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

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KEY MESSAGES

The Joint Employment Report from 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, skills 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. 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.

Chapter 1 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 on employment, skills and poverty reduction. Chapter 2 provides horizontal findings and analysis for each Member State in the first stage of the Social Convergence Framework (SCF), as part of the European Semester of policy coordination.

Monitoring progress towards the 2030 EU headline and national targets on employment, skills and poverty reduction leads to the following conclusions (see Chapter 1):

- **The EU is approaching its headline employment rate target by 2030.** The EU employment rate reached 76.4% in Q2 2026, which is 0.7 percentage points (pps) higher than in 2024, and only 1.6 pps from the 78% target by 2030. However, expected employment growth is currently below the pace needed to reach the employment target by 2030.
- **Significant further efforts are needed to reach the EU headline skills target.** According to the Adult Education Survey (AES), the share of adults participating in learning every year was 46.6% in 2022, remaining more than 10 pps below the target of 60%[2]. Additional data from the European Union Labour Force Survey (EU LFS) shows a small increase in adult learning participation between 2022 and 2024.
- **Despite progress, more efforts are needed to meet the EU headline poverty reduction target.** The number of people at risk of poverty or social exclusion was around 3.5 million lower in the EU in 2025 than in 2019.The number of people lifted out of poverty or social exclusion remains far from the headline target of a reduction of at least 15 million by 2030.

The first-stage analysis of the Social Convergence Framework shows (see Chapter 2):

i. **Some upward convergence in the employment rate and the labour market integration of young people and women.** This is accompanied by persisting challenges in terms of outcomes for persons with disabilities. The unemployment rate and its long-term component remained stable.

ii. **Slight improvements at EU level regarding skills and early school leavers, though risks to upward convergence persist regarding adult learning, digital**

[1] The last update of the Employment Guidelines was adopted by the Council of the European Union on 19 November 2026: Council Decision and Annex.

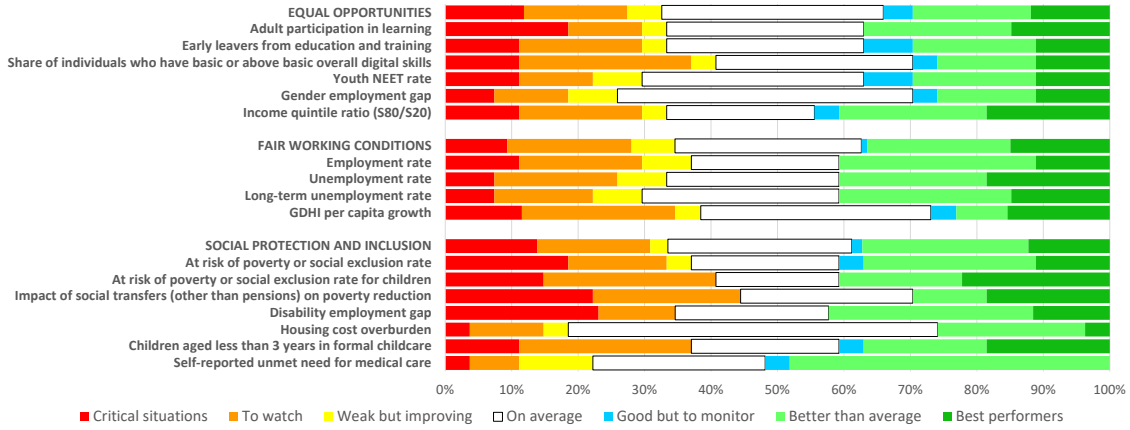
[2] 2022 is the latest date for which comprehensive data on adults' participation in learning is available through the Adult Education Survey. Following agreement with the Indicators Group of the Employment Committee in January 2026, the AES data presented includes guided on-the-job training. While the data in this report still relies on the 2022 AES round, the figures reported this year are different from figures in previous editions of the Joint Employment Report due to the inclusion of guided on-the-job training.

skills and early childhood education. All indicators in this policy area have a relatively high number of Member States in 'to watch' or 'critical' situations.

iii. **Some EU-level improvements of income inequality and household incomes, though without upward convergence.** Poverty and social exclusion are stagnating, including for children, and the impact of social transfers on poverty reduction deteriorated. All these indicators as well as income inequality showed large disparities among Member States and no clear upward convergence.

Nine Member States will be subject to the second-stage analysis of the Social Convergence Framework. These include Bulgaria, Greece, Spain, Italy, Latvia, Lithuania, Romania and Finland, which were also in the second stage last year. In addition, Austria will be subject to the second-stage analysis for the first time this year. Luxembourg, which was in the second-stage analysis last year, is out this year. A more detailed second-stage analysis (using a wider set of quantitative and qualitative evidence) will be conducted by the Commission services for these countries for which potential risks to upward social convergence have been identified.

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 2.1.1 in section 2.1. 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 uncertainty, the EU labour market remained resilient in 2025 and early 2026. The employment rate (20-64 age group) reached 76.4% in the second quarter of 2026, but employment growth is slowing amid rising economic and geopolitical uncertainty. In the first half of 2026, employment in the EU increased by 0.2% compared to the second half of 2025, corresponding to 442 000 additional workers. Employment growth was driven by rising labour force participation and job creation driven by both market and non-market services. By contrast, employment declined slightly in manufacturing and agriculture. For 2026 as a whole, EU labour markets are expected to employ more than 800 000 additional workers[3]. At the same time, the energy oil shock is estimated to have reduced employment growth by 0.2 pps in 2026, which would correspond to 440 000 fewer jobs created.[4] This effect will be felt more in sectors such as manufacturing, transport, construction, and wholesale or retail trade. Unemployment stabilised close to its

[3] European Commission, European Economic Forecast. Autumn 2026.

[4] The estimate is based on Commission European Spring Forecast 2026 and calculations run for the European Commission, European Employment and Social Outlook, 2026, Publications Office of the European Union, 2026.

record low (6.1% in Q2 2026). Although employment rates converged upward across Member States, significant regional disparities persisted, affecting in particular rural, sparsely populated or peripheral areas and outermost regions, negatively impacting the attractiveness of these regions.

Long-term unemployment remains close to historical lows, with participation in active labour market policies increasing at EU level over the last decade. In 2025, long-term unemployment in the EU remained stable at 1.9%. It continued to decline in most Member States with the highest rates but without clear signs of upward convergence across Member States. The share of long-term unemployment in total unemployment has also decreased markedly. This reflects efforts by Member States and public employment services to strengthen activation and reintegration. Active labour market policies have expanded at EU level in terms of participation, although with large differences across Member States. Participation in activation measures rose by 80% in the EU. Disparities at the regional level also remain pronounced, but the most affected territories are gradually converging.

A resilient labour market despite economic and geopolitical uncertainty

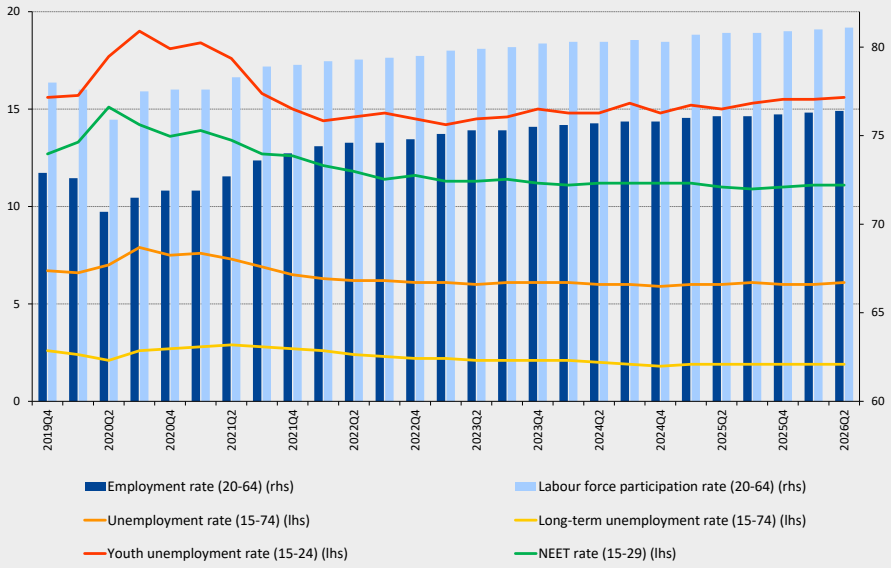
76.4%
employment rate (20-64) in Q2-2026 (+0.3 pps year on year)

81.1%
labour force participation rate (20-64) in Q2-2026 (+0.3 pps year on year)

6.1%
unemployment rate (15-74) in Q2-2026 (+0.1 pps year on year)

15.6%
youth unemployment rate (15-24) in Q2-2026 (+0.6 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.

Non-standard forms of work can help meet labour market needs but often also contribute to greater labour market segmentation and weigh on job quality. While offering flexibility, non-standard work can limit upward mobility and be associated with job insecurity, poor working conditions, lower earnings, fragmented careers and gaps in social protection[5]. Together with low work intensity, these factors contribute to in-work poverty, which affected one in twelve workers in 2025. Social transfers can substantially reduce this risk, although their effectiveness varies across Member States. Temporary contracts remain disproportionately common among young people and women, often involuntarily. Part-time employment, while more often voluntary, affects a substantial share of workers and remains more prevalent among women. Active labour market policies, access to learning and adequate social protection can reduce segmentation and improve job quality.

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

Labour productivity growth has steadily decelerated over the past two and a half decades, posing a challenge to the EU's competitiveness and social cohesion[6]. Productivity growth strengthened to 1.3% in 2025, following marginal gains in 2024 and a decline in 2023. Total hours worked increased broadly in line with employment in 2025 while average hours worked per employee continued to decline gradually. Strengthening innovative capacity and human capital, as highlighted in the Competitiveness Compass, the Council recommendation on Human Capital in the EU and other initiatives[7], alongside a deeper Capital Markets Union, will be central to raising productivity in the years to come.

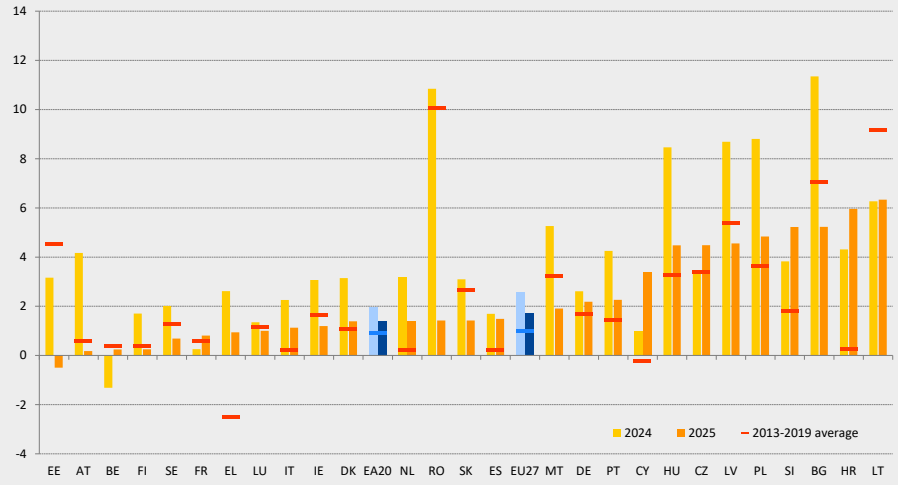
Skills and labour shortages in key strategic sectors constrain the EU's innovative capacity and competitiveness. The job vacancy rate continued to moderate in the EU in 2025, to 2.1%. This reflects easing labour market tightness, which may be attributed to both weaker labour demand and increased labour supply. While the rate has decreased from its peak in 2022, it remains above pre-pandemic levels. Important structural factors, such as demographic change, evolving skills needs linked to the twin transition and low job quality in some sector, influence labour shortages on top of temporary fluctuations. Shortages of highly skilled workers, especially in ICT and STEM (science, technology, engineering and mathematics), continue to hinder innovation and competitiveness, with SMEs particularly affected. The most disadvantaged regions suffer the most acute skills and labour shortages, which further affect their competitiveness. Labour shortages weigh on productivity: a 1 pp higher shortage level is associated with 0.3 pps lower annual hourly productivity growth[8].

Real wages grew at a slower pace in 2025, mainly due to lower nominal wage growth

Nominal compensation per employee increased by 4.3% in 2025 and **by 3.7%** in 2026 (forecast)

Real wages increased by 1.7% in 2025 and **by 0.6%** in 2026 (forecast)

Real gross wages and salaries per employee
(% change; 2013-2019, 2024 and 2025)



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].

Wage growth remained above pre-pandemic levels. Nominal compensation growth and real wage growth moderated to 4.3% and 1.7% respectively from their record levels in 2023. Negotiated wages in the euro area also continued to moderate in 2025, pointing to slower nominal wage growth ahead. The slowdown in 2025 reflects weaker hiring and declining

[6] Draghi report: A competitiveness strategy for Europe, 9 September 2024.
[7] Notably AI Continent Action Plan, COM(2025) 165 final; Apply AI Strategy, COM(2025) 723 final.
[8] The dual nature of labour shortages, European Commission, Employment, Social Affairs and Inclusion, 2026.

inflation, which reduced pressures for further nominal wage adjustments. After substantial increases in nominal terms in most Member States in 2024, national minimum wages continued to rise at a rapid pace between July 2025 and July 2026. They also increased in real terms in almost all Member States with national minimum wages. These minimum wage increases continued to support the purchasing power of workers earning low wages in almost all Member States. Weak productivity growth since 2019, at 0.4% annually on average in the EU, has constrained the scope for wage increases without hampering cost competitiveness. In some Member States, fast wage growth was not matched by productivity increases and therefore weighed on cost competitiveness. While the share of low-wage earners and the risk of in-work poverty have decreased on average in the EU, in-work poverty remains relatively high, with significant variation across population groups and sectors. Earning low wages remain significantly more frequent among women, young workers, people with lower education levels, those with temporary contracts and those working fewer hours.

Some sectors perform signifantly worse than others across key job quality dimensions

Heat map of sector group (NACE 1-digit) job quality scores, as compared to the EU average

Scores	Sectors	# Workers (ths)		Low-wage	Involuntary temporary	Involuntary part-time	Long working hours	Atypical working time
	Sectors with better scores across the select indicators							
0	Public administration and defence; compulsory social security	14140	7%	na	6.1	1.3	2.7	20.9
0	Water supply; sewerage; waste management and remediation activities	1753	1%	10.3	6.1	na	2.9	27.2
0	Information and communication	7943	4%	4.8	3.4	0.9	6.1	15.4
0	Financial and insurance activities	5563	3%	3.3	2.0	na	5.8	12.7
0	Manufacturing	31010	16%	10.4	3.9	0.7	4.0	33.1
1	Professional; scientific and technical activities	12138	6%	7.2	4.1	1.4	9.7	16.9
1	Construction	13984	7%	12.2	5.2	0.9	9.9	13.3
1	Real estate activities	1747	1%	14.2	4.0	na	7.8	21.3
2	Education	15156	7%	7.1	11.3	4.4	3.5	18.8
	Sectors with worse scores across the select indicators							
3	Transportation and storage	10868	5%	16.5	5.0	2.2	8.5	44.5
3	Human health and social work activities	22807	11%	10.7	7.0	4.0	3.7	42
4	Wholesale and retail trade; repair of motor vehicles and motorcycles	26954	13%	20.6	4.7	4.0	6.3	48.1
4	Administrative and support service activities	8254	4%	32.3	8.2	8.3	4.5	32.7
4	Agriculture; forestry and fishing	6102	3%	na	17.8	2.8	20.7	49.7
4	Arts; entertainment and recreation	3491	2%	22.2	13.5	7.2	5.6	50.3
5	Other service activities	5026	2%	21	7.5	6.1	6.5	41.7
5	Accommodation and food service activities	9889	5%	35.0	11.5	8.2	9.4	73.0

Note: Data is for 2025 for all indicators but 2022 for the share of low-wage earners and 2023 for atypical working time. The score indicates the number of indicators in which a sector performs worse than the EU average.
Source: European Commission, European Employment and Social Outlook, Publications Office of the European Union, Luxembourg, 2026. DG EMPL calculations based on Eurostat special extractions.

Workers in **service sectors** often face **low gross hourly wages** and many, notably in **accomodation and food services**, **involuntarily work part-time**

Job and career security and in part also **adequate earnings** pose challenges for some working in **education, health and social work**

Despite significant variation across groups and sectors, job quality has improved over the last decade across key dimensions of the EMCO Job Quality Monitoring Framework. Still, job quality remains uneven. Women, younger workers, those with low education levels, migrants and the self-employed tend to experience lower job quality. Around one-third of workers in the EU, those in the ICT, financial and insurance, manufacturing, and public administration sectors, score better than the average in terms of overall job quality. Workers in the service sector, including hospitality, as well as in some key sectors for the functioning of society and the economy face challenges across different job quality dimensions. These latter sectors include notably education, health and social work. Some of them, such as administrative and support services and hospitality, have also recorded the largest labour shortages.

Job quality across these key dimensions is higher in sectors of strategic importance, and both benefits and supports productivity growth. Job quality is higher in sectors like manufacturing and knowledge-intensive service sectors, which are of strategic and economic importance to the EU. By contrast, lower skills levels are often associated with industries with poorer job quality, such as accommodation and food services and administrative and support services. Higher-quality jobs tend to be in productive sectors as there is a mutually reinforcing relationship between productivity and job quality. Stronger productivity growth provides the economic basis for improvements in earnings and working conditions. In turn, certain dimensions of job quality can support productivity: adequate earnings strengthen workers' motivation and retention, job security encourages investment in firm-specific skills, and sustainable work patterns reduce fatigue, absenteeism and errors. Moreover, sectors combining high work autonomy with moderate work intensity recorded the strongest productivity growth.

The Quality Jobs Roadmap and the forthcoming Quality Jobs Act constitute a renewed commitment to fostering quality jobs in the EU. The Roadmap outlines initiatives to align employment policies with the needs of a fast-evolving economy. It aims to support resilient productivity growth by promoting quality jobs that attract and retain talent across all generations, particularly in the context of the green, digital and demographic transitions. A proposal for a Quality Jobs Act will be presented at the end of 2026.

Fighting undeclared work and strengthening workplace safety remain key, but enforcement capacity is uneven across the EU. The most recent estimates indicate that, in 2019, 9.7% of the total labour input in the EU was undeclared. This not only erodes the tax base but also deprives workers from their legal rights to employment and social protection, significanly lowering job quality. Although Member States increasingly rely on big data, risk-based analysis and AI to tackle undeclared work, capacity differs significantly as some countries employ relatively fewer inspectors than others. Lower enforcement capacity can also impact safety and health at work. As the prevalence of fatal accidents at work slightly increased in 2025, the highest number of incidents were reported in the construction and transportation and storage sectors, with large differences across Member States.

Artificial Intelligence (AI) can complement workers and boost labour productivity, creating new tasks and jobs. It may also displace workers through automation. Although the evidence is still limited, recent academic research suggests that AI is reallocating labour across tasks and firms without, so far, clear evidence of net job destruction. Its most common effect appears to be the transformation of task profiles, with current applications tending to complement high-skilled, high-wage work, thereby augmenting the capabilities of workers, thus yielding individual-level gains, while disrupting more routine roles. AI is also amplifying the way digital monitoring and algorithmic management is reshaping the organisation of work. While boosting efficiency, significant risks, such as constant surveillance and data-protection breaches, emerge[9]. Social dialogue, including collective bargaining, can support the responsible and human-centric adoption of AI that protects workers' rights.

Realising the full potential of AI across Europe's workplaces requires closing adoption gaps and equipping workers at all levels with the skills needed. Although the use of AI carries risks, it also offers immense potential that the EU should seize to remain competitive. At the same time, the Union should ensure that its benefits are shared by all. A recent

[9] Fernandez Macias, E. et al., Work in the Digital Era: How Technology is Transforming Work and Occupations, Publications Office of the European Union, Luxembourg, 2025.

survey[10] covering 18 Member States finds that AI adoption is currently concentrated among the highly educated, managers and professionals, younger people, and in economies with robust innovation ecosystems. Uneven uptake risks deepening a dual digital divide both within and across Member States. Moreover, adoption alone is insufficient. In a 2024 survey[11], 42% of respondents reported skills gaps in using AI tools for their jobs, and only 15% had participated in AI-specific training, with access to such training mirroring existing inequalities. Ensuring that workers at all levels can develop the right skills is crucial for a fair AI transition.

Over the past decade, underachievement among 15-year-olds in the EU has risen from below to above the OECD average

Underachievement in mathematics was **33.9%** in 2025 in the EU, up **11.7 pps** since 2015

- OECD average up **9.2 pps** to **33.8%**

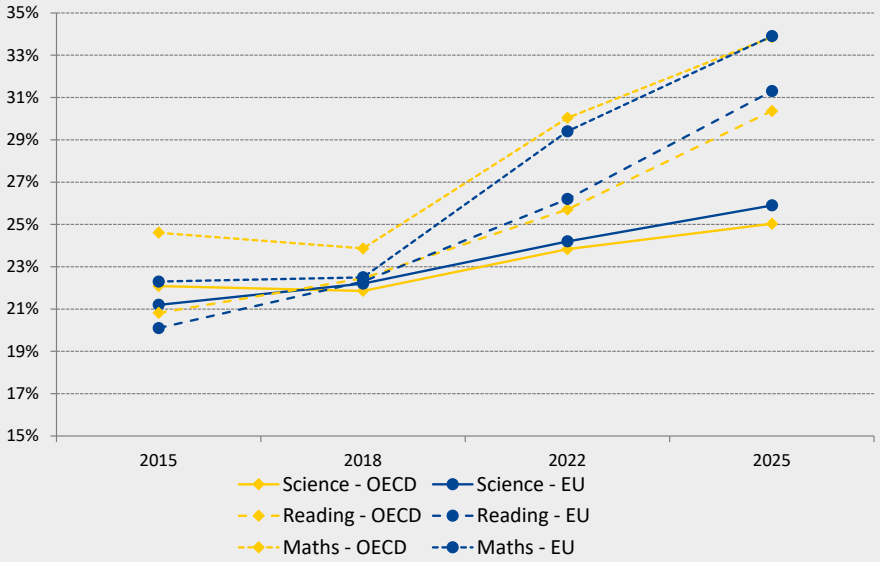
Underachievement in reading was **31.3%**, up **11.3 pps**

- OECD average up **9.5 pps** to **30.4%**

Underachievement in science was **25.9%**, up **4.9 pps**

- OECD average up **2.9 pps** to **25.0%**

15-year-olds not achieving the expected Level 2 or higher in science, reading and mathematics in PISA tests, EU and OECD averages, 2015, 2018, 2022 and 2025



Note: LU did not participate in 2022; no reading test results reported for ES in 2018.
Source: OECD PISA 2025 Results, Volume I; EU averages are DG EAC calculations.

The continued and widespread decline in basic skills among young people calls for urgent action to improve education and training systems. More young people in the EU are completing their education, bringing the EU close to its 2030 targets for early leaving from education and training and tertiary attainment among 25-34-year-olds. Yet, recent evidence of the 2025 PISA survey shows that the alarming deterioration in basic skills continues in the EU, reaching the highest levels of underachievement recorded so far. The data show a strong correlation between achievement and socio-economic background, as well as a drop in top performance in reading and mathematics, while the deterioration in science is less pronounced.

The decline in PISA scores is associated with several interrelated factors, including uncritical use of AI tools, digital distraction, weaker parental engagement with education and teacher shortages. Underachievement has increased in every PISA round since 2015. Out of all students, 40% are in schools whose principals report that a lack of teaching staff hinders instruction, which is up by 12 pps since 2018. The deterioration in

[10] European Commission, The AI-adoption divide: Who benefits, who doesn't, and what it means for workers, Special Issue, Spring 2026 Economic Forecast, 2026.
[11] Cedefop, Skills empower workers in the AI revolution – first findings from Cedefop's AI skills survey, Publications Office of the European Union, 2025.

reading skills is particularly worrying, with underachievement growing from 20.1% to 31.3% over the past decade, alongside low digital literacy, AI literacy and civic competences. It limits young people's ability to navigate technological change and cope with misinformation and disinformation. The education system faces broader and more systemic challenges, including equity in educational outcomes, overloaded curricula, and insufficient uptake of evidence-based school practices and evaluation methods. The Union of Skills Action Plan on Basic Skills, the Digital Education Action Plan and the recent Education and Skills Package address these challenges through a broad set of measures[12].

Recent vocational education graduates tend to enjoy excellent employment prospects, while their skills are now in high demand. More than half of upper-secondary students in the EU pursue vocational education and approximately four in five recent graduates are in employment. This is significantly higher than the employment rate of those who recently graduated with a general secondary education. 70% of the occupations with the highest shortage scores in the EU typically employ people holding medium-level vocational qualifications[13]. Demand for strong technical and vocational skills is likely to increase further due to technological change and the green and digital transitions. To address these needs, the Council has set targets on participation in STEM fields in vocational and tertiary education and on female participation. An increasing share of vocational students are benefitting from work experience during their studies, helping bridge the transition into work, although access remains uneven across Member States. The Commission's recent VET Strategy aims to support modern VET systems that will keep pace with technological change, strengthen partnerships between employers and VET and allow students to gain more experience abroad.

