among the highest in the EU. Regional disparities also remained large. The share of young people neither in employment nor in education and training (NEET) further improved, falling from 11.2% in 2023 to 10.7% in 2024 ('on average'). At the same time, the youth unemployment rate, at 19.2%, remained above the EU average of 14.9%. Both the disability and the gender employment gaps widened since 2023 (to 23.8 pps and 8.9 pps vs 24.0 pps and 10.0 pps, respectively, in the EU), with the latter now 'to watch'. The gross disposable household income (GDHI) per capita index (2008=100) was 133.6 in 2024, 'on average'.

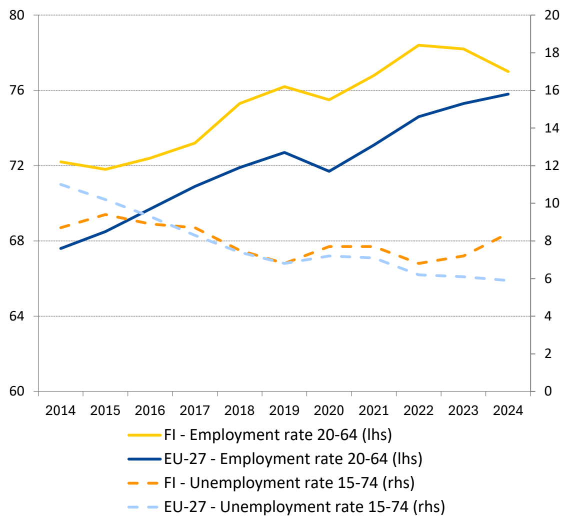
Slovakia has low overall poverty risks, but challenges remain for some regions and groups. For income inequality, as measured by the income quintile share ratio, Slovakia was a 'best performer', while the at-risk-of-poverty or social exclusion (AROPE) rate was 'on average', at 18.3% in 2024 (vs 21.0% in the EU). The eastern part of the country had higher poverty risks though. The AROPE rate for children dropped by 2.7 pps to 22.6% in 2024, and was 'better than average'. Also, the impact of social transfers (other than pensions) on poverty reduction improved slightly, to 36.7% in 2024 ('on average'). The country has one of the largest Roma populations in the EU, with thousands living in isolated areas with no access to essential services. The share of households overburdened by housing costs rose to 6.4% in 2024 ('on average'), while unmet medical needs were 'better than average'.

In the light of the findings from the above first-stage analysis, and notably 5 indicators flagging as 'critical' or 'to watch', **Slovakia does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).

Finland

Finland's labour market is facing challenges with weakening employment and unemployment. In a context of limited growth, the employment rate continued to decline in 2024 to 77.0% (-1.2 pps from 2023, vs EU average of 75.8%). The situation remains 'to watch' due to the relatively large decrease against an improvement at EU level. While the gender employment gap widened to 0.7 pps in 2024 (from 0.2 pps in 2023), it is now 'good but to monitor', considerably below the EU average of 10.0 pps. The unemployment rate increased for the second time in a row (+1.2 pps in 2024), to 8.4% (vs 5.9% in the EU), highlighting a 'critical situation'. Youth unemployment rose to 18.8%, well above the EU average of 14.9%. The long-term unemployment rate also increased to 1.8% in 2024 (vs 1.9% in the EU), and is now 'to watch'. This is the case also for the gross disposable household income (GDHI) per capita index (2008=100), at 108.7 in 2024, below the EU average of 114.3 and after a relatively small improvement (from 107.9 in 2023).

Employment and unemployment rates (%)



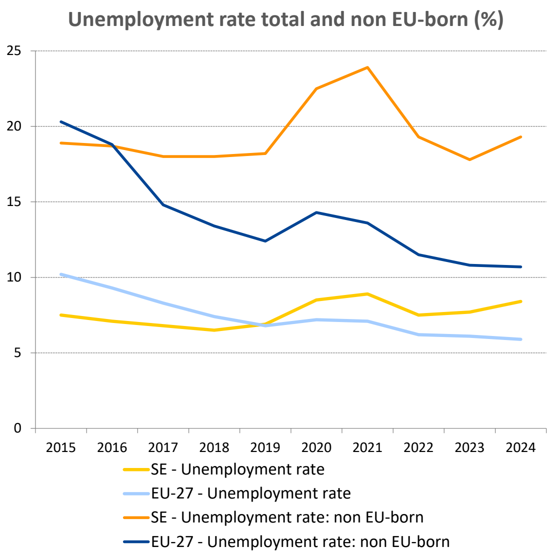
Source: Eurostat [lfsi_emp_a], [une_rt_a], EU LFS.