Basic digital skills among adults improved moderately between 2023 and 2025, while more advanced skills are needed to foster AI innovation. More than half of EU citizens now use AI and a large majority reports that it enables them to do their work more quickly. More than 90% of jobs require at least basic digital skills, yet only 60.4% of adults report having these skills. Despite a moderate increase between 2023 and 2025, significant differences persist between Member States, and older people lag behind. At the same time, the EU also needs professionals with high levels of digital skills to drive innovation and productivity, which is key to develop sovereign AI capabilities. However, it remains well short of its target of 20 million ICT professionals by 2030, and the adoption of generative AI in the workplace lags behind the use for private purposes. The Digital Europe Programme includes initiatives to increase advanced digital skills and the digital talent pool, including an investment of more than EUR 50 million in Digital Skills Academies[14].

While the transition from education to work remains challenging for some, young people's prospects have improved greatly in the last decade and there is no definitive sign of a youth-specific shock due to AI. The share of young people neither in employment nor in education and training (NEET) continued to decline in the EU and there are signs of upward convergence. The rate has fallen significantly in the past decade, to 11.0% in 2025. Nevertheless, the rate is 2 pps from the 2030 EU-level target, while it increased modestly year-on-year in almost half of Member States. Moreover, young people living in poorer and remote regions remain significantly more likely to be NEETs, as are young Roma and persons with disabilities. The economic cost of young people in the EU being NEETs has been estimated at around 0.6% of GDP. Concerns that AI would make it harder for young

[12] The Union of Skills, COM(2025) 90 final; Digital Education Action Plan 2021-2027, COM(2020) 624 final; Education and Skills Package, COM(2026) 770 final.
[13] As set out in the recent Vocational Education and Training Strategy for 2026-2030 (COM/2026/805 final).
[14] See: The Digital Europe Programme.

people to find entry-level roles have so far not been borne out by conclusive evidence, while preliminary analysis points to different employment trends across age groups in sectors with greater AI uptake. Overall, there is no evidence of net job destruction due to AI. The reinforced Youth Guarantee supports NEETs by offering quality employment, education, apprenticeships or traineeships within four months of becoming unemployed or leaving formal education[15].

Persisting gender gaps in employment and pay highlight how some features of personal taxation systems can limit equality in the labour market. The gender employment gap, while narrowing slightly, remains substantial across the EU at 9.6 pps in 2025, with significant disparities between Member States. It is wider among people with children and single mothers. Women also account for almost two-thirds of the nearly 50 million people aged 20-64 who are outside the labour market. The gender pay gap remains high, at 11.1% in 2024, compounded by occupational segregation, under-representation in senior positions, differences in employment intensity and unequal care responsibilities. Joint taxation systems can increase the marginal rate of personal income tax faced by second earners, who are typically women. In many Member States, high marginal taxes discourage women from entering the labour market or working more hours.

Further improving the labour market integration of people born outside the EU can help ease shortages and mitigate the effects of demographic change. The share of the EU working-age population born outside the EU has increased by half over the past decade, to 12% in 2024. Still, their labour force participation and employment rates remain below those of other groups, leaving millions of working-age migrants outside the labour market despite persistent shortages and population ageing. Low educational attainment, language barriers, discrimination, and health-related disadvantages remain significant obstacles to participation. At the same time, many third-country nationals are overqualified for the jobs they hold. Upskilling and reskilling as well as recognising qualifications along with active inclusion can help reduce these inefficiencies, improve labour market outcomes and support social cohesion. The European Commission's recent Fair Labour Mobility package contains important measures to help migrants' integration in the labour market.

Persons with disabilities continue to face significant challenges to their labour market integration, in particular those with severe disabilities. The disability employment gap, at 24.2 pps in 2025, has narrowed only marginally over the past decade. It is almost three times higher among those with severe than those with some disabilities. Recent data also point to significant divergence across Member States. These wide gaps in employment rates result in substantially higher rates of poverty or social exclusion among working-age persons with disabilities. Despite measures adopted by Member States, labour market inclusion policies do not yet appear to be sufficiently effective in closing these gaps across the EU.

In 2025, households' income increased further, while the share of people at risk of poverty or social exclusion declined slightly, along with severe material and social deprivation. Real household disposable income rose further, driven by slower but sustained growth in compensation of employees. The number of people at risk of poverty or social exclusion decreased compared to 2019, including from 2024 to 2025. This is despite the COVID-19 pandemic, high energy prices and overall uncertainty. The incidence of severe material and social deprivation followed a similar decline over time. Yet, higher energy prices can be expected to exert pressure on household incomes, with low-income households

[15] 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.

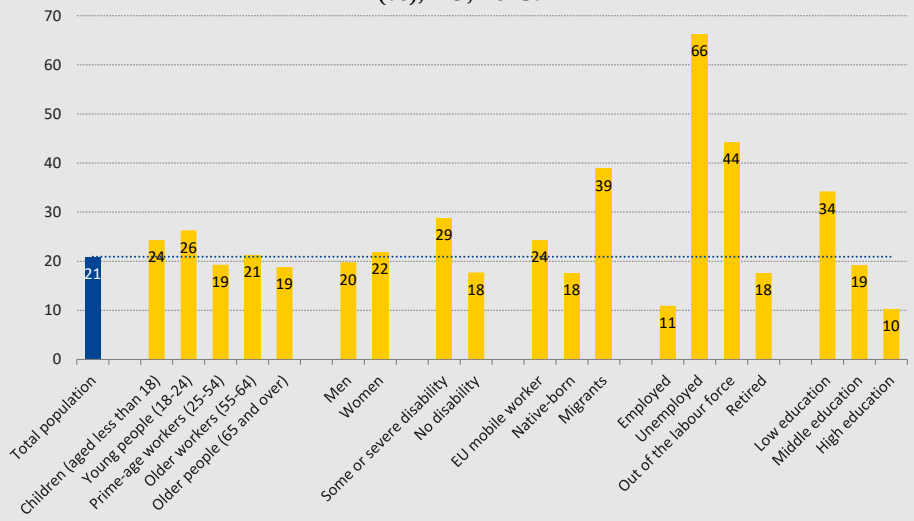
impacted most. Already now, one in five persons, nearly 93 million in the EU, still remain at risk and 26.9 million experience deprivation. Children, large families, older people, persons with disabilities, people with low education levels, those born outside the EU and Roma are disproportionately affected. Minimum income support remains insufficient to lift recipients out of poverty in the large majority of Member States, while social protection does not fully cover some groups, including atypical workers and the self-employed. The EU Anti-Poverty Strategy, adopted in May 2026, provides a comprehensive approach to reduce the risk of poverty or social exclusion for all[16].

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 2025

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, 2025.



Notes: 2025 values refer to 2024 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].

The share of children at risk of poverty or social exclusion in the EU has declined for a third consecutive year. However, it remains higher than for the overall population: nearly one in four children remained at risk in 2025. Child poverty is closely linked to the adequacy and coverage of in-cash benefits, one pillar of the comprehensive approach to fighting child poverty. These include family benefits and minimum income support, complemented by adults' access to employment. Such benefits, on average, are estimated to reduce the share of children at risk of poverty by 10.6 pps. Lifting children out of poverty is instrumental to breaking the cycle of intergenerational transmission and enabling children to reach their full potential.

The housing cost overburden and energy costs remain significant challenges, disproportionately affecting people at risk of poverty. Almost one in ten EU residents live in households overburdened by housing costs, and three in ten among those at risk of poverty. Arrears on rent, mortgage payments and utility bills remain closely linked to poverty and social exclusion. Energy poverty has continued to decline but remains markedly higher among those experiencing poverty, and the 2026 price shock is set to raise energy and transport cost more for low-income households. This is due to a large extent to our dependence on fossil fuel imports and the impact of the closure of the Strait of Hormuz,

[16] The European Union's Anti-Poverty Strategy: addressing and preventing poverty from childhood to old age, COM(2026) 538 final.

which runs through the whole economy, varying across populations groups and Member States. Low-income households are expected to lose considerably more purchasing power than higher income households because essential goods such as food and energy account for a larger share of their budgets.

Housing affordability impacts young people, with overcrowding experienced mostly by those with low incomes. Young people leave parental home relatively late in the EU, at the age of 26.3, partly due to housing-related financial strain. As the house price to income ratio increased in 2025 by 1.7 pps, above its long-term average, after decreases in the previous two years, this strain has become more severe[17]. Small and inefficient rental markets add to such difficulties and yield high rents as the social rental housing stock had declined over recent decades. At the same time, one in six people live in overcrowded housing, which rises to more than one in four among young people and those at risk of poverty. Homelessness concerns an estimated 1.4 million people in the EU. The European Affordable Housing Plan and the recently adopted recommendation on fighting housing exclusion, including homelessness, sets out a comprehensive package of measures to help Member States, regions and cities address these challenges[18].

In the face of the demographic transition, older people face risks related to pension adequacy and rising care needs. While the risk of poverty or social exclusion among older people has decreased since 2022, it remains significant at 18.8%, especially for women (21.2%). Pension and tax systems play an important role in reducing inequality and poverty in later life. However, fragmented working lives, atypical careers and low earnings can weaken future pension entitlements, especially for women, posing adequacy risks for today's younger cohorts. At the same time, demand for long-term care is increasing. High out-of-pocket costs and limited service availability, partly reflecting labour and skills shortages, can put significant financial and social pressure on older people and their families. High quality, accessible and affordable long-term care services are key to ensure a dignified life in old age.

Social dialogue and collective bargaining contribute to a competitive and resilient social market economy and are key to the anticipation and management of change. Increasingly rapid technological cycles fundamentally alter the functioning of labour markets. At the same time, social dialogue and collective bargaining are increasingly under pressure. While employer density remains relatively stable, collective bargaining coverage and trade union density declined over the past two decades. In line with the Minimum Wage directive, among Member States with collective bargaining coverage rates below 80%, twelve have established action plans outlining clear timelines and concrete measures to promote collective bargaining. In the remaining six Member States action plans are being discussed with social partners and are expected to be established in the coming months. Collective bargaining provides the appropriate framework for discussing the deployment of AI and its implications for workers. Workers' own perceptions underscore the importance of such dialogue[19]: in a survey of eleven Member States, more than three in ten workers believe their employer will use AI to replace workers, six in ten doubt that their employer will take workers' views into account when making decisions about AI, and almost half of them do not expect to receive adequate training.

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[17] Transport poverty, particularly the inability of EU residents to reach essential socio-economic services and activities within a reasonable amount of time, poses an additional challenge to access to opportunities, training, and employment.

[18] Council Recommendation of 19 October on fighting housing exclusion, including homelessness.

[19] Cedefop, Skills empower workers in the AI revolution first findings from Cedefop's AI skills survey. Publications Office of the European Union, 2025.

CHAPTER 1. EMPLOYMENT AND SOCIAL REFORMS – MEMBER STATES' PERFORMANCE AND ACTION

1.1 Guideline 5: Boosting the demand for labour

This section looks at the implementation of the employment guideline no. 5. This 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 competitiveness implications. Section 2.1.2 reports on the measures implemented by the Member States in these areas.

1.1.1 Key indicators

The EU labour market remained resilient in 2025 and early 2026, with signs of upward convergence among Member States but slower employment growth. Employment increased by over 1.0 million in Q2-2026 compared to Q2-2025, bringing total employment to 221.4 million. The employment rate (20-64 age group) reached 76.1% in 2025 (up by 0.4 pps from 2024) and a record high of 76.4% in Q2-2026. Thereby, progress towards the EU headline target of having at least 78% of people aged 20-64 in employment by 2030 has continued. While employment growth decelerated further (from 0.8% in 2024 to 0.5% in 2025), it remained positive, showing sustained resilience despite elevated economic and geopolitical uncertainties. In 2025, the employment rate increased by 0.2 pps for men, reaching 80.9%, and by 0.6 pps for women, reaching 71.3%. The employment rate increased in 16 Member States, most strongly (by 1 pp or more) in Greece, Cyprus, Portugal and Spain – see Figure 1.1.1. Malta, the Netherlands and Czechia are 'best performers', with employment rates at or above 82.9%. Five Member States are 'to watch': France and Croatia recorded improvements, but the employment rate is still at relatively low levels; Luxembourg experienced a decline from already below-average level; Finland and Denmark saw large declines, while remaining above the average. By contrast, Italy and Belgium are in a 'critical situation' with relatively low employment rates (below 73.0%) and limited progress, along with Romania that saw a substantial deterioration from relatively low levels. Overall, the figures show some signs of upward convergence in 2025.

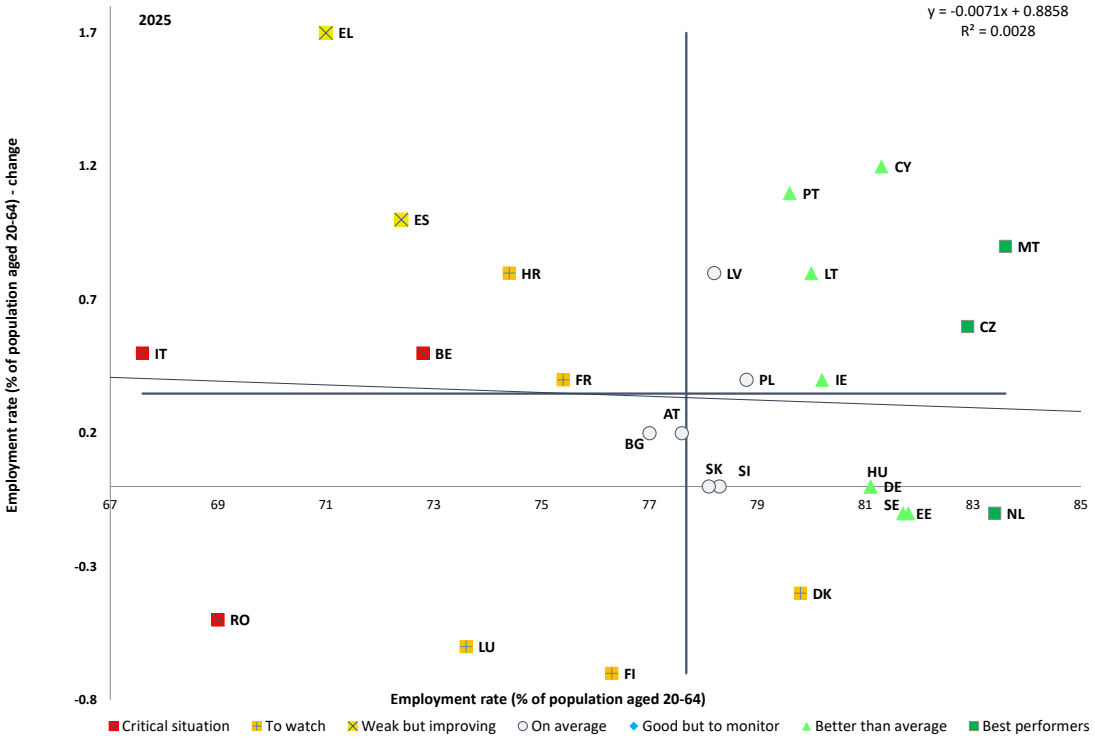
Employment growth was primarily driven by rising labour force participation, driven by both market and non-market services. In 2025, the working-age population (20-64) in the EU was 263.1 million, compared to 262.5 million in 2024. According to Labour Force Survey data, the labour force participation rate (age group 20-64) reached the record high of 80.8% (from 80.3% in 2024). Labour force participation lies at 85.7% for men compared to 75.8% for women. Unemployment rates, on the other hand, have stabilised at low levels. According to national accounts data, in the first half of 2026, headcount employment in the EU increased by 0.2% compared to the second half of 2025, corresponding to 442 000 additional workers. Employment growth was driven by both market and non-market services, while employment declined slightly in manufacturing and agriculture[20]. For the full year, EU labour markets are expected to employ more than 800 000 additional workers in 2026[21].

[20] In agriculture, young farmers currently account for only 12% of the farming population, raising concerns about the sector's demographic sustainability.

[21] European Commission, European Economic Forecast. Autumn 2026.

Figure 1.1.1: Employment continued to increase in most Member States in 2025

Employment rate (age 20-64), 2025 levels and changes from previous year (%, Social Scoreboard headline indicator)



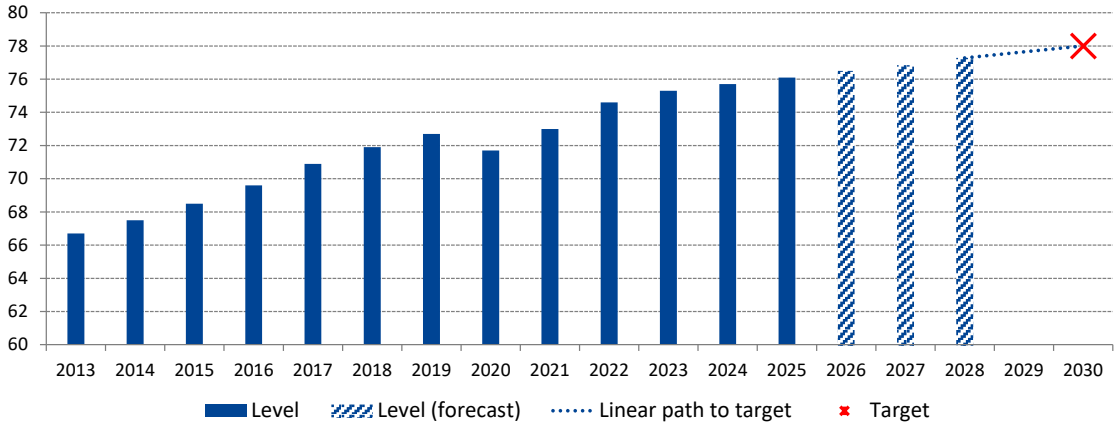
Note: Guidelines are centred on the unweighted EU average. Definition differs for ES and FR.
Source: Eurostat [lfsi_emp_a], EU LFS.

While employment growth moderated in 2025, the EU is approaching its headline employment target by 2030. The EU employment rate rose at the same pace in 2025 as in 2024, with an increase of 0.4 pps to 76.1%. This leaves a gap of 1.9 pps to the 78% target, set to be reached by 2030. Based on Eurostat's latest demographic projections, an average annual employment growth rate of 0.57% between 2025 and 2030 would be sufficient to meet the target. By comparison, employment grew by 1.1% per year on average during the pre-pandemic period (2013-19) – see Figure 1.1.2). According to the Commission Autumn 2026 Forecast, employment is projected to expand below the required pace over the forecast horizon, i.e. by 0.4% in 2026, 0.3% in 2027 and 0.4% in 2028. The Commission estimates that the 2026 energy price shock could reduce employment growth by 0.2 pps, or about 440 000 jobs, with the largest effects in manufacturing, transport, construction and wholesale and retail trade[22]. Expected employment growth is thus currently below the pace needed to reach the employment target by 2030.

[22] The estimate is based on Commission European Spring Forecast 2026 and calculations run for the European Commission, European Employment and Social Outlook, 2026, Publications Office of the European Union, 2026.

Figure 1.1.2: The EU is approaching its headline employment target

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



Note: Values for 2026, 2027 and 2028 are based on projected employment growth as well as projected population and working-age population growth.
Source: Eurostat [lfsi_emp_a]; employment growth forecast, European Commission Autum Forecast 2026; population forecasts, Eurostat population projections, Europop 2025.

Most Member States made further progress towards their national employment targets in 2025[23]. In seven countries – Slovakia, Ireland, the Netherlands, Estonia, Cyprus, Poland and Czechia – the employment rate in 2025 was already higher than their respective 2030 targets, while Greece slipped slightly below its 71.1% target – see Figure 1.1.3. Among the 20 countries still facing gaps, 12 narrowed them in 2025, and 13 are now within 3 pps of their targets. The largest remaining gaps are in Belgium (7.2 pps), Romania (5.7 pps), Italy (5.4 pps) and Hungary (3.9 pps). Three quarters of Member States experienced employment growth below the pre-pandemic average (2013-19)[24], against a background of higher employment rates and shrinking working-age population – see Figure 1.1.4. Nevertheless, in 12 Member States, annual employment growth remained at or above the pace needed to reach or retain the national target[25]. Luxembourg, Finland, Sweden, Belgium, Bulgaria, Hungary, Germany, Slovenia, Denmark, Austria and Romania recorded growth in 2025 below both the pre-pandemic average and the rate needed to reach the target, though Sweden remains close to its target.

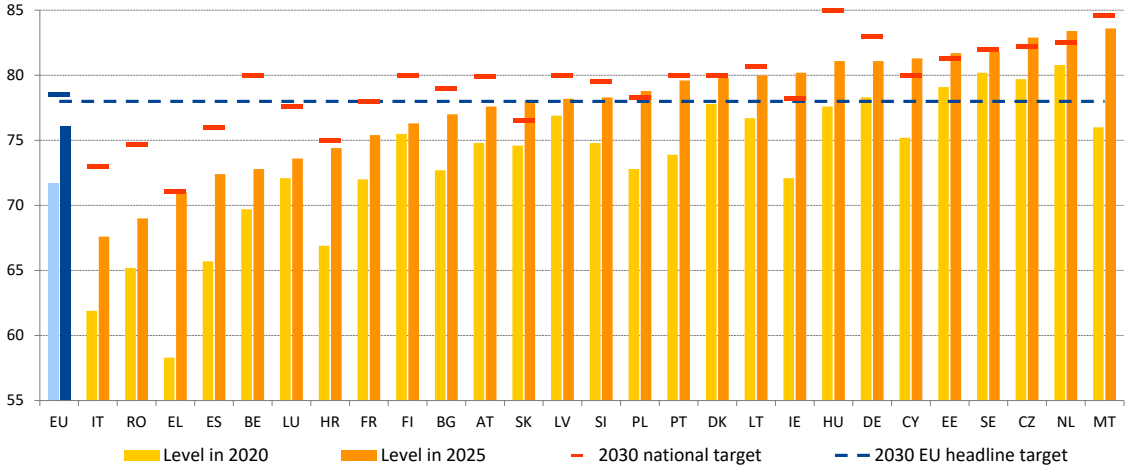
[23] In October 2022, the Employment Committee's Indicators Group agreed on a methodology to monitor progress towards the national employment targets in the context of the European Semester. This section is based on that methodology. See also the Employment Committee's Annual Employment Performance Report 2026 and the Employment Performance Monitor 2026.

[24] 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.

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

Figure 1.1.3: One-fourth of Member States exceeded their national targets in 2025, and half of them were within 3 pps of their targets

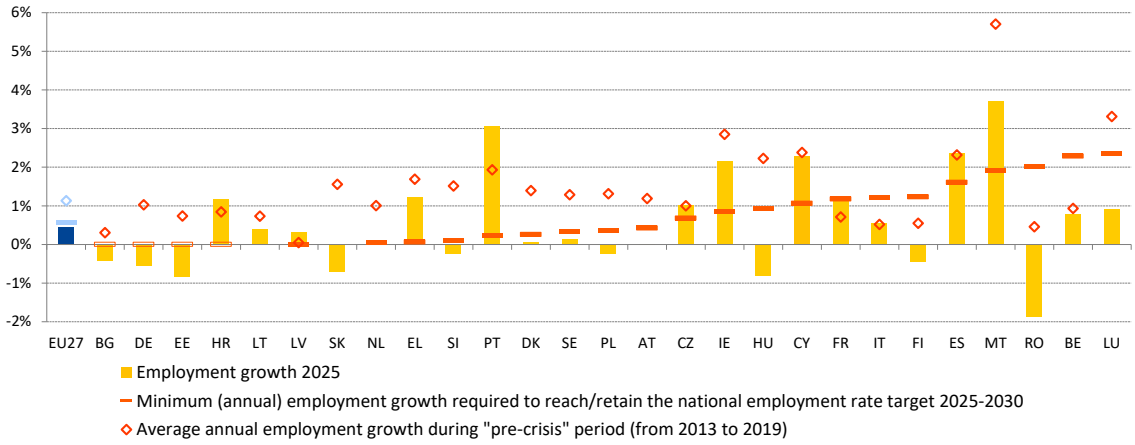
Employment rate (2020 and 2025, 20-64, % of population); national and EU 2030 targets



Note: The strong dash for the EU represents Member States' targets combined. Definition differs for ES and FR in 2025. Break in series for DE in 2020.
Source: Eurostat [lfsi_emp_a] and table on 2030 national targets in Annex 1.

Figure 1.1.4: In almost half of Member States, employment growth in 2025 was on track to reach the 2030 national target

Employment growth in 2025 (20-64, annual % change) versus average annual employment growth over 2013-19 and minimum annual employment growth needed to reach/retain the 2030 national employment rate target



Note: Definition differs for ES and FR. Member States that have already reached or surpassed their national targets are treated separately. Those that 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. For Member States where the working-age population is projected to increase by 2030, the employment growth needed to remain on the target is calculated and reported.
Source: DG EMPL calculations based on Eurostat [lfsi_emp_a] and Europop 2025.

Regional disparities persist between and within Member States. At NUTS 2 level, the highest employment rates in 2025 were recorded in the Polish capital region of Warszawski Stołeczny (86.9%), the Czech capital region Praha (86.0%) and the Finnish Åland region (85.5%). The lowest rates were observed in the southern Italian regions of Calabria (50.3%) and Campania (50.8%)[26]. Low-employment regions are often rural, sparsely populated or

[26] Eurostat [lfst_r_lfe2emprt], EU LFS.

peripheral, particularly in southern Spain and Italy, Greece, parts of Romania and France's outermost regions, where opportunities for medium- and highly skilled workers remain limited[27]. Most Central and Eastern European Member States, as well as Denmark, Lithuania, Portugal and Spain, recorded their highest employment rates in capital regions. By contrast, some capital regions performed comparatively poorly, notably Brussels-Capital Region (63.9%), Vienna (71.3%) and Berlin (76.7%). Among outermost regions, France recorded the EU's lowest employment rates, particularly in Mayotte (36.9%) and Guyane (50.0%), whereas Portugal's Azores (76.7%) and Madeira (77.2%) were close to the EU average (76.1%), and Spain's Canarias (67.7%) remained below it.

Total hours worked increased almost in line with employment in 2025, while average hours worked per employee continued to decline gradually. Total hours worked remained above 2019 levels in all Member States except Germany, Estonia, Latvia, Austria, Romania, Slovakia and Finland. However, as employment grew faster than total hours worked, average hours per employee stayed below 2019 levels in most countries. Average hours in both full-time (38.7) and part-time (21.8) work were stable[28]. In 2025, 6.3% of employees worked long hours (>48 hours/week), which is 0.3 pps less than in 2024[29]. The rising share of women in employment (also related to greater prevalence of part-time work among women), and growing concerns about job quality (including psychosocial risks, well-being at work, work-life balance, and work intensification) may have contributed to this slight decline (see Section 1.3.1).

Low labour productivity growth remains a medium-term challenge for the Union. In 2025, labour productivity per hour rose by 1.3% (vs 1.2% GDP per capita growth), following an increase of 0.4% in 2024[30]. While labour productivity growth strengthened in 2025, the average pace of growth has slowed in recent years, from 1.2% per year in 2010-19 to 0.6% in 2020–25. Labour productivity continues to lag behind other major economies. In manufacturing, productivity growth fell from 1.8% before the pandemic to 0.2% over 2022-25, while employment in the sector declined by 0.5% in 2025. Labour productivity growth is expected to remain close to 1%[31]. Further gains are constrained by structural factors, including high energy prices, weak innovation and investment, fragmented markets, skill mismatches and labour shortages [32]. Estimates suggest that artificial intelligence (AI) could add up to 2.5 pps to labour productivity growth over the coming decade in the United States. Most of the estimates of productivity gains for the US range between 0.4 and 1.5%, while for the EU the predicted annual increases are around 0.4%[33]. Such gains hinge on some key factors, such as how many activities are exposed to AI, also reflecting the country-specific economic structures and task composition of different sectors, how fast firms are able to adopt it, and how far the benefits diffuse across sectors. At EU level, a 2026 European Investment Bank study of over 12 000 European firms finds that AI adoption raises average labour productivity by around 4%, driven mainly by capital deepening, with no evidence of reduced employment in the short run[34]. Overall, persistently low productivity growth could

[27] Labour market statistics at regional level - Statistics Explained - Eurostat.
[28] Eurostat [lfsa_ewhais], EU LFS.
[29] Eurostat [lfsa_qoe_3a2], EU LFS.
[30] Eurostat [nama_10_pl_ulc], National Accounts.
[31] European Economic Forecast. Autumn 2026.
[32] For labour productivity growth and the effects of the oil shock on labour markets, see European Commission, European Employment and Social Outlook, 2026, Publications Office of the European Union, 2026.
[33] OECD, Filippucci, F., Gal, P. and Schief, M., Miracle or Myth? Assessing the macroeconomic productivity gains from Artificial Intelligence, OECD Artificial Intelligence Papers No. 29, OECD Publishing, Paris, 2024.
[34] See Aldasoro, I. et al (2026), 'AI Adoption, Productivity and Employment: Evidence from European Firms', EIB Working Paper 2026/02 / CEPR Discussion Paper No. 21082; see also CEPR VoxEU, 'How AI is affecting

undermine competitiveness amid population ageing, with implications for economic growth, quality job creation, living standards and wages[35]. As highlighted in the Draghi report, adapting education and training systems to evolving skills needs, especially for the digital (including AI) and green transitions, is key to boosting competitiveness.

Labour productivity is closely intertwined with job quality. Stronger productivity growth creates the conditions for sustainable improvements in earnings and working conditions, which are key aspects of job quality. In turn, higher job quality can raise labour productivity by strengthening incentives, and by encouraging skills accumulation and firm-level investment in human capital and complementary technologies[36]. Adequate earnings strengthen workers' motivation and retention, job security encourages investment in firm-specific skills, and sustainable work patterns reduce fatigue, absenteeism and errors. Conversely, poor job quality may reduce performance, partly through its negative effects on physical and mental health and motivation. In aggregate, these mechanisms can translate into differences in productivity growth. Sectors with an above-median share of better-quality jobs recorded average annual productivity growth of around 1.6%, compared with near-zero growth in sectors below the median. The difference is most pronounced in high-technology manufacturing and knowledge-intensive services, notably IT and telecommunication. Work organisation is also important. Between 2019 and 2025, productivity per worker rose by 9.7% in sectors combining high worker autonomy with moderate work intensity, notably knowledge-intensive services such as ICT, to a much greater extent than in sectors with less autonomy and/or greater work intensity[37].

Persistent skills shortages and easing but still elevated labour shortages in key sectors constrain the EU's innovation capacity and competitiveness. The EU job vacancy rate fell further to 2.1% in 2025 from 2.4% the year before. It remained above or around 3% in construction, accommodation and food service activities as well as administrative and support service activities. While overall the decline compared to the peak of 3.1% in Q2-2022 is significant, the rate still remains above the pre-pandemic (2013-19) average of 1.7%. In Q4-2025, the highest vacancy rates were recorded in the Netherlands, Belgium, Malta and Cyprus (above 3.0%), while Spain, Poland, Bulgaria and Romania had the lowest (below 0.9%). Labour shortages increasingly reflect structural (more than temporary) factors like demographic change, evolving skills needs linked to the twin transition and low job quality in some sectors (including challenging physical working conditions and, to a lesser extent, working time quality[38]). The long-term shift from manufacturing to services, together with technological and demographic changes, is reshaping skills needs and contributing to shortages in high-demand sectors such as construction, tourism, healthcare, ICT and technical and professional services[39]. The agricultural sector also needs skilled professionals, however over 70% of the farm managers have only practical experience, and only one in ten has received full agricultural training.[40] From a regional perspective, the most disadvantaged

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productivity and jobs in Europe'. Based on a sample of over 12 000 European firms; finds no evidence of reduced employment in the short run.

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

[36] European Commission, European Employment and Social Outlook 2026, Publications Office of the European Union, Luxembourg, 2026.

[37] Ibid.

[38] Eurofound and ELA (2026), Breaking the cycle: Can improving job quality solve the EU's labour shortages?

[39] These sectors consistently ranked among those with widespread and severe labour shortages across the EU, according to Eurostat (LFS) and the European Labour Authority (2026), EURES Report on labour shortages and surpluses in Europe 2025.

[40] European Commission, Communication on a European Strategy for Vocational Education and Training 2026–2030, COM(2026) 805 final.

regions suffer the most acute skills and labour shortages which further affect their competitiveness[41]. While easing, shortages of high-skilled workers, especially in ICT and STEM, continue to hinder innovation and competitiveness[42]. SMEs are particularly affected, with 46% reporting difficulties finding staff with the right skills[43], while recruitment from outside the EU remains limited (14% of SMEs hiring non-EU nationals). Cedefop has released a new indicator to approximate real-time occupational shortages based on online job advertisements (OJAs). Early results show the highest scores of labour demand imbalances among medium-skilled manual and elementary occupations (ISCO 6-9), particularly in healthcare, education, construction, driving and technical trades (ISCO 7)[44].

Employment in the environmental goods and services sector is rising across the EU, with some occupations facing important skills shortages. Employment in the environmental goods and services sector[45] rose from 1.9% in 2015 to 2.7% in 2023. There is nonetheless significant variation in the sector's employment share across countries, ranging from 1% in Hungary, 1.3% in Malta and 1.5% in Belgium to 5.4% in Luxembourg and 5.2% in Finland[46]. Alternative estimates suggest that green jobs could already account for up to 11.3% of the EU workforce[47]. At the same time, emission-intensive sectors[48] still employ 3.5% of EU workers in 2025 (ranging from 0.7% in Cyprus to 7% in Czechia). Recent analysis[49] [50] identified 22 occupations relevant to the green transition reporting labour shortages across multiple Member States. These include plumbers and pipe fitters (19 Member States), air conditioning and refrigeration mechanics (16), roofers (14), civil engineers (13), insulation workers (12) and civil engineering technicians (11). All of them require highly technical and manual expertise that is essential to the green transition.

The digital (including the AI) transition continues to reshape economies and labour markets. The number of ICT specialists in the EU has grown by 60% since 2013, reaching over 10.5 million in 2025. However, the EU is only halfway towards its 2030 target of 20 million ICT specialists. Also, women remain underrepresented, accounting for only 19.5% of

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[41] European Commission (2023), Harnessing talent in Europe's regions, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM (2023) 32 final.

[42] Estimates indicate that a 1 pp higher level of labour shortages is associated with a 0.3 pps decline in annual hourly productivity growth rate. See: Knez, K. and Arpaia, A., The dual nature of labour shortages, Publications Office of the EU, 2026.

[43] European Commission, Eurobarometer Report on Barriers for European SMEs in recruiting workers from outside the EU, Flash Eurobarometer no. 571., 2025.

[44] See: Real-time occupational shortage: a demand-side indicator based on OJAs (Online Job Advertisements).

[45] The environmental goods and services sector (EGSS) includes activities related to environmental protection and resource management. It covers renewable energy, energy-efficient technologies, waste and water management, and related services.

[46] Eurostat [eng_egss_empl], [nama_10_a10_e].

[47] Based on calculations of the Joint Research Centre under the GreenJobs project, following the approach proposed to measure green jobs employment in the EU in Verdolini, E., F. Vona, and D. Popp. Bridging the Gap: Do Fast Reacting Fossil Technologies Facilitate Renewable Energy Diffusion? Fondazione Eni Enrico Mattei (FEEM), 2016.

[48] 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).

[49] 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.

[50] Based on calculations by DG EMPL. For the main results, see European Commission, Podobea, V. and de Kruyf Molina, K., Widespread labour shortages in occupations relevant to the green transition in the EU, Policy Brief, Publications Office of the European Union, 2026.

ICT specialists[51]. Importantly, the recently presented European Technological Sovereignty Package aims to reduce the current reliance of the EU on non-European providers of semiconductors, cloud capacity and AI capabilities[52]. It also seeks to strengthen the digital and AI skills of the workforce and support the training of highly skilled digital and AI professionals. A recent Eurobarometer survey suggests that, while 39% of the population expect AI and automation to have the greatest positive impact of any technology over the next decade, concerns remain about job losses (28%) and insufficient skills (27%)[53], on top of privacy and misinformation[54]. These findings underline the importance of developing relevant skills, supporting labour market transitions, alongside ensuring the safe deployment of AI (see more details in Pillar Box 3).

The social economy is an important driver of resilience, inclusion and competitiveness. Over 4.3 million social economy organisations in the EU provide 11.5 million jobs while addressing key social and environmental objectives, for example by providing affordable housing and delivering quality care. The Commission's 2021 Social Economy Action Plan (SEAP) aims to strengthen the social economy by 2030 through improved framework conditions, access to business opportunities and visibility. A key milestone was the 2023 Council Recommendation on social economy framework conditions. The SEAP mid-term review[55] highlights progress and calls on Member States to further strengthen support through national strategies, adapted legal frameworks, improved access to finance and markets, and greater visibility. Effectiveness is greatest where political commitment, mature ecosystems, coordinated governance and fit-for-purpose instruments are in place. A Eurobarometer survey found that 75% of Europeans recognise its importance for societal well-being[56]. In addition, 93% of Europeans think that businesses should be guided by social economy values, such as focusing on social and environmental goals, redistributing profits, and operating with democratic governance structures.

Self-employment has declined in the EU over the past five years, with variation across countries and sectors. The share of self-employed in total employment (20-64) declined from 13.6% in 2019 to 13.1% in 2025[57]. It decreased in agriculture, forestry and fishing, accommodation and food services activities as well as in wholesale and retail trade, while it increased in the public and near-public sectors (including public administration, education and health) as well as in real estate activities and ICT. The skills profile of the self-employed has also shifted, with 41.0% of them holding tertiary education in 2025 compared to 36.3% in 2019. Country variation in the share of self-employed is substantial, ranging from 24.4% in Greece and 19.7% in Italy to under 9% in Denmark, Germany, Cyprus, Luxembourg and Sweden. The share of own-account workers (around 70% of the self-employed in most Member States) declined from 9.4% to 8.9% between 2019 and 2025 while fewer younger workers entered self-employment than older workers exiting it.

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[51] State of the Digital Decade 2026: Closing structural gaps and mobilising investments for 2030 and beyond, COM(2026) 288 final.

[52] Strengthening Europe's Tech Sovereignty | Shaping Europe's digital future

[53] Artificial Intelligence and the future of work - February 2025 - - Eurobarometer survey.

[54] So far, AI and large language models account for only 164 restructuring cases out of more than 32 000 recorded in Eurofound's European Restructuring Monitor (ERM), and AI was mainly linked to job creation until 2024. It began appearing in job reduction cases in 2025, although it remains unclear whether AI actually caused the cuts or was used as a pretext. See Eurofound 'IT sector in focus: Evolution of the EU's digital workforce'.

[55] European Commission, Mid-term review of the action plan for the social economy, 2026.

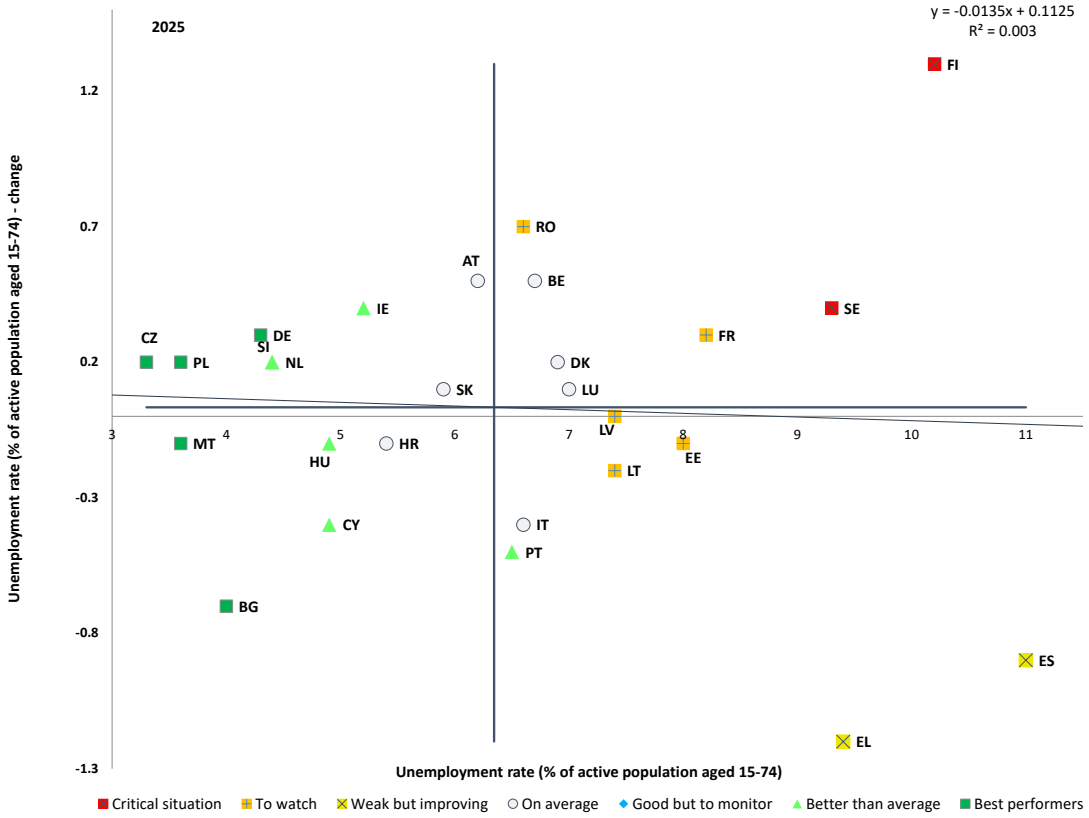
[56] Social economy in the life of Europeans - October 2025 - Eurobarometer survey.

[57] Eurostat [lfsa_esgan], EU-LFS.

Unemployment remained at its historically low level in the EU but has increased somewhat in more than half of the Member States, with notable variation. The unemployment rate (15-74) stood at 6.1% in the EU in August 2026, and remained at 6.0% in 2025, marking the lowest annual level on record for two years consecutively. The unemployment rate remained stable despite rising labour force participation (see also section 1.2.1) as strong job creation absorbed the additional labour supply. Unemployment remains higher for women than for men (at 6.2% vs 5.8%). The rate decreased compared to 2024 by more than 0.5 pps in Greece, Spain and Bulgaria, and increased most in Finland (1.3 pps) and Romania (0.7 pps) – see Figure 1.1.5. Czechia, Poland, Germany, Malta and Bulgaria are 'best performers', with unemployment rates between 2.8% and 3.5%. 'To watch' are Estonia, Lithuania and Latvia due to high rates, and France and Romania also due to significant deteriorations. Sweden and Finland face a 'critical situation' due to both high unemployment rates and significant increases from 2024. Upward convergence among Member States regarding the unemployment rate has yet to materialise.

Figure 1.1.5: While still at historically low levels, more than half of the Member States saw small increases in the unemployment rate in 2025

Unemployment rate (age 15-74), 2025 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Guidelines are centred on the unweighted EU average. Definition differs for ES and FR.
Source: Eurostat [une_rt_a], EU LFS.

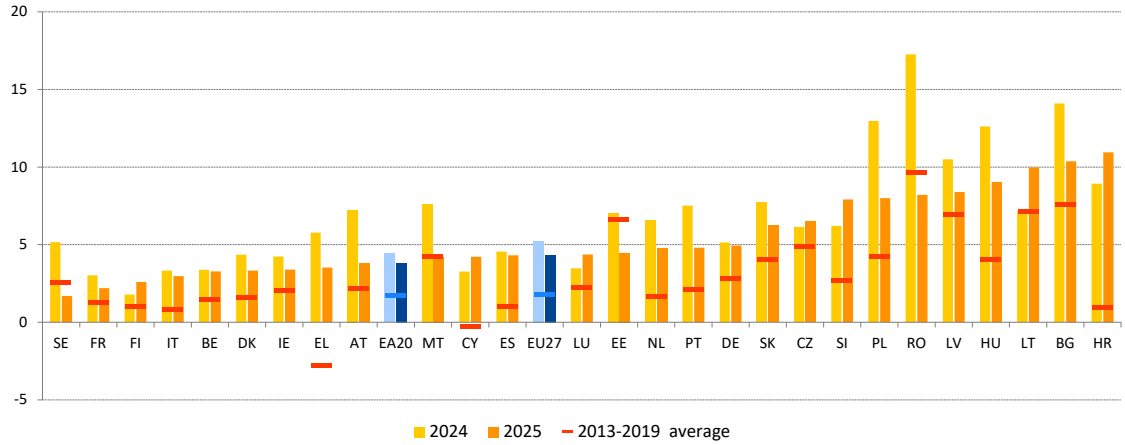
Unemployment rates show significant variation at the territorial and regional level. In 2025, rural areas (5.3%) had the lowest rates, followed by towns/suburbs (5.6%) and cities (6.8%). Differences across NUTS 2 regions broadly mirror those observed for the employment rates (see above), with some notable exceptions. In particular Sweden, and to a lesser extent Finland, combine high employment rates with comparatively high unemployment rates. Their high labour force participation means more people are actively

seeking work rather than remaining outside the labour force. (see Figure 6 in Annex 5). Several outermost regions, notably Guadeloupe, Martinique, Guyane, La Réunion and Mayotte, record some of the highest unemployment rates in the EU, while in the Canary Islands the rate continues to be well above the EU average.

Nominal wage growth in the EU slowed down in 2025, but remained above growth prior to the pandemic. The annual growth in nominal compensation per employee reached 4.3%, below the peak in 2023 (6.0%) - see Figure 1.1.6. This slowdown reflects the cooling of hiring and the decline in inflation, which reduced pressures for further nominal wage adjustments[58]. Nevertheless, wage growth remained well above its pre-pandemic average of 1.8%. In 2025 the highest nominal wage growth (more than 10% year-on-year) was observed in Croatia, Bulgaria, and Lithuania. This was mainly due to a combination of inflation, tight labour market conditions and, in some cases, substantial minimum wage increases. By contrast, wage growth was subdued in Sweden, France (after a deceleration from 2024) and Finland, reflecting relatively low inflation and a less tight labour market.

Figure 1.1.6: Nominal wage growth slowed down in 2025, with significant cross-country variation

Nominal compensation per employee, annual percentage change



Note: EA-20, the 20 countries that had adopted the euro in the given reference year. 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.
Source: Eurostat, National accounts [namq_10_gdp], [namq_10_a10_e].

Negotiated wages in the euro area continued to moderate in 2025, pointing to slower nominal wage growth ahead. They peaked at 5.4% (on a year-on-year basis) in Q3-2024, reflecting the increased collective bargaining efforts aimed at addressing previous losses in purchasing power since the end of 2021[59]. Since the second half of 2024, the growth of negotiated wages has started to moderate, settling at 2.9% in Q4-2025.

Real wage growth also slowed down in 2025, primarily reflecting weaker nominal wage growth. From 2.6% in 2024, real wage growth declined to 1.7% in 2025, mainly due to moderating nominal wage growth. Developments are uneven across Member States – see

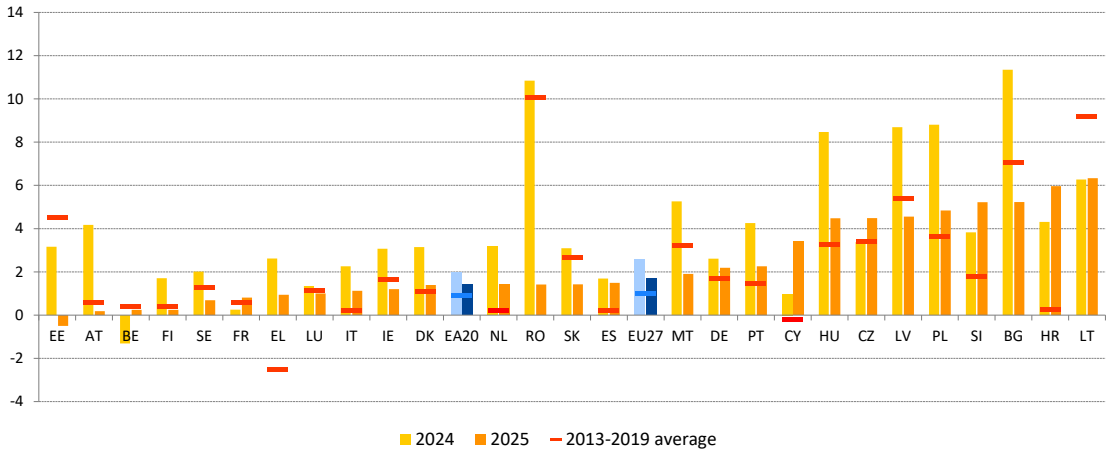
[58] Inflation in the EU stood at 2.5% in 2025 and is set to reach 3.3% in 2026 and 3.2% in 2027, before falling back to 2.3% in 2028 (Commission European Economic Forecast. Autumn 2026).

[59] Negotiated wages reflect the direct outcome of wage bargaining between social partners, including both newly negotiated and previously agreed wages. As a general rule, they exclude bonuses, overtime and other individual compensations unrelated to collective bargaining. Unlike wages paid, negotiated wages are not affected by hours worked, as they are set on a full-time basis, and may represent a wage floor in some sectors.