Overall, the country has an effective social protection system that provides adequate coverage but faces increasing challenges. In particular, the share of the population reporting unmet needs for medical care further increased in 2024 (by 0.6 pps) to a level (8.5%) that is among the highest in the EU (2.5% on average) and constitutes a 'critical situation'. While waiting times in primary healthcare started to fall, unmet need for non-urgent specialist care, for example mental health services, remained considerable. Staff shortages eased slightly but they remain a bottleneck particularly for specialist care. The share of people at risk of poverty or social exclusion (AROPE) increased by 1 pp to 16.8% in 2024, and even more so for children (+3.5 pps to 17.3%). Still, both remain below the EU averages of 21.0% and 24.2%, respectively, and are 'good but to monitor' (vs 'best performer' last year). On the other hand, despite a slight decrease, Finland is still a 'best performer' in relation to the impact of social transfers (other than pensions) on reducing poverty at 46.4% in 2024 (vs 34.2% in the EU).

Finland continues to perform well on skills overall. In 2023, 82.0% of the adult population had at least basic digital skills, making the country a 'best performer'. Also, the share of the adult participation in learning in the past 12 months was 'better than average', at 51.8% in 2022. However, the tertiary educational attainment rate stagnated below the EU average (39.1% vs 44.1% in 2024). After increasing for two years in a row, the share of early leavers from education and training remained at 9.6% in 2024, and is now 'on average'. At the same time, the results of PISA 2022 confirm that the share of pupils underachieving in basic skills steadily increased in the past decade, calling for attention. In 2022 the proportion of students underachieving in reading was 21.4% vs 26.2% in the EU, in maths it was 24.9% vs 29.5% in the EU, and in science it was 18.0% vs 24.2% in the EU.

In light of the findings from the above first-stage analysis, and notably 5 indicators flagging as 'critical' or 'to watch', including one that deteriorated over time, **Finland is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 3.1.1).

Sweden



Note: Break in the time series in 2018 and in 2021 (SE and EU).
Source: Eurostat [lfsa_urgacob], EU LFS

Sweden experienced a worsening in employment and unemployment outcomes in 2024. While the country still has one of the highest employment rates in the EU (81.9% in 2024 vs 75.8% on average), it decreased in 2024 by 0.7 pps, following a protracted period of weak economic growth, and against increases mostly recorded across the EU. This situation is 'good but to monitor'. At the same time, the unemployment rate increased (by 0.7 pps) to 8.4% in 2024, and is now one of the highest in the EU (vs 5.9% on average) after the second deterioration in a row, in a 'critical situation'. While the unemployent rate was 5.7% for people born in Sweden, it was 19.3% for those born outside the EU. Also, for people with low skills levels (ISCED 0-2) the rate was 26.1% vs 4.8% for the high skilled (ISCED 5-8). The country remained a 'best performer' for the share of young people neither in employment nor in education and training (NEET), at 6.3%, despite an increase. The gender employment gap was 'better than average' in 2024 (4.0 pps vs 10 pps in the EU), also supported by a high share of children under 3 in formal childcare (57.7% vs 39.2% in the EU, 'best performer'). Finally, the gross disposable household income (GDHI) per capita index (2008=100) improved slightly, from 120.2 in 2023 to 120.6 in 2024 and is 'on average'.

The social situation is good in Sweden overall, but certain challenges persist. Income inequality, as measured by the income quintile share ratio, decreased slightly (to 4.34 in 2024), and is now 'on average'. The at-risk-of-poverty or social exclusion (AROPE) rate decreased from 18.4% in 2023 to 17.5% in 2024, and is now 'better than average'. However, this overall rate hides large differences. People born outside the EU have much higher poverty risks than those born in Sweden (35.5% vs 12.1%), and the low-skilled have higher risks than the high-skilled (26.7% vs 11.1%). The AROPE rate for children decreased from 21.6% in 2023 to 20.9% in 2024 ('on average'). At the same time, social transfers (other than pensions) reduced poverty risks by 40.6% in 2024, after an increase from 36.9% in 2023, and are now 'better than average'. The housing cost overburden rate remained high in 2024, at 10.6% (vs 8.2% in the EU), and 'to watch'.

Sweden performs well regarding skills, but inequalities in the education and training system persist. The country is a 'best performer' on adult participation in learning, at 66.5% in 2022, and performs 'better than average'on the share of adults with at least basic digital skills. The share of early leavers from education and training continued to decrease in 2024 (to 7.2%) and is now 'on average'. Still, this share is more than twice as high (12.6%) among people born outside the EU compared to those born in Sweden (5.9%). In addition, the share of low achieving pupils has greatly increased between 2015 and 2022 (by 8.4 pps to 27.2%, PISA 2022).

In light of the findings from the above first-stage analysis, and notably 2 indicators flagging as 'critical' or 'to watch', including one that deteriorated over time, **Sweden does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 3.1.1).