Figure 1.1.7. Relatively strong real wage growth (above 4%) was observed in eight of them (Lithuania, Croatia, Bulgaria, Slovenia, Poland, Latvia, Czechia, Hungary), and for four of them following very strong growth already in 2024. By contrast, the majority experienced much weaker increases (and even a decrease in the case of Estonia). Real wages exceeded pre-pandemic levels in 21 Member States, but only by 0.9% on average in the EU. Compared to 2019, real wages increased the strongest in Bulgaria (42.7%), Romania (30.2%), Lithuania (23.1%) and Hungary (23.0%). Real wage increases in these catching-up Member States were generally significantly above productivity growth, leading to marked increases in their unit labour costs (ULCs)[60]. On the contrary, real wages[61] remained below their 2019 levels in Finland (-1.5%), France (-1.4%), Italy (-3.5%), Sweden (-0.8%) and Czechia (-0.3%), and at or less than 1% more than their 2019 levels in Austria, Germany and Greece. Some of these countries have witnessed weak real wage growth amid structurally low productivity growth, and also persistently low growth in unit labour costs. Notably in Finland, France, Italy and Greece, as well as others such as Denmark, this points to some improvement in cost competitiveness.

Figure 1.1.7: Real wages grew at a slower pace in 2025, mainly due to lower nominal wage growth

Real gross wages and salaries per employee, annual percentage change



Note: EA-20, the 20 countries that had adopted the euro in the given reference year. Real wages were computed using the harmonised index of consumer prices as a deflator.
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].

Minimum wage increases continued to support the purchasing power of the lowest-paid workers in most EU countries. Between January 2025 and January 2026 statutory minimum wages continued to grow in most of the 22 Member States that apply a minimum wage[62]. The only exceptions were Estonia and Romania. The strongest increases (above 10%) were registered in Slovenia (16.0%), Bulgaria (12.5%), Slovakia (12.1%), Lithuania (11.1%) and Hungary (11.0%). In real terms, minimum wages also increased in most Member States with a statutory minimum wage, with the exception of Romania (-7.0%), Estonia (-2.9%), as well as Belgium (-0.9%), Luxembourg (-0.4%) and Spain that remained stable. Real minimum

[60] European Commission, European Employment and Social Outlook, Publications Office of the European Union, Luxembourg, 2026.
[61] Real wages are defined as the nominal remuneration per employee, deflated by HIPC.
[62] Out of all, 22 EU Member States have statutory minimum wages: Belgium, Bulgaria, Croatia, Cyprus, Czechia, Estonia, France, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia and Spain.

wages grew the most in Slovenia (12.7%), Bulgaria (10.7%), Slovakia (9.6%), Lithuania (9.4%), Hungary (9.1%) and Czechia (7.3%) and by less than 5% in Croatia, Greece, Portugal, Latvia, Ireland and Poland – see Figure 1.1.8. National minimum wages have increasingly caught up with collectively agreed wage floors in low-paid sectors[63]. The median gap narrowed from 7.9% in 2015 to 3.6% in 2025, indicating that statutory minimum wages have often grown faster than collectively agreed wage floors. From 2001 to 2024, employment shifted away from the lowest-paid jobs towards higher-paid jobs across Member States[64]. Regression results indicate that a 1% increase in the real minimum wage is associated with a statistically significant 0.14% decline in the employment share of the most representative low-paid jobs, alongside an almost 0.03% increase in the employment share of higher-paying jobs across the employment structure (quintiles 2-5). Together, these findings suggest a modest but systematic change in the composition of employment associated with minimum wage increases, with a relative shift away from low-paid jobs towards higher-paid employment.

Figure 1.1.8: Minimum wage increases continued to support the purchasing power of the lowest-paid workers in a number of Member States

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



Source: Eurofound and Eurostat [earn_mw_cur, prc_hicp_midx].

Pillar Box 1: Collective bargaining systems and minimum wages

Strong and well-functioning collective bargaining systems strengthen the adequacy and coverage of minimum wages. Member States with high collective bargaining coverage rates[65] tend to have smaller shares of low-wage workers and higher minimum wages. This relationship also holds for Member States with statutory minimum wages, where collective bargaining can support a higher wage floor and higher minimum wages. Strong collective bargaining systems therefore reduce in-work poverty risks, supporting social cohesion and protecting the purchasing power of vulnerable households. In this light, the Directive on adequate minimum wages[66] requires Member States in which the collective bargaining coverage rate is below a threshold of 80% to establish an action plan to promote it. There are currently 18 Member States that are required to establish such an action plan (see the Figure

[63] Eurofound, Minimum wages in 2026: Annual review (forthcoming in September); Article: National minimum wages in the EU: policy-driven growth, continued convergence and increased proximity to negotiated wages.

[64] Eurofound, Low-paid Jobs: employment trends and impact of minimum wage policies (forthcoming).

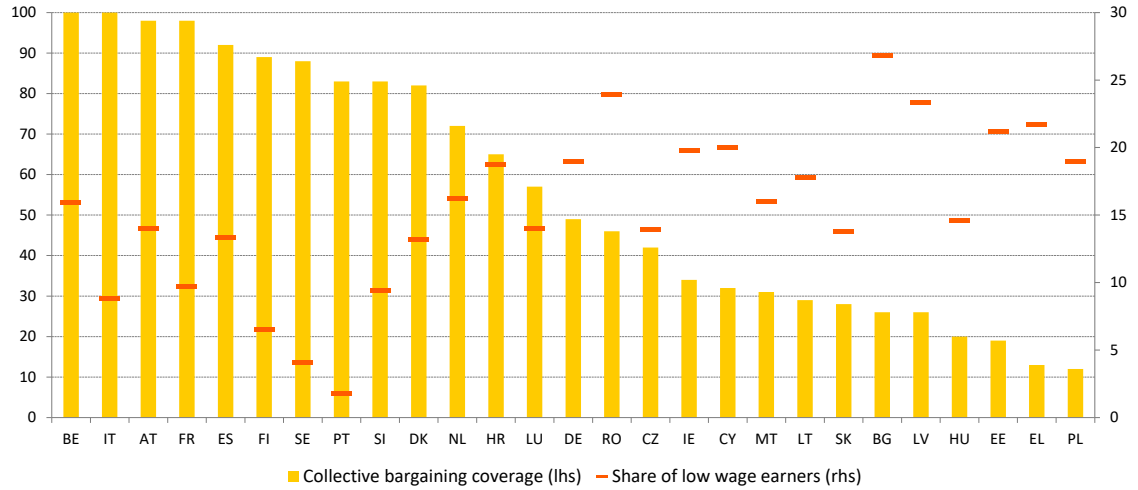
[65] The collective bargaining coverage indicator measures the percentage of employees whose working conditions and pay are determined by collective agreements.

[66] 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 (the 'Minimum Wage Directive').

below). The Commission's first monitoring report and its accompanying Staff Working Document[67] have analysed the 12 action plans[68] that were established by 15 June 2026.

Higher collective bargaining coverage is correlated with a lower share of low-wage earners across Member States

Collective bargaining coverage (%) and the share of low-wage earners among all employees excluding apprentices (%)



Notes: Collective bargaining coverage (%) from the OECD/AIAS ICTWSS Database, version 2.0 (September 2025); figures are for 2024 or the latest available year. Eurostat defines low-wage earners as employees earning two-thirds or less of national median gross hourly earnings. Low-wage earner (%): Eurostat, Structure of Earnings Survey 2022.

A preliminary assessment of the action plans to promote collective bargaining identifies some best practices. The monitoring report identifies issues that should be taken into account in future updates of some of the action plans, in order to support their effective implementation. In particular, it underlines the need for action plans to establish in more concrete terms the institutional measures that have a direct positive impact on the collective bargaining coverage rate. These are often defined in a too vague or generic way, e.g. by mentioning that the regulatory framework will be improved to eliminate obstacles to collective bargaining, without specifying any concrete changes that are envisaged. The Staff Working Document also mentions examples of good practice in this respect (the action plans of Bulgaria, Ireland and Greece). These give sufficient details about the changes to be introduced, such as enabling collective bargaining in respect of new forms of work, or within the public service, or facilitating the extension of collective agreements, for instance.

The action plans established by the Member States so far contain six main categories of measures to promote collective bargaining. Malta's 'Resources Fund' to support training, outreach and the modernization of trade union operations is an example of *capacity-building of the social partners*. In the **Netherlands**, improvements of the procedure for the extension of collective agreements[69] are an example of *changes in the regulatory framework*. In **Lithuania**, media publications and radio broadcasts highlighting the benefits of social

[67] See the Report from the Commission to the European Parliament and the Council pursuant to Article 10(3) of the Minimum Wage Directive.

[68] The 12 action plans are those of Bulgaria, Czechia, Estonia, Greece, Ireland, Latvia, Lithuania, Malta, the Netherlands, Poland, Romania and Slovakia. Germany and Luxembourg also established action plans in July 2026.

[69] The extension of collective agreements is a legal mechanism where a government applies a sector-wide labour agreement to all workers and employers in an industry, even if they did not sign the deal or join a union.

dialogue is an example of *awareness-raising*. **Bulgaria**'s new electronic register of collective agreements provides an example of *data collection and monitoring*. **Poland** will discuss with the social partners possible tax advantages for companies having a collective agreement, as an example of *incentives and support mechanisms*. **Romania's** measure to strengthen the inspection capacity concerning the enforcement of collective agreements is an example of *enforcement and dispute resolution*.

While the share of low-wage earners and in work-poverty risks have decreased on average in the EU, the latter remain relatively high, with significant variation across population groups and sectors. The share of low-wage earners[70] declined from 16.4% in 2014 to 14.7% in the EU in 2022[71]. In-work poverty fell on average from 9.7% in 2014 but remained relatively high, at 8.3% in 2025. Moreover, low-wage earners remain significantly more common among women (17.1%, compared with 12.6% for men), younger workers (25.2% among employees under 30 years old) and those with lower education levels (27.5%, compared with 17.5% and 4.8% for medium and high education levels respectively). Country differences remained significant in 2022. Portugal (1.8%), Sweden (4.1%) and Finland (6.5%) recorded the lowest share of low-wage earners, while the highest shares were recorded in Bulgaria (26.8%), Romania (23.9%), Latvia (23.3%) and Greece (21.7%). Low wages were most prevalent in accommodation and food services (35.1%) and administrative and support services (32.3%), including temporary agency workers.

Non-standard employment comes with a significant wage penalty, with gaps widening for part-time workers. As many as 27.2% of employees with temporary contracts were low-wage earners in the EU in 2022, compared with 12.6% among those with permanent contracts. In 2022, permanent part-time and temporary full-time employees earned around 20% less per hour compared to employees on standard contracts, while temporary part-time employees earned about one-third less[72]. Controlling for age, sector and country, wage gaps have diverged since 2010, with penalties narrowing for temporary full-time work but widening for permanent and temporary part-time work. The penalties are generally larger for men, higher-skilled and more educated workers, and in market services, while temporary part-time penalties also increase with enterprise size. These wage gaps also vary considerably across Member States, reflecting differences in workforce composition, institutions, legislation, social dialogue and cultural norms.

The overall tax burden on labour differs considerably across Member States. The implicit tax rate indicates the overall tax burden on labour across the income distribution[73] [74]. In 2024, the EU average implicit tax rate stood at 37.1%. Figures ranged from 24.4% to 44.8% across Member States, with half of them recording rates above 35.2%. Countries with the highest labour tax burdens include Greece, Italy, Belgium and Austria, while Countries with the highest labour tax burdens include Greece, Italy, Belgium and Austria, while lower

[70] Low-wage earners are defined as employees (excluding apprentices) earning two-thirds or less of the national median gross hourly earnings in that particular country.

[71] Eurostat [earn_ses_pub1s], [earn_ses_pub1a], [earn_ses_pub1i], Structure of Earnings Survey.

[72] Sostero, M. and Adăscăliței, D. (2026, forthcoming), Wage penalties in non-standard employment: Evidence from the SES survey, Eurofound working paper. Eurofound (2026, forthcoming), Non-standard employment in the EU: Trends, forms and working conditions, Publications Office of the European Union, Luxembourg.

[73] For an extensive discussion on labour taxation, see also European Commission, Annual report on taxation 2026 – Review of taxation policies in the EU Member States, Publications Office of the European Union, 2026.

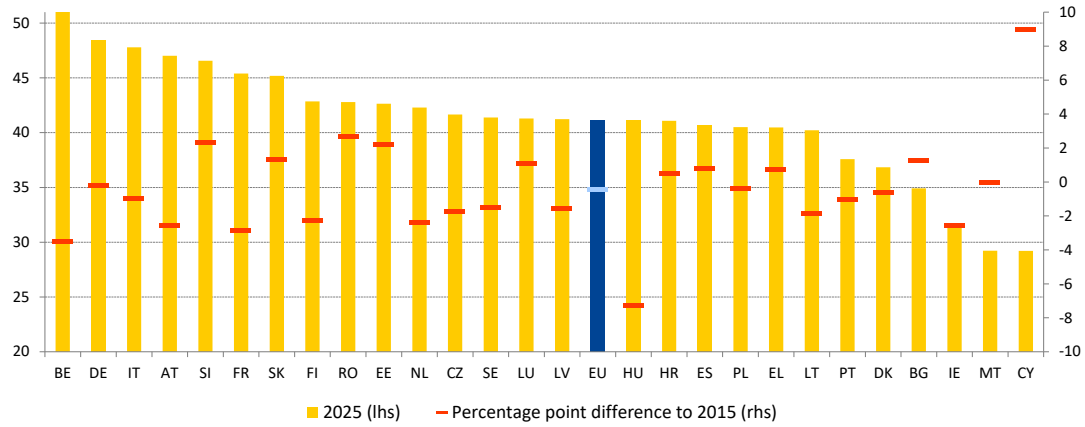
[74] It is computed by dividing the sum of all taxes on labour as well as employees' and employers' social security contributions by total compensation of employees (including payroll taxes).

rates are observed mainly in some Central and Eastern European countries and smaller Member States.

The tax wedge has fallen moderately since 2015, reflecting diverging trends in labour taxation across the EU. It measures the difference between employers' labour costs and employees' net pay, expressed as a percentage of total labour costs. As an indicator of the tax burden borne by employers and employees, a high tax wedge can weaken employment and hiring incentives. For a single average-wage earner, it has fallen by 0.4 pps in the EU since 2015 and by only 0.01 pps since 2024, reaching 41.2% in 2025 - see Figure 1.1.9. Since 2015, twelve Member States have recorded notable (above 1 pp) declines in their tax wedges, with the strongest decreases in Hungary (-7.3 pps), Belgium (-3.5 pps), and France (-2.9 pps). Conversely, significant increases occurred in seven countries, notably Cyprus (9.0 pps), Romania (2.7 pps), Slovenia (2.3 pps) and Estonia (2.2 pps). For lower-income earners (50% of the average wage), the EU average tax wedge for a single person fell by 1.6 pps since 2015 but increased slightly (0.1 pp) since 2024.

Figure 1.1.9: In 2025, 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 (%)

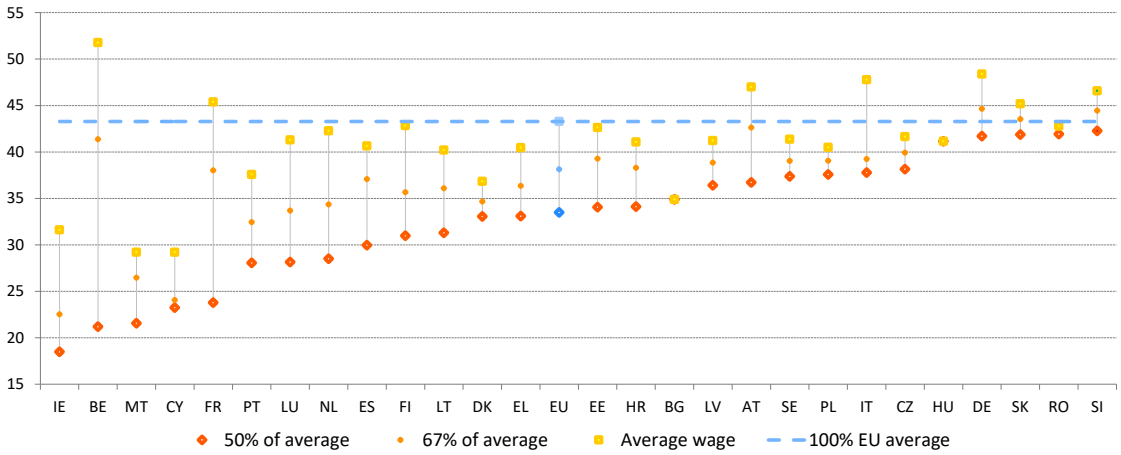


Source: European Commission, DG TAXUD calculations, based on JRC EUROMOD-HHoT (version J2_57, indicators produced in 11/2026).

Personal income tax systems are generally progressive, with lower tax wedges for low-income earners. This finding is quite pronounced in France, Belgium, the Netherlands, Luxembourg and Ireland, while Bulgaria and Hungary apply flat-rate systems – see Figure 1.1.10. Lower tax burdens on low-income earners reduce labour market distortions and support the employment of low-skilled workers. They can also strengthen economies' capacity to recover from adverse economic shocks by lowering barriers to hiring workers who are often most affected by such shocks. However, tax systems should be also designed to avoid discouraging transitions into higher-paying jobs.

Figure 1.1.10: 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 2025 (%)



Note: Member States are ranked in descending order by the tax wedge for low wage (50% of the average wage).
Source: European Commission, DG TAXUD calculations, based on JRC EUROMOD-HHoT (version J2_57, indicators produced in 11/2026).).

Inflation can distort tax systems, affecting progressivity and fairness. Rising prices can erode nominal thresholds, such as tax brackets and credits, often leading to a 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 2025-26, many Member States revised their personal income tax systems to counter inflation-driven distortions – see Section 1.1.2.

Shifting taxation from labour to other tax bases in line with environmental objectives can support labour demand, fairness and climate neutrality. The 2022 Council recommendation for a fair transition towards climate neutrality[75] advocates reducing the tax burden on labour, particularly for low- and middle-income groups, and shifting to revenue sources that promote environmental sustainability. While carbon taxes may have regressive effects, these can be addressed through targeted compensatory measures, including support for vulnerable households and incentives to reduce energy consumption. The 2026 Citizens Energy Package Communication[76] encourages Member States to lower household electricity bills through targeted reductions in excise duty rates. Meanwhile, environmental tax revenues have declined across the EU, falling from 2.7% of GDP in 2015 to 2.1% in 2024[77]. Over this period, all but four Member States recorded declines, with seven seeing decreases of at least 1 pp. Only Bulgaria (+0.2 pps) and Poland (+0.4 pps) saw increases. This suggests that there remains scope for revenue-neutral tax shifts from labour to environmental tax bases, provided that they are well timed and accompanied by support to low-income households, especially while the energy price shock persists.

[75] Council Recommendation on ensuring a fair transition towards climate neutrality 2022/C 243/04.
[76] Communication from the Commission to the European Parliament and the Council on the Citizens Energy Package, COM(2026) 115 final.
[77] See data table 63 in: European Commission, Annual report on taxation 2026 – Review of taxation policies in the EU Member States, Publications Office of the European Union, 2026.

1.1.2 Measures implemented by Member States

Several Member States introduced or expanded hiring incentives and subsidies to boost employment, focusing on women and underrepresented groups[78]. In the **Netherlands**, reforms to the Loonkostenvoordeel (LKV) and Banenafspraak incentives from January 2026 simplified wage subsidies for employers hiring persons with disabilities and workers covered by the quota scheme. The LKV is now available for the full duration of employment, rather than for three years only, supporting sustainable labour market inclusion and helping address recruitment difficulties in sectors facing persistent shortages. In **Greece**, a programme launched in January 2026 aims to create 10 000 jobs for unemployed women, particularly mothers of children under 15. Employers receive subsidies for 12 months, extendable by three months, covering up to 80% of employment costs, with maximum grants of EUR 12 057.60 for full-time and EUR 8 160 for part-time positions.

Some Member States introduced other measures to support the purchasing power for some specific categories of workers. In **Italy**, the 2026 Budget Law introduced a lower taxation of wage increases linked to the renewal of collective agreements. This lower tax rate applies for 2026 only and is limited to contracts signed between 1 January 2024 and 31 December 2026, and to employees whose employment incomes in 2025 do not exceed EUR 33 000. In **Spain**, a framework agreement aims at supporting purchasing power for more than three million public employees (salary increase of 2.5% in 2025 and 2% in 2026). In **Slovenia**, the right of workers to a winter bonus was established in November 2025. The winter bonus is fixed at one half of the minimum wage (EUR 638.86 for 2025).

At the same time, some Member States introduced policies to limit wage increases, notably in the public sector. In **Belgium**, the 18 July 2025 programme law amended the timing of automatic indexation. Both social benefits and public sector wages will be indexed three months after the index threshold is exceeded, thus respectively two and one month later for social benefit recipients and public sector workers. In **Bulgaria,** on 9 September 2026, the government proposed legal amendments to change the formula for the statutory minimum wage. Instead of automatic indexation based on the gross average wage, a multicriteria method will be used, which is expected to slow down minimum wage growth.

Member States took steps to support social dialogue, including collective bargaining. These measures responded to the 2023 Council Recommendation and Directive 2022/2041 on adequate minimum wages. **Croatia** established an independent Office for Social Partnership with analytical and advisory tasks, alongside a new monthly Economic and Social Council meeting on the basis of standard procedures and clear timelines. **Greece** put in place a comprehensive consultation mechanism for setting the statutory minimum wage. In **Luxembourg**, a National Action Plan to raise collective bargaining coverage was agreed jointly by the government, employers and unions in July 2026, but it has not yet been implemented. It provides for linking certain flexibilities (e.g. working time organisation) to the conclusion of a collective agreement. **Poland** amended the Trade Union Act to require employers to disclose the principles and logic of AI and algorithmic systems affecting employment decisions. **Germany**'s National Action Plan of July 2026 announces a digital right of access for trade unions to workplaces. In **Ireland**, a five-year Action Plan to promote collective bargaining was launched in November 2025 after consultation with social partners. **Austria**, **Portugal** and **Romania** are extending collective bargaining to the self-employed. **Estonia** plans to simplify the extension of collective agreements, while **Lithuania** is improving the conditions for employees to engage in collective bargaining. **Bulgaria** and

[78] Such schemes must comply with EU State aid rules.

Greece are reinforcing the labour inspectorate's role in monitoring compliance with collective agreements. In February, **Bulgaria** also adopted an action plan for promoting collective bargaining (2026-2030). **Germany** requires contractors on federal public works and services contracts and concessions above a defined threshold to grant collectively agreed working conditions. Digital registers of collective agreements are being developed to improve transparency and data availability in **Bulgaria**, **Greece** and **Croatia**.

Several Member States announced reductions to their Personal Income Tax (PIT) rates, particularly for low- and middle-income earners[79]. In total, 12 Member States introduced reform measures reducing PIT rates through adjustments to different elements of their tax systems. **Greece** restructured its tax brackets, with targeted reductions for families, young taxpayers under 30, and medical personnel. **Italy** has lowered the PIT rate for its second income bracket from 35% to 33%, while **Portugal** reduced marginal tax rates for the second to fifth income brackets by 0.3%. **Malta** introduced new PIT brackets for families with children to increase disposable income, and **Sweden** introduced non-targeted substantive reductions in labour taxation. At the same time, seven Member States announced PIT rate increases, mainly to raise revenue or strengthen tax progressivity. **Slovakia** is introducing two new higher tax rates of 30% and 35% while lowering the income threshold for the existing 25% rate. **France** is implementing a 1.4% increase in general social contributions on capital income. The **Netherlands** is raising the rates for the first and second tax brackets by 0.05% while limiting inflation adjustment of tax brackets. **Lithuania** is unifying progressive PIT rates across income categories and abolishing the additional non-taxable amount calculation for higher earners.

Member States also introduced measures affecting the PIT tax base to encourage labour participation and support workers and families. Germany announced a tax-free allowance for income subject to social security contributions. **Hungary** expanded family-focused PIT relief by extending exemptions to mothers under 40 with two children and mothers under 30. **Luxembourg**, **Germany** and **Denmark** are introducing tax allowances to encourage people at or beyond the statutory retirement age to remain economically active. Conversely, seven Member States announced measures broadening the PIT base to increase revenue and improve fairness. For example, **Belgium** introduced several measures, including the gradual reduction or removal of tax credits related to pensions, marital quotients and unemployment benefits. The **Netherlands** proposed adjustments to the calculation of actual returns under the Box 3 taxation system, while **Cyprus** introduced mandatory tax registration and filing requirements to strengthen compliance.

The 2025 review of the Council Recommendation on a fair transition towards climate neutrality highlights progress. Between 2023 and 2025, all Member States reported implementing active labour market policies (ALMPs) to support workers affected by the green transition, including through support to job-to-job transitions, training, upskilling and reskilling, particularly in regions covered by the Just Transition Fund (JTF). For example, in **Austria**, in the Upper Austrian region the JTF supports projects providing career counselling, labour market activation, information on green sectors (including sustainable energy, construction and STEM), and assessments of training needs among companies and educational institutions. In **Estonia**, displaced oil-shale workers can receive a temporary allowance equal to 30% of their previous wage (capped at EUR 1 000 gross per month), for 6-12 months when moving to a new job, alongside separate reskilling support. The Social Climate Fund (2026-2032) provides over EUR 86 billion to support vulnerable households,

[79] Measures reported by Member States in the 2026 joint OECD-European Commission Annual Tax Policy Reform Questionnaires. See Annual Report on Taxation 2026 by European Commission for further details.

micro-enterprises and transport users facing higher energy and transport costs under ETS2[80]. Several Member States have already submitted their Social Climate Plans.

Member States put in place measures to foster a fair digital transition. Austria's new DKO Business Platform, put in place in October 2025, aims to increase the number of IT professionals and reskill and upskill professionals in critical areas such as AI, data use, and cybersecurity. **Italy** allocated EUR 95 million in September 2025 to strengthen satellite backhaul in sparsely populated areas and EUR 50 million to expand broadband voucher schemes for households and businesses.

Since the adoption of the Social Economy Action Plan, several Member States have taken actions to strengthen the social economy. 12 Member States have adopted or reformed social economy laws, while 21 adopted or are preparing social economy strategies, many of them explicitly structured around the SEAP priorities. In July 2025, **Czechia** adopted its 'strategic Framework for Social Entrepreneurship 2026–2030'. **Finland** adopted its 'Strategy for the Social Economy and Social Enterprises 2026–2030' in December 2025. The latter renews and expands the previous strategy to align it with the Council recommendation on social economy framework conditions and to better take into account recent national development needs. **Latvia's** national strategy was approved in January 2026, in cooperation with regional and municipal organisations and NGOs. In April 2026, **Spain** took a major step forward with the publication of its first Social Economy Satellite Account by the National Statistical Institute. This new framework provides a comprehensive, structured picture of the sector, contributing to more comparable data across Europe[81]. In July 2026, **France** adopted its national strategy for the social economy, while **Italy** adopted its national action plan. EU funding has supported the operationalisation of some of the SEAP's commitments. By 2026, 18 national authorities and 77 regional authorities have programmed up to EUR 1.3 billion of EU funding to implement specific social economy related actions.

1.2 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. This recommends that Member States create the conditions to enhance labour supply, promote the acquisition of skills and competences throughout people's lives, foster equal opportunities for all, remove 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 1.2.1 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 section delves into skills shortages, mismatches and 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 1.2.2 reports on policy measures of Member States in these policy areas. Overall, this section provides monitoring of the elements covered by the Council Recommendation on human capital in the Union adopted by the EPSCO Council in March 2026.

[80] Social Climate Fund - Employment, Social Affairs and Inclusion

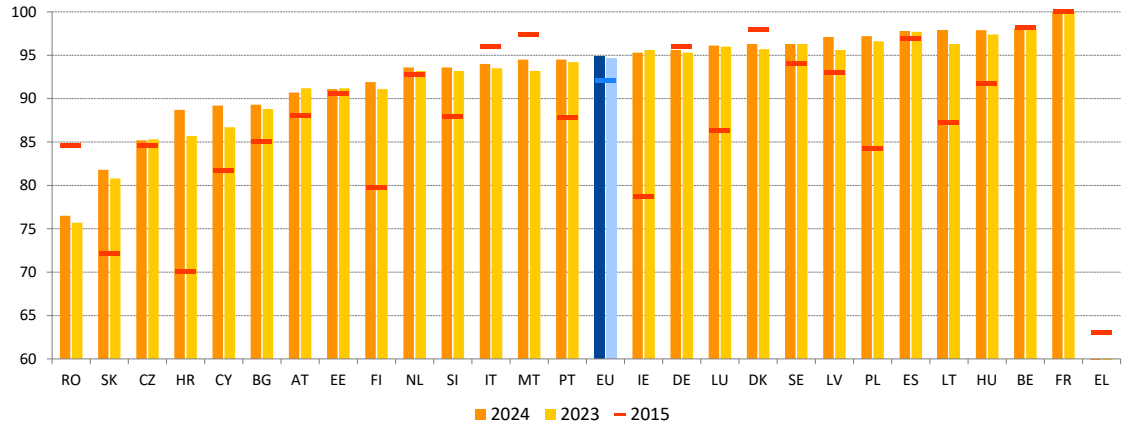
[81] See: INEbase / Economy /Economics accounts /Social Economy Satellite Account / Results.

1.2.1 Key indicators

Participation in early childhood education and care (ECEC) continued to move closer to the EU's 2030 target. The participation rate of children aged 3 to the start of compulsory primary education reached 94.9% in 2024, leaving the EU only 1.1 pps short of the 96% target. Nine Member States have already achieved this benchmark, while most others now exceed 90%. Participation remains highest in France (100%), Belgium (98.1%), Lithuania and Hungary (both 97.9%), and Spain (97.8%), whereas Romania (76.5%), Slovakia (81.8%) and Czechia (85.2%) continue to record the lowest rates – see Figure 1.2.1. The EU average increased by 0.3 pps over the previous year and by almost 3 pps since 2015. Participation among 3-year-olds also continued its upward trend, reaching 91.4%[82] in 2024 (+6.2 pps since 2015), although substantial room for improvement remains in several Member States, particularly Romania (69.6%), Slovakia (70.5%) and Czechia (73.8%). Affordability, insufficient capacity and persistent staff shortages continue to constrain access, particularly for younger children and disadvantaged families. This underscores the need for targeted expansion of affordable, high-quality provision in underserved areas and a sustainable supply of qualified staff, thereby creating adequate opportunities for people from regions experiencing challenges. These inequalities affect in particular vulnerable groups. For instance, only 53% of Roma children participated in ECEC in 2024, despite an increase of around 11 pps since 2016[83].

Figure 1.2.1: Participation in ECEC between the age of three and compulsory schooling continues to climb in the EU, 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 and PL in 2023 and 2024. Break in series for HU in 2023. Data are not available for EL in 2023 and 2024. Definition differs for BE, EL and PT in 2015, HU in 2023, PT in 2015, 2023 and 2024, and IT in 2023 and 2024. Data is estimated for PL and RO.
Source: Eurostat, [educ_uoe_enra21].

Early leaving from education and training fell significantly in 2025, and the EU 2030 target is very close to being achieved. In 2025, 9.1% of 18-24-year-olds left education or training early, down by 0.5 pps from 2024. The EU is now only 0.2 pps away from the European Education Area (EEA) target of reducing early leaving to below 9% by 2030. This is 1.9 pps lower than a decade earlier, with some countries achieving significant reductions of more than 5 pps over that period. Early leaving is already below 9% in 18 Member States, and some have very low rates: Croatia, Greece and Poland are 'best performers'. More progress is needed in some other Member States. Five of them are 'to watch' due to above

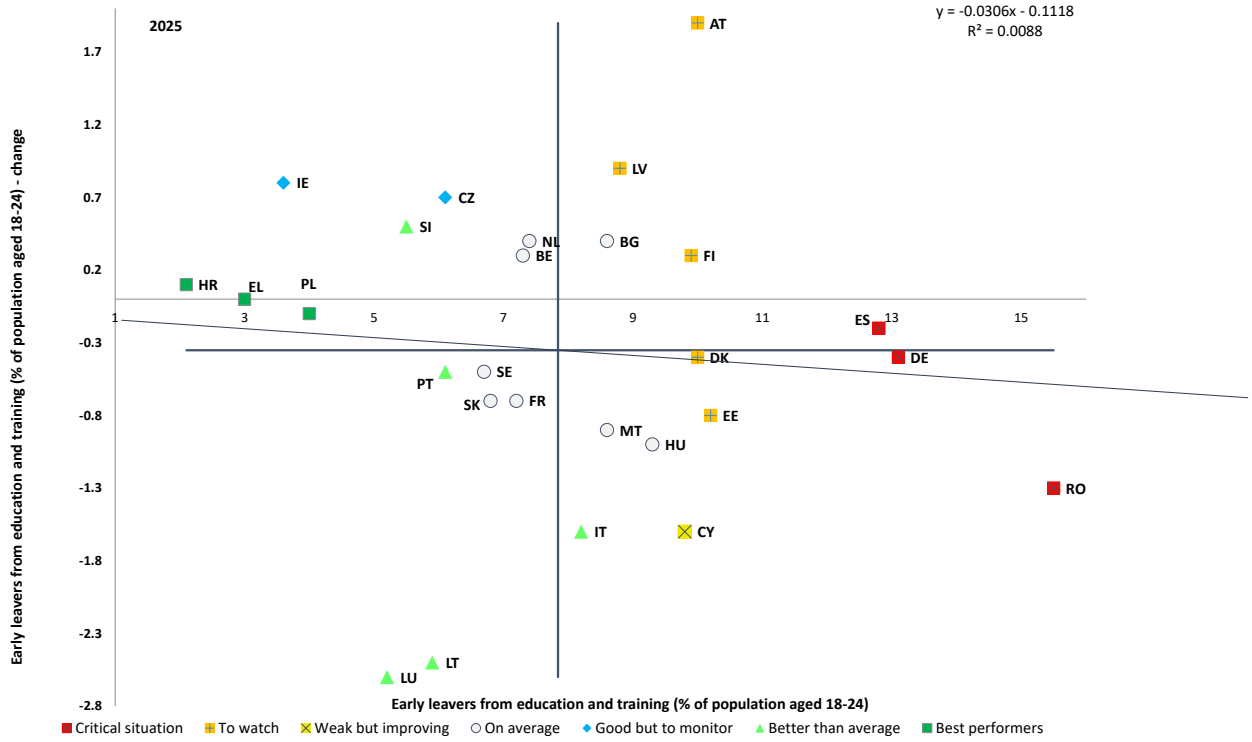
[82] Eurostat [educ_uoe_enrp07].
[83] See EU Agency for Fundamental Rights, Rights of Roma and Travellers in 13 European countries, 2024.

average rates and some increases. In Spain, Romania and Germany, where the rate remains above 12%, there was limited or no progress over the previous year, meaning that both countries remain in a 'critical situation' – see Figure 1.2.2. Alongside the positive change overall, there is some sign of upward convergence among Member States and the rate increased in 10 Member States in 2025. At the same time, broader educational attainment remains high and continues to improve across the Union. In 2025, 85.7% of people aged 20-24 had attained at least upper secondary education[84], with an increase of almost 3 pps since 2016 (82.8%), with particularly strong progress in Portugal, Spain, Malta and Italy.

Despite the decline in early leaving from education and training, higher rates persist among young men, foreign-born and Roma young people and those with disabilities. Young men continue to be considerably more likely to leave education and training early than young women (10.6% compared with 7.5%). The gap has remained around 3 pps since 2016. Particularly high rates persist among young people born outside the EU (20.9%) and those born in another Member State (18.9%), compared with the native-born young people (7.7%)[85]. Almost two-thirds (64%) of young Roma aged 18-24 leave education before completing upper secondary education, while the share of young persons with disabilities leaving education and training early reached 24.8% in 2024, up from 22.5% in 2022[86].

Figure 1.2.2: The share of early leavers from education and training fell in 2025 with some signs of upward convergence across Member States

Early leavers from education and training (age 18-24), 2025 levels and changes from previous year (%, Social Scoreboard headline indicator)



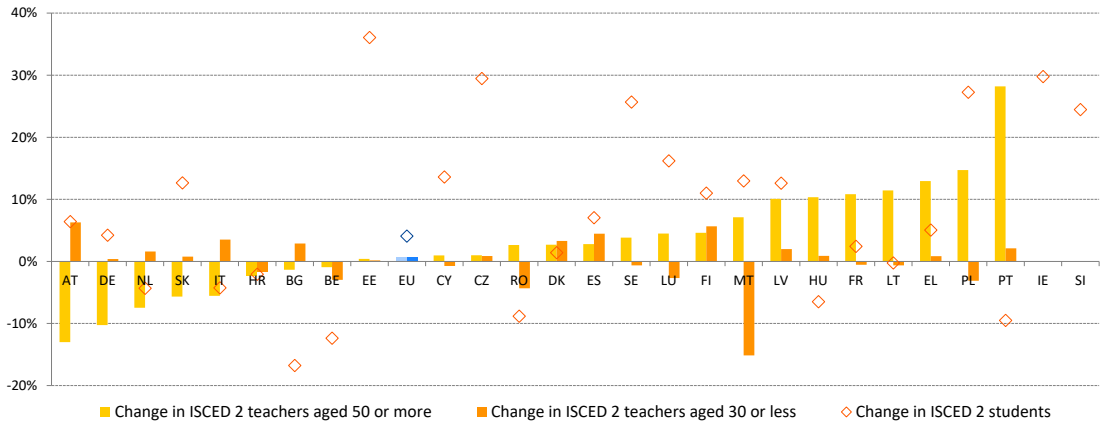
Note: Guidelines are centred on the unweighted EU average. Break in series for DK. Low reliability data for HR and LU. Definition differs for ES and FR.
Source: Eurostat [edat_lfse_14], EU LFS.

[84] Eurostat [edat_lfse_03], EU LFS.
[85] Eurostat [edat_lfse_02], EU LFS.
[86] Eurostat [edat_lfse_40], EU LFS.

Regional and territorial disparities continue to shape educational outcomes across the EU, with early leaving from education and training differing markedly between and within Member States. In 2025, regional rates ranged from 1.4% in Kentriki Makedonia (Greece) to 25.1% in Romania's Sud-Est, 25.5% in Guyane and 38.9% in Mayotte (both in France), illustrating the extent to which national averages conceal local disparities. Significant regional variation persists in several Member States, including Bulgaria, France, Hungary, Portugal, Romania and Spain, as well as their outermost regions (see Figure 1 in Annex 5). Differences between the highest- and lowest-performing regions in these countries exceed 15 pps. Location also remains closely associated with educational outcomes, as young people (aged 18-24) in cities are less likely to leave early (8.0%) than those living in towns and suburbs (10.1%) or rural areas (9.7%)[87].

Figure 1.2.3: The proportion of teachers over 50 has climbed significantly in some Member States, but differential growth in pupil numbers means demand is not equal

Change in share of ISCED 2 teachers aged 50 or more and aged 30 or less, from 2015 to 2024 (pps); and change in number of ISCED 2 students, from 2015 to 2024 (%)



Note: IE does not report teacher numbers; SI has not reported teacher numbers since 2017; for EE, the change is between 2016 and 2024, as it only began reporting numbers in 2016.
Source: Eurostat [educ_uoe_perp01] and [educ_uoe_enra01].

Ensuring a sufficient supply of well-prepared teachers is becoming increasingly important and challenging, though there is heterogeneous demand across Member States. The lower secondary teaching workforce across the EU relies substantially on older teachers: in 2024, over two in five teachers (40.2%) were aged 50 or above, with particularly high shares in Portugal, Latvia, Greece and Lithuania. Overall, the share of the workforce over 50 in the EU has increased slightly over the last decade, and teacher ageing could create shortages, in particular in Member States where the share has grown substantially – see Figure 1.2.3. By contrast, teachers under the age of 30 accounted for only 7.8% of the workforce, falling below 5% in several Member States (Cyprus, Greece, Italy, Lithuania, Poland and Portugal)[88]. Results from the Teaching and Learning International Survey (TALIS) 2024 survey also highlight retention challenges among younger teachers, with 15.2% of them under 30 intending to leave the profession within five years compared to 10.1% among 30-49-year-olds[89]. Substantially higher shares are reported in the Baltics, Latvia (52.9%), Lithuania (49.8%) and Estonia (49.0%). At the same time, while lower secondary student numbers increased by 4.1%[90] across the EU between 2015 and 2024,

[87] Eurostat [edat_lfse_30], EU LFS.
[88] Eurostat [educ_uoe_perd01].
[89] Teaching and Learning International Survey, OECD, 2024. Table 7.1.
[90] Eurostat [educ_uoe_enra01].

demand pressures differ across countries. Growth was particularly strong in Estonia, Ireland, Czechia, Poland, Sweden and Slovenia. In some countries, falling enrolment may partly offset replacement needs.

As the professional demands on teachers expand, there is a need to strengthen the attractiveness of the profession. Teachers increasingly report a need to strengthen their competences in emerging areas[91]. Around one quarter of them identify high professional development needs related to the use of artificial intelligence for teaching and learning (25.2%) and teaching students with special educational needs (24.2%). A significant share of teachers also seek further preparation for increasingly multicultural and multilingual classrooms (15.4%). Despite these challenges, overall job satisfaction remains high across the EU (89.9%), though satisfaction with working conditions (excluding salaries) is lower, at 70%. Job satisfaction does not differ by age, though teachers under 30 are more likely to find their job stressful (20.1% versus 16.0% on average and 13.6% among the over-50s). High job satisfaction may be consistent with strong social-purpose motivations: 65.8% of teachers attach high importance to making a worthwhile contribution to society and 58.0% attach high importance to influencing the next generation. Teachers' high levels of motivation provide a strong basis to maintain and strengthen the sustainability of the teacher workforce. Strengthening the resources of the teaching profession, particularly through targeted professional learning, greater recognition, and fostering collaboration and supportive leadership, has the potential to improve job satisfaction, retention and attractiveness.

Basic skills among 15-year-olds continue to decline, and since 2015 that decline has been steeper in the EU than in the OECD on average. The latest round of the OECD's Programme for International Student Assessment (PISA) tests showed substantial declines in reading and mathematics skills, as well as a decline in science, even if less pronounced (see Pillar Box 2). In 2025, 31.3% of 15-year-olds in the EU did not achieve the expected Level 2 in reading (up 5.2 pps from 2022), 33.9% did not in mathematics (up 4.5 pps) and 25.9% did not in science (up 1.7 pps). A significant reversal of recent trends would be required to meet the European Education Area target of underachievement below 15% by 2030. Top performance in the EU also continues to deteriorate. Only 4.8% of 15-year-olds achieved Level 5 or above in reading (down 1.7 pps from 2022), 6.8% in mathematics (down 1.1 pps) and 6.4% in science (down 0.5 pps). Top performance in science has fallen by 0.6 pps in total over the past ten years. The decreases in reading (-3.7 pps) and mathematics (-3.8 pps) are significantly more pronounced. Overall, the latest set of PISA data underlines worrying trends indicating that the building blocks for further, complex skills and critical thinking among tomorrow's adults are getting weaker. These deficits in foundational basic skills pose a threat to the EU's future competitiveness, productivity, ability to innovate and social cohesion. Declining reading skills also pose a structural challenge in a context of misinformation risks and of development and use of AI, which may be exacerbated by the high levels of vulnerability identified in the latest PISA study.

Pillar Box 2: Latest PISA evidence on science basic skills in the EU

Science skills are essential for young people's future learning, employability and participation in society. They enable learners to engage with scientific evidence, interpret data and make informed decisions on issues such as health, technology, climate and sustainability. The OECD's PISA 2025, in which science was the major assessment domain for the first time since 2015, provides the most detailed evidence on whether education

[91] European Commission, The teaching profession in the EU: a comparative analysis building upon the TALIS 2024 results. Luxembourg: Publications Office of the European Union, 2026.

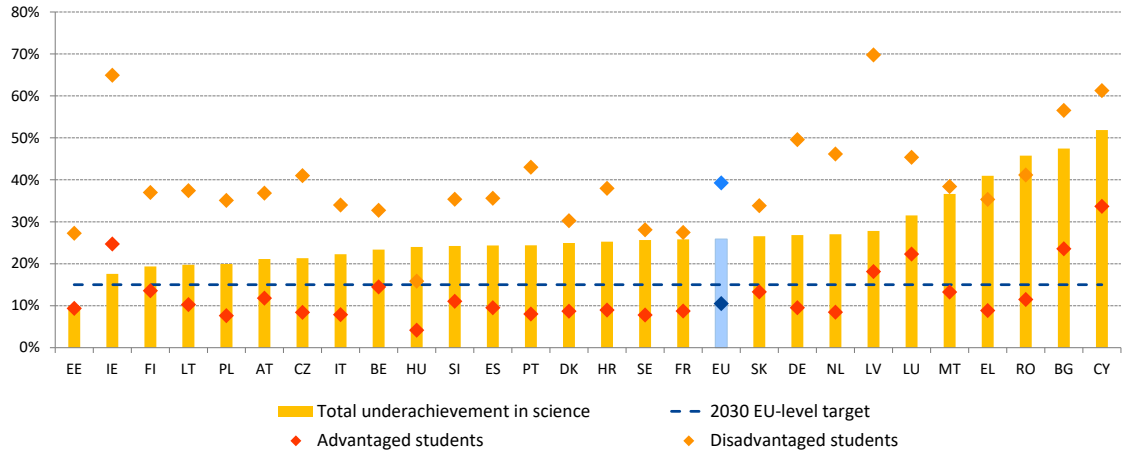
systems are equipping 15-year-olds with the scientific literacy needed for further learning, work and active citizenship. These results also provide an insight into the potential future skills of the workforce. As noted in the Draghi report, fast technological developments are placing an even higher premium on strong science skills, among other STEM subjects. As such, these skills are vital for the future productivity and competitiveness of the European economy.

While science skills did not deteriorate as much as reading and mathematics skills in the latest PISA results, they have been falling consistently over a longer period of time. In 2025, 25.9% of 15-year-olds in the EU underachieved in science, meaning they did not reach PISA Level 2, the minimum proficiency benchmark. This represents an increase of 1.7 pps since 2022 and 4.9 pps since 2015. The EU is now further away from its 2030 target of underachievement below 15%, which only Estonia is currently meeting in science. Underachievement exceeds 40% in Cyprus, Bulgaria, Romania and Greece. At the same time, top performance remains low. Only 6.4% of EU students reached Level 5 or above in science in 2025, below 6.9% in 2022 and 7.1% in 2015, and 5.6 pps short of the EU-level target of at least 12% by 2030. As such, the decline in performance concerns pupils at both ends of the distribution, pointing to the dual challenge of equity and excellence facing the EU: reducing the share of pupils who leave compulsory education without basic science proficiency, while at the same time nurturing the future innovators the EU needs.

Socio-economic background remains by far the strongest predictor of student performance in STEM. In 2025, disadvantaged students were almost four times as likely as advantaged students to underachieve in science, while advantaged students were around eight times as likely to be top performers. In 22 Member States, advantaged students would already meet the EU underachievement target, whereas disadvantaged students would not meet it in any Member State. Gender differences are less pronounced: boys are somewhat more likely than girls to underachieve in science but are also more likely to reach top performance. This has an effect on later educational pathways and the gender balance in science professions.

Disadvantaged students are almost four times as likely as advantaged students to underachieve in science

Proportion of 15-year-olds not achieving the expected Level 2 in science, including in the top socio-economic quartile (advantaged students) and the bottom quartile (disadvantaged students), PISA 2025



Source: OECD, PISA, 2025; DG EAC calculations.

Digital distraction, family support and teacher shortages are key drivers of outcomes. Digital distraction is widespread: around 30% of EU students report being frequently

distracted by digital devices and tools during science lessons. These students score 13 PISA points lower in science once their socio-economic profile is accounted for[92]. Frequent use of artificial intelligence (AI) tools to summarise texts or to draft assignments is likewise associated with lower science performance, by 18 and 16 points respectively. However, the study finds that moderate, well-designed use of digital tools can aid students' learning. Family support also appears to matter: students whose parents or family members frequently take an interest in what they learn at school perform 11 points higher in science. The share of students reporting such support declined markedly, from 66.0% in 2022 to 57.5% in 2025. Teacher shortages also remain a concern: though the share of EU students in schools whose principals report that a lack of teaching staff across all subjects hinders instruction fell from 53.4% in 2022 to 40.2% in 2025, it remains well above pre-pandemic levels (28.3% in 2018).

Member States are working to strengthen science and STEM learning through teacher capacity, curriculum development and improved learning environments[93]. Bulgaria's National Programme 'Future for Talents' (2025-2027) supports specialised training and knowledge exchange among teachers in mathematics, informatics and natural sciences, alongside national and regional talent-development schools and closer cooperation with academia. A new STEAM strategy in **Estonia** covers skills in arts as well as STEM subjects across all levels of education, aiming to teach these subjects in an interconnected way and foster pupils' creativity. **Latvia** has used RRF support to upgrade the infrastructure of 21 schools, including equipment for STEM teaching. **Lithuania**'s support consultations in small groups and its 2023-2030 Plan for the Improvement of Mathematics Teaching and Learning aims to strengthen targeted learner support and teaching practice. Most Member States have implemented or are planning to implement some form of restriction on mobile phones. **Sweden** is addressing digital distraction through restrictions on mobile phones in compulsory schools and is planning a more knowledge-based approach in the curriculum. From 2025/26, **Belgium** banned mobile phones for private or recreational use during the school day across almost all compulsory education.

Strong digital and civic competences are increasingly important for young people due to rapid technological change and the widespread uptake of generative artificial intelligence (AI). Among the 22 EU countries participating in ICILS 2023, 43.0%[94] of eighth-grade students performed below the minimum proficiency level in computer and information literacy. This remains far from the EU objective of below 15% by 2030. Underachievement in the EU ranged from 28% in Czechia to 74% in Romania. However, using digital devices without strong competencies has high risks. Evidence from ICILS 2023 shows that digital devices improve learning only if used moderately and purposefully in education. Intensive or non-educational use of such devices is shown to be associated with greater distraction, weaker basic and digital skills and lower school belonging. With regard to social media use and the addictive design of social media platforms, the European Commission's proposal for an EU KIDS Act sets out new rules to help children navigate the online world more safely[95]. With regard to AI use, generative AI is already widely used by young Europeans: in 2025, almost two-thirds (63.8%) of them aged 16-24 reported using such tools in the previous three months, while around four in ten (41.0%[96]) used them for

[92] 20 points is roughly the amount of learning that 15-year-olds typically gain in one school year.
[93] As these measures were generally adopted after the students assessed in 2025 had completed most of their schooling, their effects cannot be observed in this assessment.
[94] Fraillon, J. (Ed.). (2025). An international perspective on digital literacy: Results from ICILS 2023. Springer Nature.
[95] Proposal for an EU KIDS ACT – 'EU Keeping Internet Digital Spaces Accountable and Trustworthy', 2026.
[96] Eurostat [isoc_ai_iaiu].

formal education. How AI should be used in education is an ongoing debate, and there is a growing need for digital and AI literacy, critical thinking and responsible technology use. This need is underlined by PISA 2025 results, which show that higher performing students tend to be those who use AI less, except for targeted learning purposes. The European Commission, as part of the European Education Area action plan, publishes Guidelines on the ethical use of artificial intelligence and data in teaching and learning for educators[97]. It has also launched an AI Literacy Framework for primary and secondary education in association with the OECD[98]. Appropriately prepared teachers and safe learning environments can help their purposeful application. Moreover, the content as presented by AI tools is engaging and often difficult to trace back to its source. Civic competences are thus equally important. Yet, according to ICCS 2022, only 63.1%[99] of students demonstrated an adequate level, with substantial differences across participating Member States. Strengthening citizenship education along with digital and AI competences and skills can help improve learners' resilience to information manipulation.

As technological change increases the demand for vocational skills, VET needs to be even more attractive and labour-market relevant. There is strong demand for occupations requiring applied technical skills, typically linked to medium-level qualifications in vocational education and training (VET). Evidence from the European Centre for the Development of Vocational Training (CEDEFOP) shows that an increasing share of online job vacancies have been in VET-relevant occupations since 2022[100]. Data on labour shortages from public employment services also point to increasing unmet demand for VET skills and widespread shortages in occupations in which workers typically have medium-level VET qualifications[101]. In 2024, more than half (52.7%) of the pupils enrolled in medium-level education were in vocational (rather than generally oriented) programmes[102]. Work-based learning is key to the labour-market relevance of VET. Positively, by 2025, 66.0% of recent VET graduates had gained such experience as part of their curriculum, exceeding the 2025 European Education Area target of at least 60%. However, this outcome ranges widely across Member States, from 9.1% to 95.4%. Having fallen 0.8 pps in 2024, the employment rate of recent VET graduates recovered slightly to 80.1% (+0.2 pps) – still short of the target of at least 82% by 2025 and lower than that of tertiary graduates (see below). Given the strong demand for applied technical skills, the EU has set targets for enrolment in STEM fields. In 2024, 36.5% of VET pupils were enrolled in STEM (+0.3 pps), but the gap to the 2030 target (at least 45%) remains large. The target for female participation in VET STEM is 20% of all students, but this sat at 15.9% in 2024 (+0.5 pps). On 5 November 2026, the European Commission presented its new VET Strategy[103]. Its objective is to make VET more attractive,

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[97] European Commission, Guidelines on the ethical use of artificial intelligence and data in teaching and learning for educators – Updated, 2026.

[98] European Commission, New AI Literacy Framework helps schools prepare learners for the age of artificial intelligence, 2026.

[99] Schulz, W., Ainley J., Fraillon, J., Losito, B., Agrusti, G., Damiani, V., Friedman, T. (2025), Education for Citizenship in Times of Global Challenge: IEA International Civic and Citizenship Education Study 2022 International Report. International Association for the Evaluation of Educational Achievement (IEA). Springer.

[100] CEDEFOP, Reverse gear: how AI is bringing vocational occupations back. As this reflects the share of vacancies, it does not necessarily reflect an increase in total demand for VET-related occupations. This analysis is based on the CEDEFOP Skills-OVATE database of online job advertisements, developed with Eurostat.

[101] See Table 2 on p. 27 in EURES Report on labour shortages and surpluses 2025.

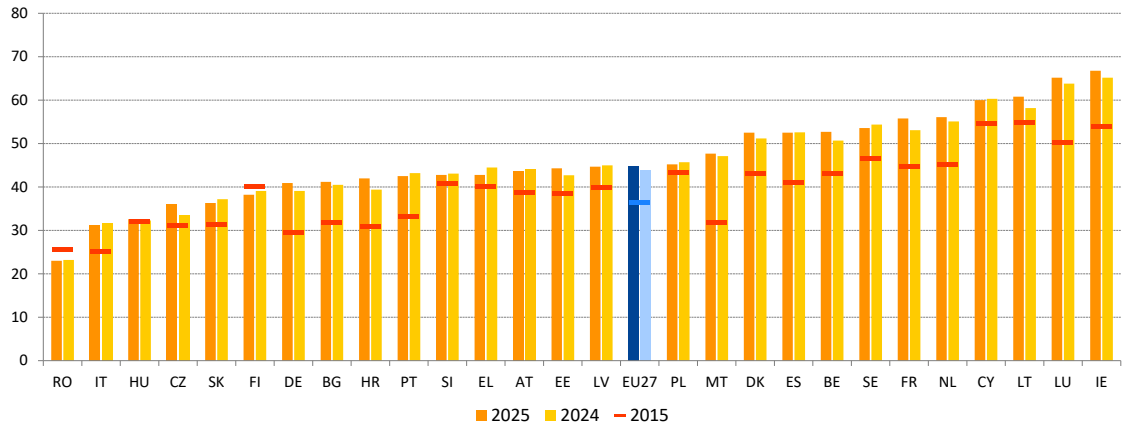
[102] Eurostat, based on UOE data [educ_uoe_enra16]. Medium-level refers to upper secondary and post-secondary non-tertiary education.

[103] Communication on a European Strategy for Vocational Education and Training 2026-2030 (COM/2026/805 final).

innovative, inclusive and future-ready by boosting quality, work-based learning, mobility where relevant, and labour-market responsiveness, and by tackling negative VET stereotypes. These aims are also supported by calls on all Member States through the Council Recommendation on human capital[104].

Figure 1.2.4. The proportion of young adults with tertiary education rose steadily over the last decade, and is higher now than in 2015 in all but two Member States

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



Note: Break in series for BG and FR in 2024 and for LU in 2015.
Source: Eurostat, [edat_lfse_03].

The share of Europe's young people with a tertiary education continues to grow as demand for highly skilled workers increases. In 2025, 44.8% of people aged 25-34 held a tertiary qualification, bringing the EU close to its 2030 target of 47%, after an increase of more than 8 pps since 2015. Nevertheless, considerable differences persist across Member States, with attainment at or exceeding 60% in Ireland, Luxembourg, Lithuania and Cyprus, while remaining below one-third in Romania, Italy and Hungary – see Figure 1.2.4. Labour market outcomes continue to be favourable for tertiary graduates. Among 25-34-year-olds, unemployment stood at 5.2% for those with tertiary education, compared with 6.7% among upper secondary graduates and 15.3% among those with lower educational attainment[105]. The employment rate of recent tertiary graduates also remained high, at 87.0%[106], with very strong performances in most Member States, but comparatively low outcomes in Italy (78.7%) and Greece (66.9%). Yet qualifications do not always translate into well-matched employment. In 2024, around three quarters (73.7%) of young adults worked in occupations matching their level of education, while around two thirds (68.2%) reported a match with their field of study[107]. Matching rates were generally higher among graduates from ICT (77.0%) than among graduates in other STEM and non-STEM fields. These findings point to the importance of effective study and career guidance, stronger links between higher education and employers, and regular adaptation of programmes to changing skills needs.

Participation in learning mobility has yet to recover to pre-pandemic levels and to approach the EU's long-term ambition. Learning mobility remains a cornerstone of the European Higher Education Area and the Union of Skills. Yet in 2024, only 5.5% of recent VET graduates took part in learning mobility, far below the target of at least 12% by 2030. In

[104] Council Recommendation of 9 March 2026 on human capital in the European Union (C/2026/1687).
[105] Eurostat EU LFS extraction.
[106] Eurostat [edat_lfse_24], EU LFS.
[107] Eurostat [lfso_24match02] and [lfso_24match06], EU LFS.

tertiary education, the EU's outward mobility rate[108] remained stagnant, with 11.3%[109] of graduates experiencing some form of learning mobility abroad. This is only a marginal improvement on the previous year (11.0%) and remains well below both the 2019 level (14.4%) and the 23% EU target by 2030. Degree mobility accounted for 4.3% of graduates, while 7.0% participated through credit mobility[110]. Reducing financial, administrative, and information barriers, including related to housing, and strengthening recognition and institutional support, particularly for learners with fewer opportunities, could help progress towards mobility targets.

Public expenditure on education has recovered slightly following a dip during the COVID-19 pandemic, while expenditure on adult learning is significant but difficult to track. Public expenditure on initial education as a percentage of total government expenditure fell from 10.0% in 2019 to 9.3% in 2021, but recovered to 9.7% by 2024. As a percentage of GDP, expenditure on education has barely moved since 2019 and stood at 4.7% in 2024. Significant disparities exist between Member States: expenditure as a percentage of the total ranged from 8.0% to 14.4%, while expenditure as a percentage of GDP ranged from 2.7% to 7.2%[111]. Across the EU, pre-primary, primary and secondary education account for 72% of expenditure and staff costs account for 63%[112]. In contrast to initial education, public spending on adult learning is hard to track. Reliable figures are scarce due to differing definitions, funding from different sources and no coordinated data collection. One estimate suggests that public expenditure on adult learning is at 0.5% of GDP in the EU, around one-third of total expenditure on adult learning[113]. The rest comes from employers, who are major contributors, and individuals who pay through course fees and foregone earnings. In the 2021-2027 programming period, the EU is providing strong support for skills, with EUR 44.2 billion earmarked under ESF+, the JTF and the European Regional Development Fund (ERDF) EUR 67.7 billion including national co-financing)[114]. As noted in the Recommendation on human capital, an efficient and effective use of these public funds is to be supported by strong monitoring and evaluation. Education and skills policies can provide important returns in terms of economic growth and increased productivity via enhanced human capital when based on strong evidence and duly monitored over time.

Skills mismatches at the macroeconomic level continue to fall across the EU in the last decade. The macroeconomic skills mismatch indicator reflects the degree of misalignment between the demand and the supply of skills across the workforce. In particular, it highlights the relative difficulty of people with different educational attainment levels in entering the labour market. Since 2015, the indicator has fallen in 21 Member States, driven largely by rising educational attainment levels. 14 Member States recorded a year-on-year decline in 2025. Austria, Denmark, Germany and the Netherlands had the lowest figures, below 15%. However, in three Member States (Luxembourg, Belgium and Italy), macroeconomic skills

[108] 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.

[109] DG EAC calculations based on Eurostat [educ_uoe_mobg02]. See European Commission, Education and Training Monitor 2026 (forthcoming). Later references to 'DG EAC calculations'.

[110] European Commission, DG EAC calculations. Degree mobility refers to a period of study abroad aimed at acquiring a full degree or certificate; credit mobility is a limited period of study or traineeship abroad set within on-going studies at a home institution, for the purpose of gaining credits.

[111] Eurostat [gov_10a_exp].

[112] European Commission, Investing in education 2026, Publications Office of the European Union, 2026.

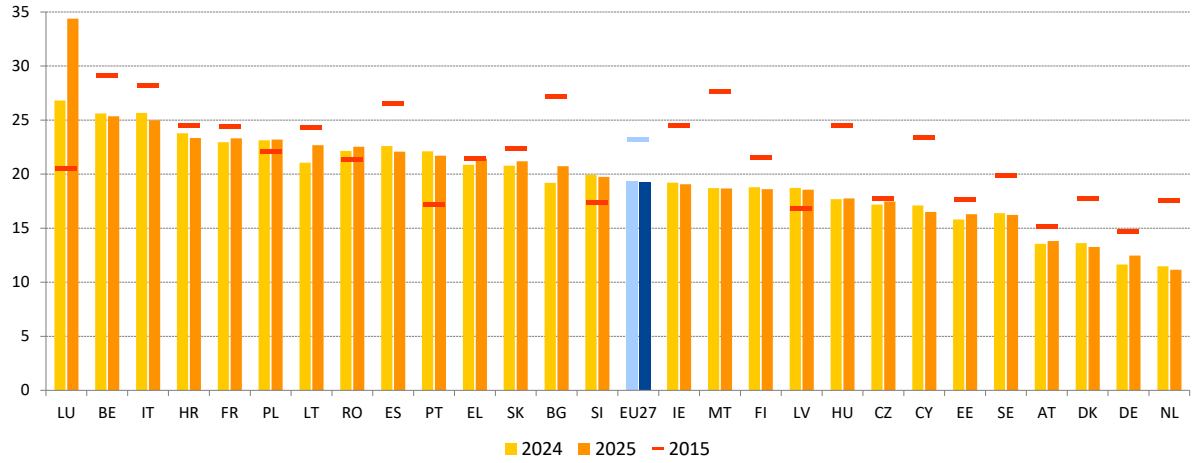
[113] Sekmokas, M. et al., Workforce skills and innovation diffusion – Trends and policy implications, Publications Office of the EU, 2020.

[114] Cedefop, An in-depth overview of the EU cohesion funds' investment in skills in the context of the European Year of Skills, 2024.

mismatches remained more than 25% above the EU average (19.2%) – see Figure 1.2.5. The reduction in the macroeconomic skills mismatch in the last decade reflects higher employment rates for those with low levels of education, alongside an increase in the share of the labour force with higher levels of education who typically enjoy better employment outcomes.

Figure 1.2.5: Skills mismatches have decreased significantly over the last decade in the large majority of 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.

New technologies, including artificial intelligence, and skills shortages are reshaping skills needs and increasing the pressure on workers to adapt. Despite improvements in macroeconomic skills mismatches, skills shortages still pose a problem to business. In 2025, 79% of firms in the EU cited the lack of skilled staff as an impediment to long-term investments. 'Uncertainty about the future' (83%) is the only barrier cited more frequently[115]. Skills are a wider concern, for example, than energy costs (75%) or business regulation. Moreover, a lack of skilled staff is the only barrier that is considered to be a major obstacle by the majority of companies (52%). Effective measures to improve skills and address shortages are essential to speed up the green and digital, including AI, transitions and to promote quality employment and preserve the EU social model (see Pillar Box 3). Continuous skills development over the life course is linked to better employability, adaptability in changing labour markets, and the ability of individuals to reap benefits from technological change[116]. Stronger adult learning systems are a central policy response to this. At the same time, continuous upskilling and reskilling help companies innovate, improve productivity and stay competitive globally. These needs are reflected in the overarching EU skills strategy, the Union of Skills, which aims to upskill and reskill the EU workforce to strengthen the EU's competitiveness, and in the Council Recommendation on human capital. The latter calls on Member States to strengthen future-proof, labour-market-relevant skills in strategic areas, by fostering partnerships between providers, public employment services, social partners, individual businesses and public bodies.

[115] European Investment Bank Investment Survey 2025.
[116] See OECD (2019). Employment Outlook 2019: The Future of Work.

Pillar Box 3: AI adoption in European workplaces and the need for AI skills development

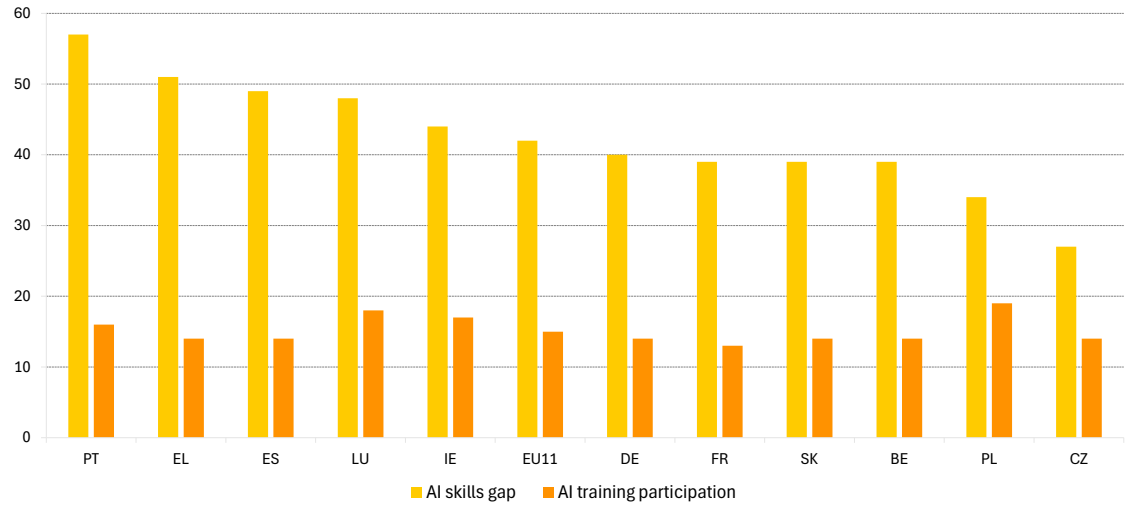
Realising AI's potential across Europe's workplaces depends on closing an adoption gap that currently favours the highly skilled and the most innovative economies. AI is increasingly spreading through Europe's workplaces. It holds significant potential for job creation[117] but close monitoring and policy attention are needed to ensure that its benefits are shared fairly. A recent European Commission survey[118] covering 18 Member States in Spring 2026 finds that just over half of Europeans (54%) use AI, and around one in four does so in their jobs. The perceived gains at the individual level are substantial though. A large majority (91%) of those who use it for work find that AI enables them to complete their work faster, leading to average time savings of 7.4 hours per month. About one third perceives big improvements in the quality of their work and 31% report a more managable workload. However, with AI adoption concentrated among the highly educated, managers and professionals, younger people, and in economies with robust innovation ecosystems, uneven adoption risks deepening a dual digital divide, within and across Member States. The uptake and responsible use of AI by workers and its adoption in the economy more broadly importantly depend on equipping people with the necessary technical knowledge, durable skills, and future-ready attitudes. To turn Europe into a global leader in AI and support its adoption, the EU AI Continent Action Plan, together with the Apply AI Strategy and other initiatives[119], such as the Union of Skills and the AI literacy framework, aim to strengthen AI skills and talent throughout the life cycle.

Equipping workers at all skills levels to work alongside AI is essential for human-centred adoption. AI is transforming jobs by automating some tasks, creating new ones and augmenting workers in others (see 1.3.1). Making sure that workers at all levels are endowed with the skills to be complemented by AI is crucial for a human-centered diffusion of AI, raising labour productivity and boosting competitiveness. While data on the availability of AI skills in the EU is scarce, a 2024 survey by Cedefop in eleven Member States provides some insights on the existing AI skills gap and the participation of workers in AI-related training[120]. On average, 42% of surveyed workers reported that they think to have large or some skills gap in using AI tools and systems for their jobs, whereas only 15% participated in training to develop skills for using AI tools. In Luxembourg, Spain, Greece and Portugal, around or more than half of them (between 48-57%) identified further AI skills developments needs, while in Czechia only 27% reported such a need. The highest participation in AI training was recorded in Ireland (17%), Luxembourg (18%) and Poland (19%). The survey further reveals that participation in AI training mirrors existing inequalities in general and digital skills development, with older and female employees and people in atypical employment least likely to participate in AI training. Even though only focussed on a minority of Member States, the survey results highlight the pressing need for AI skills development across the Union's workforce.

[117] European Commission, Social Situation Monitor – The future employment impact of artificial intelligence and emerging digital technologies in Europe, Publications Office of the European Union, Luxembourg, 2026.
[118] European Commission, The AI-adoption divide: Who benefits, who doesn't, and what it means for workers, Special Issue, Spring 2026 Economic Forecast, 2026.
[119] For more details see European approach to artificial intelligence.
[120] Cedefop, Skills empower workers in the AI revolution – first findings from Cedefop's AI skills survey, Publication Office of the European Union, 2025.

The demand for AI skills development is high across Member States

AI skills gap and participation in training activities to develop knowledge and skills in using AI tools (%)



Note: Data reflects surveyed workers' replies to the questions: 'To what extent do you need to further develop your knowledge and skills in using AI tools and systems for your job?' and 'In the last 12 months, have you participated in any education or training activities to further develop your knowledge and skills in using AI tools or systems?'. The AI skills gap indicator reflects responses indicating both 'large' and 'some' skill gaps.
Source: Cedefop AI skills survey.

Member States are strengthening their AI-related skills policies, seeking to ensure that AI's potential is converted into concrete gains for all. Such measures span over the whole education and training life cycle, and also include the attraction of foreign AI talent[121]. In **Greece**, the 'Supply of Robotics and STEM Equipment for Education' programme, supported by EUR 30.1 million from the RRF, equips primary and secondary schools with digital tools for hands-on AI learning. **Czechia**, **Latvia** and **Slovakia** participate in the AI-Empowered Teaching ('AI-EmpaTe') project (2024-2026), an international collaboration to enhance educators' AI competencies through digital training modules. In **Slovakia**, since 2025, twenty-two dedicated degree programmes in artificial intelligence at six Slovak universities aim to address the growing demand for AI skills. In **Luxembourg**, the 'Skillsbridges' initiative, launched in the 2024-25 school year, offers AI courses ranging from 40 to 240 hours for business professionals and IT specialists, while the 'AI Competence for **Sweden'** programme provides modular AI courses for working professionals seeking to integrate AI into their respective fields. In recent years, many Member States have also introduced general digital literacy programmes that include AI-related components. For example, **Austria**'s comprehensive 'Digitale Kompetenzoffensive' has a dedicated AI literacy and skills strategy. **Spain** has launched several initiatives to attract and develop AI talent, covering university tuition subsidies, research scholarships, and targeted funding for AI and semiconductor researchers. Finally, several Member States are building national AI ecosystems that link research with industry. **Romania's** 'Hub of Artificial Intelligence' (HRIA) (2025-2029), a consortium of seven universities and eight SMEs, aims to accelerate AI adoption and strengthen collaborative research, create new AI products and services, and transfer knowledge to industry and society.

[121] For a comprehensive overview see OECD, Progress in Implementing the European Union Coordinated Plan on Artificial Intelligence (Volume 2), OECD Publishing, Paris, 2026.

Employers play the biggest role in initiating training, while adults participate in learning mostly for personal reasons or in connection with their current job. Among adults participating in learning, only about a quarter, 24.3%, did so 'to improve career prospects' and 18.1% did so because of 'changing job requirements and technological developments'. Almost a third, 32.5%, participated because it was 'required by the employer'[122]. The employer most often initiated the training, irrespective of the individual motive (65.6%). In most cases, training is obligatory (40.8%) rather than suggested (24.8%). Individuals initiate their own training in 28.8% of cases. This picture is broadly similar across Member States. The employer role in initiating training is above 75% in seven countries, while the role of the individual is comparable or higher only in the Netherlands and Greece. Employers also finance the majority of job-related adult learning. Workload, lack of time and limited organisation capacity, notably in SMEs, are reported as the main barriers to providing more training. Flexible and modular formats can help overcome these barriers.

Employer-provided training has risen slowly over the past decade, but access remains uneven across the workforce and not all employee needs are met. According to the European Working Conditions Survey, the share of workers with access to employer-provided training rose slowly, from 41% in 2015 to 46% in 2024[123]. Yet this has not reached everyone equally. Access is concentrated in occupations that require higher skills. More than half of managers (51%), professionals (59%) and technicians (57%) received training over the previous 12 months, compared with only one in five workers in elementary occupations (19%). Not everyone who would like to participate in training has access, with 11% of employees reporting that they had asked for training but did not receive it. There is scope to increase training by empowering and encouraging people to take control of their own learning, for example through Individual Learning Accounts (ILAs).

Participation in adult learning is relatively low and varies significantly across Member States. According to the Adult Education Survey (AES), participation in adult learning (including guided-on-the-job training) stood at 46.6% in 2022[124], with an increase of only 2.9 pps since 2016. Participation was high and increasing in Sweden, Germany and Hungary and average and increasing in the Netherlands, which are all 'best performers' – see Figure 1.2.6. Italy, Belgium and Slovenia, Member States where participation was already low or at the average, recorded decreases between 2016 and 2022 and are now 'to watch'. By contrast, participation was very low in Greece, Bulgaria, Poland, Croatia and Lithuania in 2022, with all these countries being in a 'critical situation'. Overall, there were signs of divergence between Member States over the period, as participation increased in Member States where it was already high and decreased further in most of the worst performers.

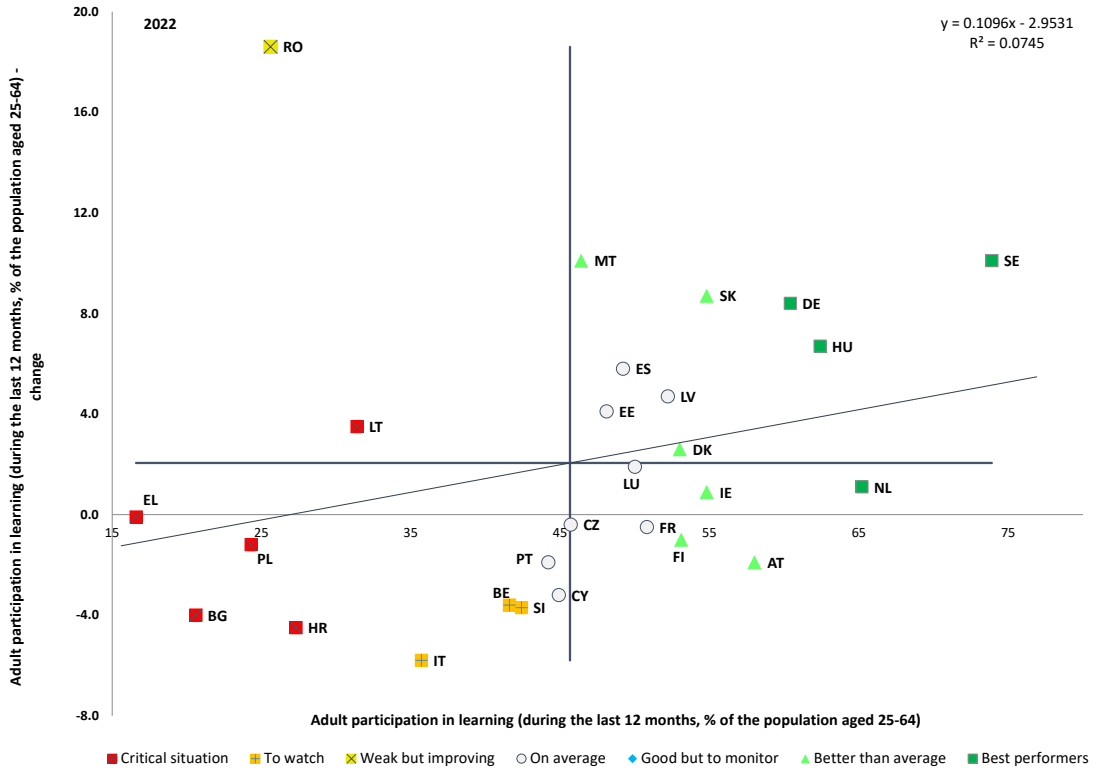
[122] Source: Eurostat (AES 2022 special extraction). At the first place, more than half of the participants reported having done so to 'increase their own knowledge and skills for general interest' (53.8%), and 'wanting to do their job better' (52.8%).

[123] Eurofound, European Working Conditions Survey 2024: Overview report, Publications Office of the European Union, Luxembourg, 2026.

[124] 2022 is the latest date for which comprehensive data on adults' participation in learning is available through the Adult Education Survey.

Figure 1.2.6: Adult learning increased only slightly between 2016 and 2022, with large variation across Member States

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



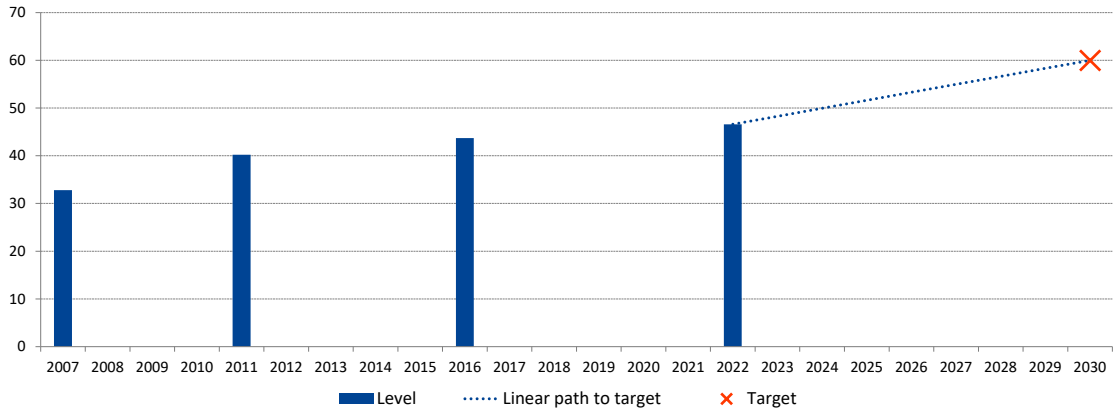
Note: Guidelines are centred on the unweighted EU average. The change to 2022 is computed with respect to the 2016 value, the last one available before 2022. Break in time series in 2022 for FR, IT and RO.
Source: Eurostat [trng_aes_100].

Adult learning participation needs to increase substantially if the EU is to meet its 2030 target and ensure that its workforce can keep pace with technological changes. The EU-level target of 60% of adults participating in learning every year by 2030 remains a good distance off – see Figure 1.2.7. An increase of 13.4 pps is required over a period of eight years, when only 2.9 pps was achieved in the prior six years. More recent insights on participation can be drawn from the biennial EU Labour Force Survey (EU LFS), which points to modest growth between 2022 and 2024[125]. This modest increase would be insufficient to achieve the EU headline target. Accelerated progress is crucial to equip the workforce for changing skills needs, to mitigate labour and skills shortages and to preserve competitiveness and inclusiveness.

[125] The two data sources are not directly comparable owing to methodological differences. For further details, See the Eurostat Information Note on Participation in education and training during the last 12 months – differences between data available from two sources. The next insights on trends in adult learning will be available from the EU LFS in 2027, covering data for 2026. The next set of AES data, providing the comprehensive picture on participation, will be available in 2029 for 2028 data.

Figure 1.2.7: Progress in adult learning is insufficient to meet the 2030 EU headline target

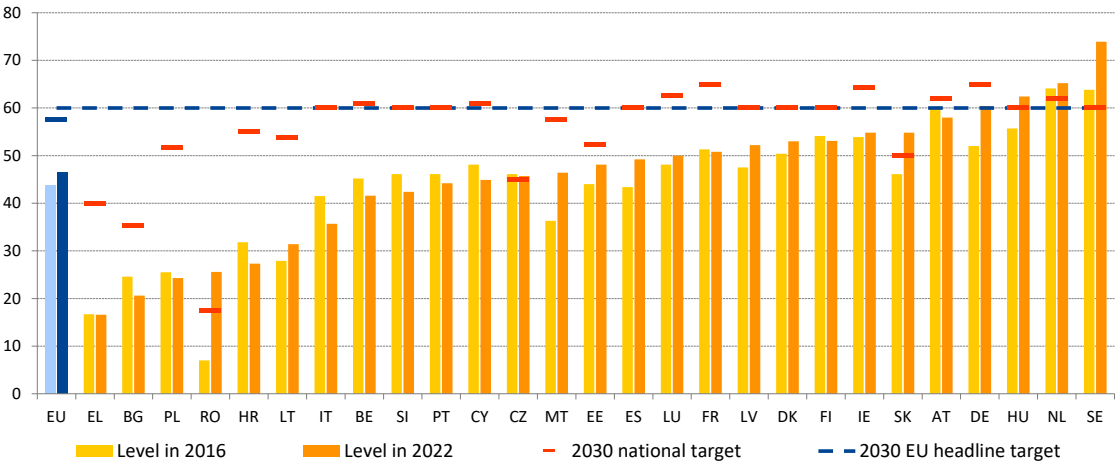
Adult participation rate in learning during the past 12 months in the EU-27 and the 2030 EU headline target (25-64, including guided on-the-job training, %)



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[126]. Breaks in series in 2011 for EU, FR, HU, in 2016 for IE, LU, SE and in 2022 for FR, IT, RO.
Source: Eurostat [trng_aes_100].

Figure 1.2.8: Significant efforts are required in most Member States to reach their respective 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 2022 for FR, IT, RO.
Source: Eurostat [trng_aes_100] and table on 2030 national targets in Annex 1.

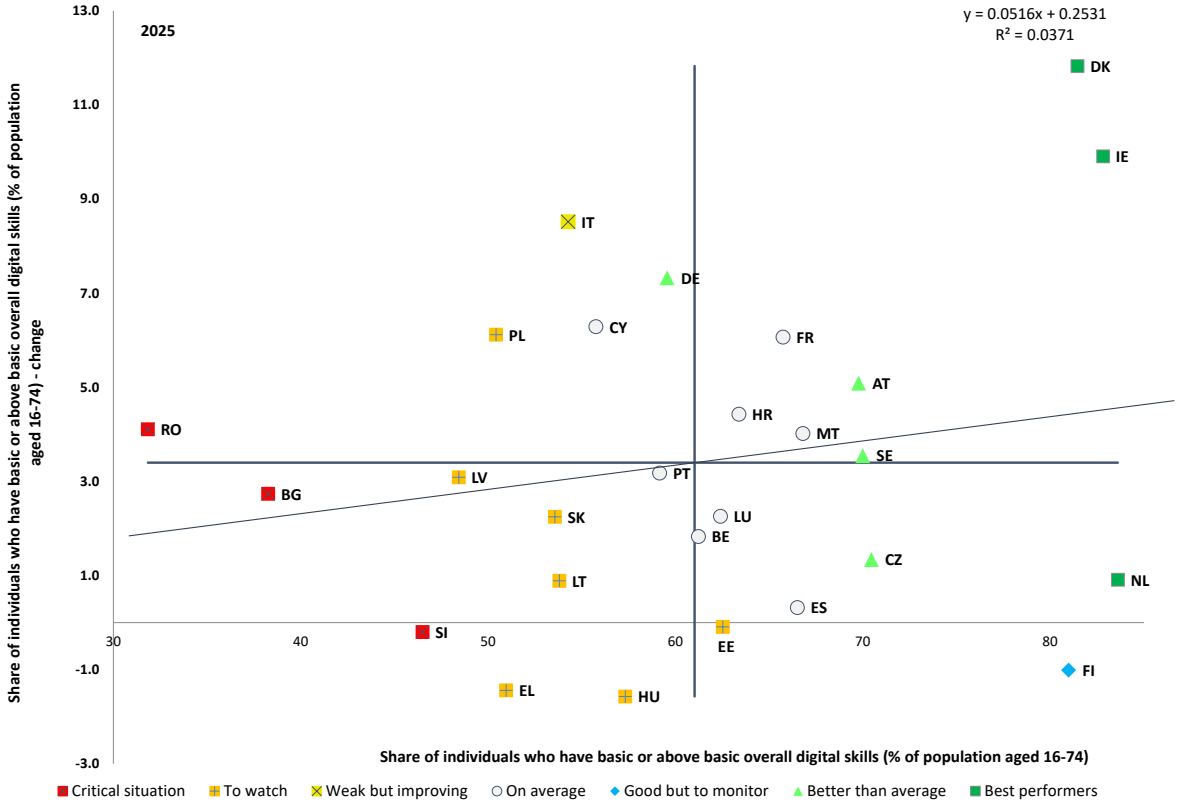
A few Member States are already above their national 2030 targets, but the majority are likely to struggle to reach theirs. Participation varies from 73.9% to 16.6% – see Figure 1.2.8. By 2022, Sweden, the Netherlands, Hungary, Slovakia, Czechia and Romania had all surpassed their targets. Germany, Austria and Estonia are also close to their targets, which vary considerably – see Figure 1.2.8. Romania recorded the strongest increase from a

[126] 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.

relatively low base, although a direct comparison is not possible due to a break in series. Sweden and Malta also measured large increases. Overall, the speed of progress observed in most Member States between 2016 and 2022 – alongside the insight provided by the LFS for the period 2022-2024 – suggests that significantly more effort is required to meet the national targets.

Figure 1.2.9: Digital skills of adults show no sign of convergence as they improve slowly across the EU

Share of population with basic overall digital skills or above (age 16-74), 2025 levels and changes from 2023 (%, Social Scoreboard headline indicator)



Note: Guidelines are centred on the unweighted EU average. 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].

While the digital skills of adults across the EU have improved to some extent, there is no clear sign of upward convergence among Member States. Having at least basic digital skills is increasing in importance as digitalisation is fundamentally reshaping the way people work and live. This is acknowledged by Europe's Digital Decade target of at least 80% of people (aged 16-74) having basic digital skills by 2030. In 2025, 60.4% of adults had at least basic digital skills, with an increase of 4.8 pps from 2023. There are large differences in performance between Member States. The Netherlands, Ireland and Denmark are 'best performers' and already above the 2030 EU-level target – see Figure 1.2.9. Well below the average but still registering improvements were Poland, Latvia, Slovakia and Lithuania, while Estonia, Greece and Hungary were deteriorating – all of them are 'to watch'. By contrast, Romania, Bulgaria and Slovenia are the countries with the lowest shares of adults with at least basic digital skills and are in a 'critical situation'. Overall, the latest data shows that most Member States (22) made progress between 2023 and 2025. However, there is no

sign of upward convergence. The importance of digital skills is particularly pronounced for older adults who are more at risk from the green and digital transitions, as they are more concentrated in shrinking high-emission jobs, less mobile and less engaged in advanced digital use and training. Only one in two (50.5%) older adults (55-64) have at least basic digital skills compared to three in four (74.5%) young adults (25-34). This is exacerbated by the fact that young adults are more likely to participate in training (56.5%), including to develop IT skills, compared to older adults (35.4%).

As technological change and adoption accelerate, the EU needs more ICT specialists and workers proficient in using IT tools including AI. Being comfortable with new technologies at work will become increasingly important for more workers, not just ICT specialists. Recent data suggests that AI adoption at work is lagging behind personal use, but it may be increasing. In 2025, 32.7 % of adults (16-74) in the EU used generative AI. Only 15.4% did so for professional purposes, while 25.5% used it in their private lives[127]. ICT professionals and individuals with high levels of education are much more likely to use generative AI at work[128]. Other surveys suggest that adoption at work may be increasing. The European Central Bank's Consumer Expectations Survey showed that the share of employees in the euro area adopting AI increased from 26% in 2024 to 40% in 2025[129]. A European Commission *ad hoc* survey conducted in February-March 2026 suggested that one-in-four adults (18-64-year-olds) were using AI at work. Many businesses in OECD countries, especially SMEs, report that skills shortages limit their use of AI. 40% of employers in manufacturing and finance cited skills as the main barrier to adoption, as did over half of SMEs not using generative AI. AI is also raising the skills bar: over half of employers in manufacturing and finance reported an increased need for highly educated workers[130]. To fully harness the opportunities of technological change, the number of ICT professionals needs to increase, as do the AI skills and adoption in the workplace.

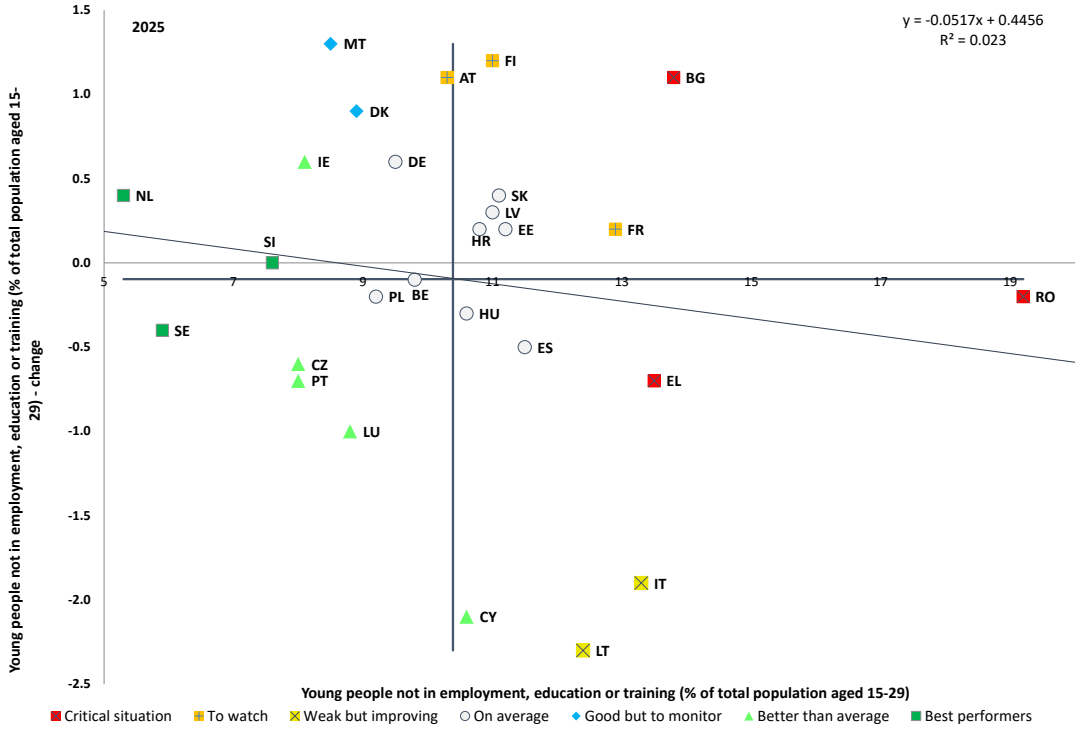
The share of young people neither in employment nor in education and training (NEET) continues to slowly decrease. After peaking at 14.0% in 2020, the NEET rate (15-29) has fallen continuously in the EU, to 11.0% in 2025. Nevertheless, significant variation is evident across Member States. The 'best performers', with the lowest rates, were the Netherlands, Sweden and Slovenia – see Figure 1.2.10. Finland and Austria, with some of the largest increases, as well as France, with a relatively high level and some increase, are 'to watch'. Romania, Bulgaria and Greece had the highest NEET rates in 2025 and are in a 'critical situation'. With some signs of convergence across Member States, the EU remains 2.0 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, remained steady at 4.2% in 2025. The share of NEETs outside the labour force improved slightly (from 7.0% in 2024 to 6.8% in 2025). The share of discouraged NEETs continued its decreasing trend at EU level (from 4.9% in 2020 to 4.1% in 2025). The annual economic costs associated with NEETs has been estimated at around 0.6% of GDP in the EU[131]. Against this background, the reinforced Youth

[127] Eurostat [isoc_ai_iaiu].
[128] Eurofound, Who uses Generative AI? Patterns and inequalities across the EU, 2026.
[129] European Central Bank, Consumer Expectations Survey, quoted in 'AI and the euro area economy', a keynote speech by Philip R. Lane, Member of the Executive Board of the ECB. These figures cover only employees rather than the whole population, which explains the higher figure.
[130] OECD, AI and skills: What we know so far, OECD Publishing, Paris, 2026.
[131] European Commission (2025). *Employment and social developments in Europe 2025*; Chapter 2, Untapped sources of labour in the EU. This estimate is for 2023.

Guarantee[132] supports NEETs by offering quality employment, further education, apprenticeships or traineeships, and the Aim, Learn, Master, Achieve (ALMA) initiative helps disadvantaged NEETs gain professional experience abroad[133].

Figure 1.2.10: NEET rates continue to fall and there is some signs of convergence

NEET rate (age 15-29), 2025 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Guidelines are centred on the unweighted EU average. Definition differs for ES and FR.
Source: Eurostat [lfsi_neet_a], EU-LFS.

Young people living in poorer, more remote regions and rural areas are more likely to be NEET, with persons with disabilities and Roma young people affected by much higher rates. The lowest regional rates in the EU are at or below 4.2% (Budapest in Hungary, Utrecht in the Netherlands, Praha in the Czechia and Warszawski Stołeczny in Poland), and the highest rates in the EU, excluding the outermost regions, are at or above 26.3% (in Sud-Est and Sud-Vest Oltenia in Romania). The disparities within Member States are notable in France, Italy, Poland, Finland and Hungary (see Figure 2 in Annex 5). By contrast, Member States such as the Netherlands, Sweden and Austria have low rates overall and low variation between regions. There is also an urban-rural divide in the EU. The NEET rate was 10.3% in cities, 11.0% in towns and suburbs and 12.4% in rural areas. In the EU in 2024, 29.9% (up from 28.77% in 2022) of young persons with disabilities were NEETs[134]. Young Roma people are another group which are much more likely to be NEETs, though the rate fell from 62.0% in 2016 to 47.0%[135]. Addressing higher NEET rates in certain areas and

[132] 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.
[133] Further information available online at: ALMA (Aim, Learn, Master, Achieve).
[134] Eurostat [edat_lfse_39].
[135] European Union Agency for Fundamental Rights, Rights of Roma and Travellers in 13 European countries – Perspectives from the Roma Survey 2024, 2025.

among certain groups could have important economic benefits. Eurofound estimates that the annual economic loss of a single NEET in 2023 was around EUR 14 600, on average[136].

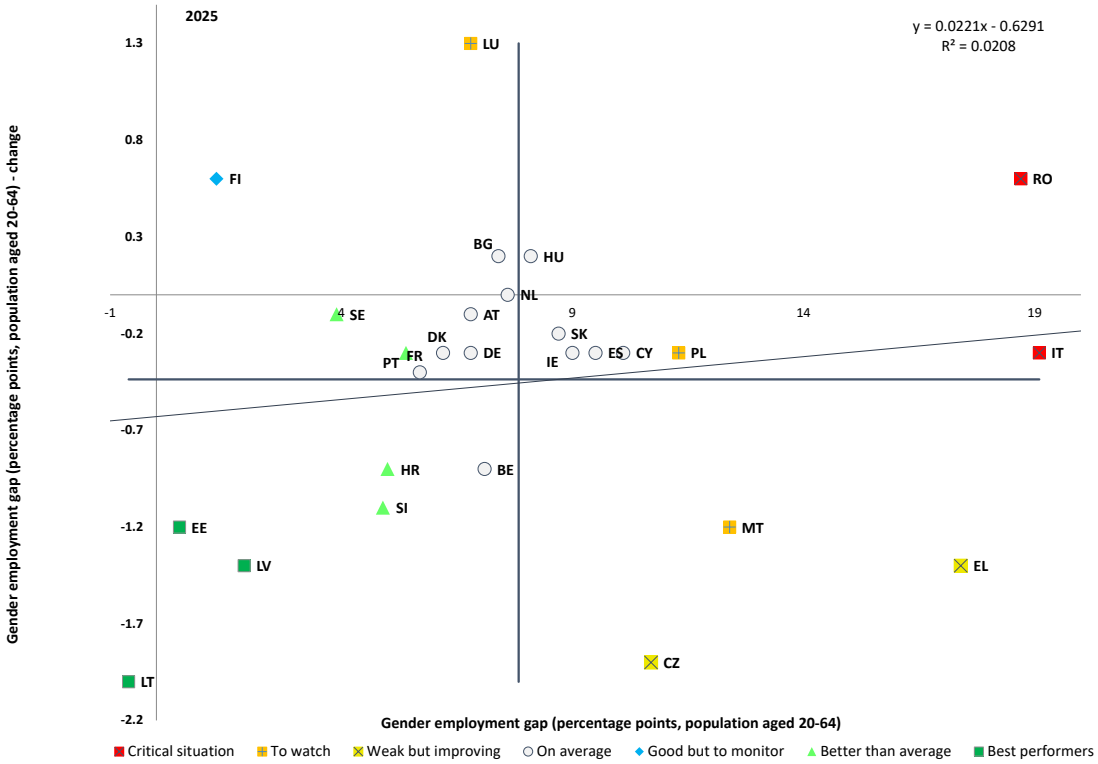
The employment rate of older workers has scope to increase further, particularly among women, which could help mitigate the impacts of demographic change. More than one million more older workers (55-64) were in employment across the EU in 2025 than in 2024, equivalent to a 1.2 pps increase. Since 2009, the employment rate of older workers has increased by 23.2 pps to 66.4% in 2025 (vs an overall employment rate of 76.1%). Such a consistent growth reflects the potential of this group to increase overall participation in the labour market. This is particularly true for women in this age group, whose employment rate remains low, at 60.8%, well below that of men at 72.3% pps. This can be explained by higher rates of early retirement, as well as the significant share of women just below retirement age who have never worked or who have spent 10 or more years outside the labour force. Across the EU, the working-age population is expected to shrink by an average of 1.2 million people per year between 2025 and 2050, and the old-age dependency ratio to increase from 34.4% in 2025 to 50.2% by 2050[137]. Supporting longer working lives for men and women is essential to mitigate the impacts of population ageing as well as labour and skills shortages.

The gender employment gap continues to close at a slow pace in most Member States, though it remains very wide in some. In 2025, the employment rate for men increased by 0.2 pps to 80.9%, while for women it increased by 0.6 pps to a record high of 71.3%. As a result, the gender employment gap now stands at 9.6 pps, down by 0.4 pps from 2024. Since 2019, the gap has narrowed by just 1.6 pps (from 11.2 pps), implying a reduction of around 0.25 pps per year. This shows slow progress towards the target of halving the gender employment gap by 2030 compared to its level in 2019. The gender employment gap continues to improve in the Baltic States, where the gaps were already very low – see Figure 1.2.11. Malta and Poland are 'to watch' due to gaps well above the average despite narrowing, as is Luxembourg due to one of the largest deteriorations. Italy and Romania register the widest gaps and thus both countries are in a 'critical situation'. In Lithuania, the employment rate for women now exceeds that for men. Despite a small number of cases with widening, the majority of narrowing gaps being distributed across Member States with narrower and wider gaps indicates some signs of upward convergence across them. 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, ranging from 8.1 pps in cities to 10.4 pps in rural areas and 10.9 pps in towns and suburbs. The gap is much wider among Roma: in 2024, only 38% of Roma women were in paid work, compared with 69% of Roma men. The gender gap also widened from 27 pps in 2016 to 31 pps in 2024.

[136] Eurofound analysis featured in European Commission, Employment and social developments in Europe 2025, Publications Office of the European Union, 2025.
[137] Eurostat [proj_25ndbi].

Figure 1.2.11: The gender employment gap has narrowed in most Member States and despite some signs of convergence, it remains very wide in a small number of countries

Gender employment gap (age 20-64), 2025 levels and changes from previous year (pps, Social Scoreboard headline indicator)



Note: Guidelines are centred on the unweighted EU average. Definition differs for ES and FR.
Source: Eurostat [tesem060] , EU LFS.

Women are far more likely than men to work part-time, resulting in a wider gender employment gap when hours worked are taken into account. In 2025, women (20-64) in the EU were almost four times more likely than men to work part-time (27.5% and 7.8% respectively), resulting in a gender gap in part-time employment of 19.7 pps, down by 0.3 pps from 2023. However, women are less likely to work part-time involuntarily (21.6% of men who work part-time do so involuntarily, compared to 16.5% for women). The largest gaps in part-time work were recorded in the Netherlands (41.3 pps), Austria (37.1 pps) and Germany (37.1 pps). By contrast, there is virtually no gap in Bulgaria (0.1 pp) and, in Romania, men are even more likely than women to work part-time (a gap of -1.0 pp). Given the higher prevalence of part-time work among women, taking full-time equivalent (FTE) employment[138] into account can give a more rounded picture of women's employment opportunities. This FTE-adjusted gender employment gap was 14.8 pps in 2025[139], which is more than 50% (or 5.2 pps) wider than the unadjusted gap. The largest FTE-adjusted gaps were in Italy (23.4 pps) and Greece (18.8 pps), both of which have large unadjusted gaps. However, the next three largest gaps were in the Netherlands (18.1 pps), Germany (18.1 pps) and Austria (17.9 pps). These are the three Member States, which have unadjusted gaps just

[138] The FTE employment rate adjusts for 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.
[139] JAF indicator PA7.1.C4.; see the JAF interactive dashboard.

below the average but also the largest gender gaps in part-time employment. In all three of them, 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.

The gender pay gap has been narrowing slightly overall, but women in senior positions and in higher-paying industries face a higher pay gap. In 2024, the gender pay gap in the EU stood at 11.1%[140], down by 0.6 pps on 2023 and 4.6 pps in total over the previous decade. Among a variety of other factors, such as the higher prevalance of part-time work among women, some of the gender pay gap is explained by differences in economic activities and occupations and the under-representation of women in senior positions[141]. Women are also more likely to be in involuntary temporary work[142]. Even when women work in higher-paid sectors and roles, they face disproportionately large gender pay gaps. Estimates of the adjusted gender pay gap in the EU suggest that only roughly one-sixth of the gender pay gap is attributable to observable characteristics, such as occupation and industry[143]. In 2025, 36.4% of all managerial positions in the EU were held by women, up from 32.2% a decade before. Only around one in ten CEOs in the largest listed companies in the EU is a woman[144]. Even among those who reach managerial positions, the gender pay gap is twice as wide as the average[145], illustrating that unequal access to senior roles and unequal rewards within them need to be addressed in order to close the gender pay gap. The pay gap is also wider in the private sector where wages are higher, such as finance and insurance. Overall, women tend to work in lower-paid sectors, such as education, while sectors like ICT are dominated by men (where only around one in five employees are women)[146]. Improving career progression for women while narrowing the pay gap at the top can help contribute to driving down the gender pay gap further. One path to reducing the gender pay gap, including for those in senior positions, is through implementing the provisions of the Directive on pay transparency. Key elements of this include salary disclosure in job vacancies or before the interview, banning pay history questions, and requiring a joint pay assessment for the categories of workers where reporting shows an unjustified gender pay gap of at least 5% that has not been remedied. Pay-gap reporting applies to employers with at least 100 workers, phased in by size[147].

Persistent pay gaps over the course of a career build up and contribute to a significant gender gap in pensions. Generally, the gender pay gap is much smaller among young employees[148]. Over the course of an average career, however, the pay gap increases and is compounded by career breaks for childcare and long-term care, lower work intensity and shorter careers. This results in substantial gender gaps in pensions, which, despite having decreased by 10 pps from 2015 to 2025, are still larger than gender pay gaps. In 2025 women aged 65-79 received gross pensions that were, on average, 24.2% lower than those of men in

[140] 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.
[141] Eurostat, Gender pay gaps in the European Union, Publications Office of the European Union, 2025.
[142] Eurostat [lfsa_etgar], EU LFS.
[143] Eurostat, Gender pay gaps in the European Union - A statistical analysis based on Structure of Earnings Survey - 2022 data, 2025. The analysis notes that other non-observed characteristics may explain some of the remaining difference, so that the remaining five-sixths is not purely 'unequal pay for equal work'.
[144] European Institute for Gender Equality, Largest listed companies: CEOs, executives and non-executives.
[145] Eurostat [earn_ses22_47], Structure of earnings survey 2022.
[146] Eurostat [isoc_sks_itsps].
[147] Directive (EU) 2023/970 of the European Parliament and of the Council of 10 May 2023.
[148] Eurostat, Statistics Explained: Gender pay gap statistics.

the same age group[149]. This gap varies considerably across countries, ranging from above 34% in the Netherlands, Malta and Austria to below 6% in Slovenia and Estonia. A higher number of women aged 65-79 also receive no pension at all as compared to men (5.1 pps pension coverage gap in the EU in 2025)[150]. This gap is wider than 10 pps in Greece and Italy and above 20 pps in Spain. Men are more likely not to have a pension in 14 Member States, though the largest gap in favour of women is just 4.2 pps. 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 1.4.1). Gender-neutral pension supplements, contributory and non-contributory minimum pensions and care credits are among the policies used by Member States to reduce the gender pension gap.

Informal long-term care provision and parenthood have a bigger impact on women's careers. Providing informal long-term care (LTC) can hold women's careers back. Around one in five adults in the EU provide informal LTC at least once a week, with similar overall rates among women (18%) and men (19%)[151]. However, women are more likely to provide daily and high-intensity informal care that is more likely to prevent employment than does care that is less frequent and intensive. Moreover, fewer women than men make use of formal LTC services to complement their informal caregiving. Women are also considerably more likely than men to move into part-time work to accommodate caring duties. Across the EU, nearly one in five female informal carers works less than 30 hours per week, almost double the rate of male informal carers and non-caregivers. Beyond employment effects, intensive informal caregiving is also associated with lower well-being, higher psychological distress and poorer physical health. Caring for the young also has an impact on women's employment. The employment impact of parenthood for women aged 20-49 is -6.5 pps, whereas men who are fathers are more likely to be in work[152]. By contrast, among those without children the gender employment gap is just 3.2 pps. Parenthood is also more likely to reduce women's wages, a reflection both of time away from work following childbirth and lower human capital accumulation due to the pursuit of more flexible employment arrangements during child-rearing[153]. Improving these gender imbalances and increasing the availability of affordable and high-quality care services is essential not only for promoting gender equality but also to help address labour shortages.

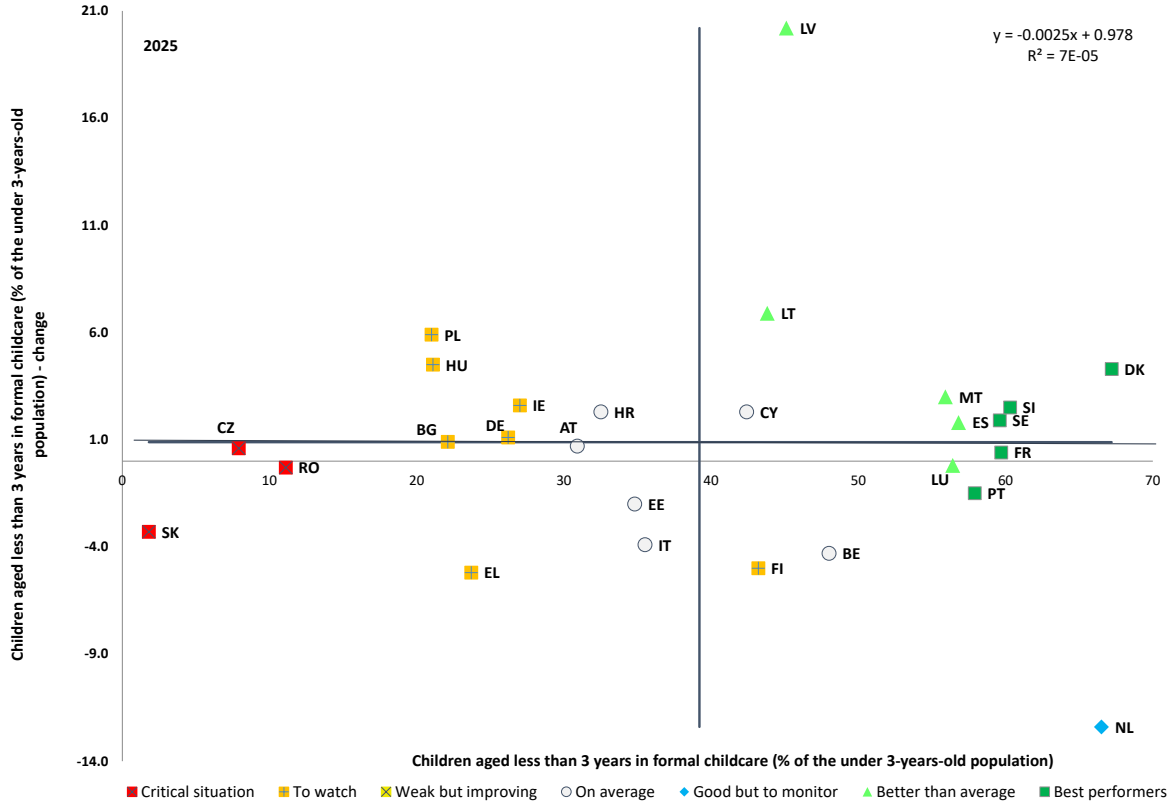
Participation in early childhood education and care remains low in some Member States. In 2025, the share of children below the age of 3 in formal childcare stood at 40.5% in the EU, with an increase of 1.3 pps on 2024. At an EU-level, steady progress is being made towards the revised Barcelona target of 45% by 2030[154], but the rate varies widely among Member States. While in nine of them, the participation rate is already above 50%, seven remain below 25%. There is also no sign of convergence across Member States – see Figure

[149] Eurostat [ilc_pnp13], EU-SILC.
[150] Eurostat [ilc_pnp14], EU-SILC.
[151] European Institute for Gender Equality, Sharing care, closing gender gaps: CARE Survey 2024, Figure 22.
[152] Joint Assessment Framework [PA7.2.S1.F and PA7.2.S1.M]
[153] E. Cukrowska-Torzewska, A. Lovász: The role of parenthood in shaping the gender wage gap – A comparative analysis of 26 European countries, Social Science Research, Volume 85, 2020.
[154] 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 education should be in ECEC. Those Member States whose average participation in the period 2017-21 was below 20% are recommended to increase by 90%, while Member States whose average participation was 20-33% are recommended to increase by 45%, with a limit of 45%.

1.2.12. Comparing participation rates across the EU, Sweden, Slovenia, France, Portugal and Denmark are all 'best performers', with some of the highest participation rates (in excess of 57%). Poland, Hungary, Bulgaria, Germany and Ireland are 'to watch' due to relatively low rates, and so are Greece and Finland due to large deteriorations. By contrast, Slovakia, Czechia and Romania still report the lowest rates and are in a 'critical situation'. Several obstacles may impede participation in early childhood education and care, even in the best performing countries. These include financial, cultural and language barriers, socio-economic background as well as differences in regional and national policies in relation to parental leave, parental choice and allowances or legal rights to childcare. In 2025, participation of children below 3 that are at risk of poverty or social exclusion was rather low on average, at 25.9%, compared to 45.0% for those not at risk[155].

Figure 1.2.12: Participation in early childhood education and care remains low in some Member States

Children below the age of 3 in formal childcare, 2025 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Guidelines are centred on the unweighted EU average. Provisional data for LT. Break in series for LU.
Source: Eurostat [tepsr_sp210], EU-SILC.

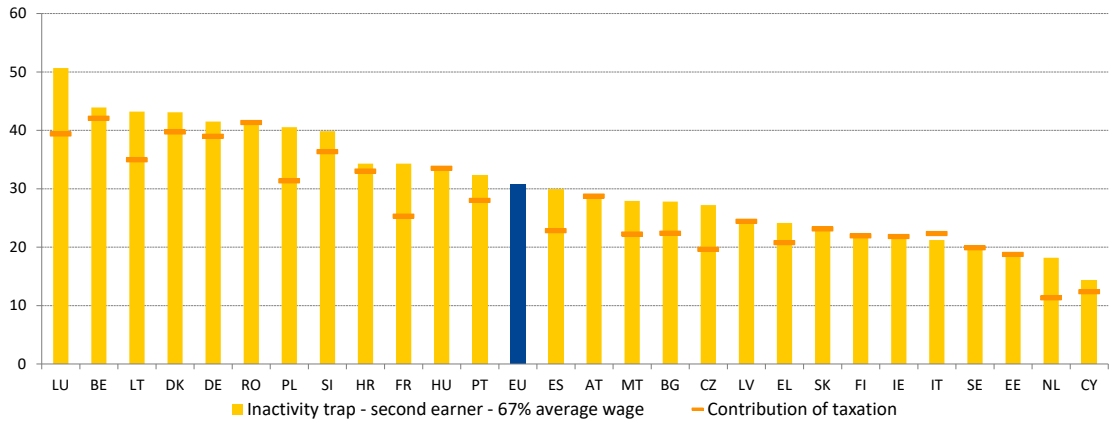
Some features of personal income tax systems can discourage second earners from fully participating in the labour market and contribute to the gender employment gap. Joint taxation systems allow families to file combined income for potentially lower overall taxes. This, however, increases the marginal (also entry) tax rate for second earners, the majority of whom are women (78% in 2022[156]). This creates disincentives for them to take up work or to

[155] Eurostat [ilc_caindform25b], EU-SILC.
[156] See European Commission, 2023 report on gender equality in the EU, Publications Office of the European Union, 2023.

extend their working hours[157]. Indeed, academic research has shown that lowering effective tax rates for second earners in married couples can help increase their participation in the labour market[158]. In 2025, the highest 'inactivity traps' (where tax and benefit withdrawal significantly discourages second earners from entering the labour market) were seen in Luxemburg, Belgium, Lithuania, Denmark and Germany – see Figure 1.2.13. In these countries, second earners entering the labour market may lose at least 40% of their earnings due to taxes and withdrawn benefits. By contrast, in Cyprus, the Netherlands, Estonia and Sweden, the inactivity trap is below 20%. Addressing these structural disincentives could reduce the gender employment and part-time employment gaps, supporting stronger 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%[159].

Figure 1.2.13: Taxation contributes significantly to the inactivity trap for second earners

Inactivity trap for second earners (%, 2025)



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 TAXUD calculations, based on JRC EUROMOD-HHoT (version J2_57, indicators produced in 11/2026)).

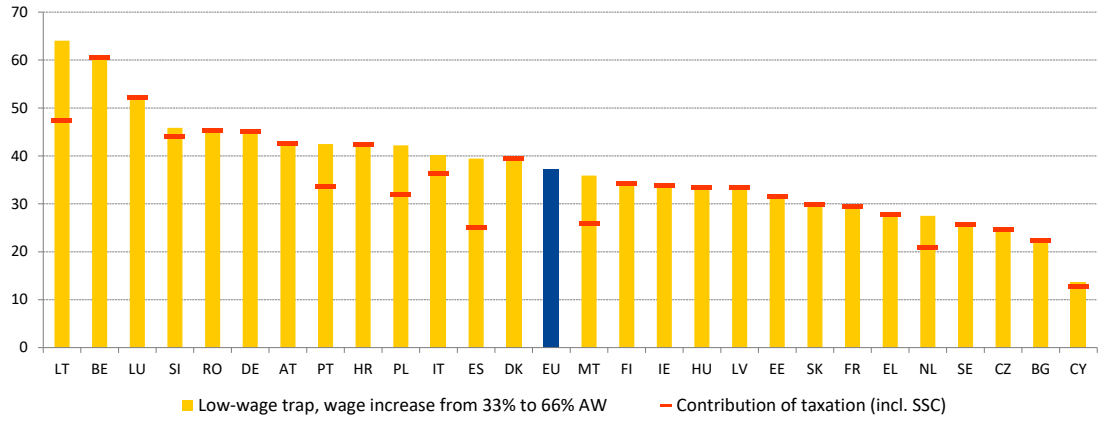
Women are also disproportionately affected by the 'low-wage trap', where increased taxes and reduced benefits disincentivise increases in working hours. In most Member States, the tax structure plays a key role in determining the level of the low-wage trap for second earners, and therefore the number of hours they work. Figure 1.2.14 shows 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 (37.2%) of the additional earnings are taxed away in the EU on average, with this loss exceeding 50% in Lithuania, Belgium and Luxembourg. In Czechia and Bulgaria, the rate is below 25%, while it is below 15% in Cyprus. Alongside the design of the tax system, the availability of and

[157] See Coelho, M. et al., Gendered Taxes: The Interaction of Tax Policy with Gender Equality. International Monetary Fund, 2022.
[158] 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.
[159] Fluchtmann, J., W. Adema and M. Keese (eds.), Gender equality and economic growth: Past progress and future potential, OECD Social, Employment and Migration Working Papers, No. 304, OECD Publishing, Paris, 2024.

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

Low-wage trap for second earners (%, 2025)



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 TAXUD calculations, based on JRC EUROMOD-HHoT (version J2_57, indicators produced in 11/2026).

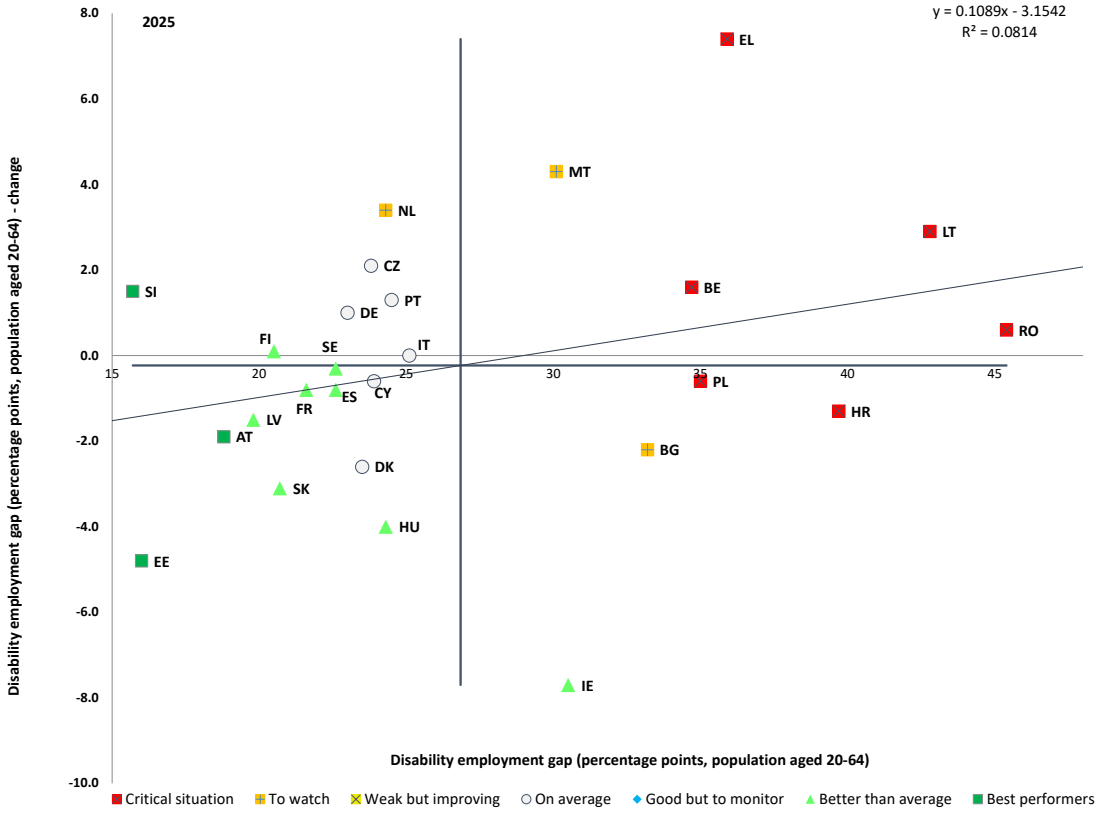
The participation of persons with disabilities in the labour market is very low and has shown no sign of improving over the previous decade. In 2025, the disability employment gap increased by 0.2 pps to 24.2 pps[160]. The gap has changed very little in a decade, having stood at 23.8 pps in 2015. Policy action is required to tackle this long-standing problem, particularly for persons with severe disabilities. The latter are much less likely to be working (a gap of 46 pps) than those who report limited, but not severe disabilities (16 pps). The overall gap shows significant divergence across Member States – see Figure 1.2.15. Among the 'best performers' (Slovenia, Estonia and Austria), the gap is less than 19 pps. Bulgaria and Malta are 'to watch' with above-average gaps, as is the Netherlands with one of the largest deteriorations. The disability employment gap is around 35 pps or more in six Member States (Romania, Lithuania, Croatia, Greece, Poland, Belgium), which are in a 'critical situation'. Overall, the support system for the labour market inclusion of persons with disabilities appears to remain insufficiently effective across the EU, despite measures put in place by the Member States, such as quotas. Due to their low employment rate, persons of working age with disabilities face almost double the risk of poverty or social exclusion, at 35.1% in 2025, compared to those without, at 18.1%. The at-risk of poverty rate is almost two-thirds higher (23.0% versus 14.2%)[161]. Remarkably, the difference regarding in-work poverty between persons with disabilities and those without is much smaller (10.1% versus

[160] 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). Survey respondents answer the following questions: 1) 'Are you limited because of a health problem in activities people usually do? Would you say you are … severely limited; limited, but not severely; or not limited at all?' If the answer to question 1) is 'severely limited' or 'limited but not severely', respondents answer the question 2) 'Have you been limited at least for the past 6 months? Yes or No?'. A person is considered disabled if the answer is 'Yes' to the second question. As computed from EU-SILC, one observes a correlation between the prevalence of disability based on the GALI concept [hlth_silc_12] and the disability employment gap based on it in year 2025 across Member States of the EU (Pearson correlation coefficient = -0.59).
[161] Eurostat [hlth_dpe020], EU-SILC.

8.0% in 2025, respectively)[162]. These differences highlight the important role of labour-market inclusion in reducing the risk of poverty or social exclusion for persons with disabilities.

Figure 1.2.15: The disability employment gap remains wide and shows significant divergence across Member States

Employment rate gap between persons with disabilities and those without (age 20-64), 2025 levels and changes from previous year (pps, Social Scoreboard headline indicator)



Note: Guidelines are centred on the unweighted EU average. Provisional data for LT. Low reliability for PL. No available data for LU.
Source: Eurostat [tepsr_sp200], EU-SILC.

The labour market integration of people born outside the EU remains a challenge, despite their growing contribution to employment growth and labour supply. Recent analysis shows that the share of the EU working-age population born outside the EU increased from 8% in 2014 to over 12% in 2024, while the working-age native-born population has started to decline[163], highlighting the increasing importance of migration for sustaining economic growth in the context of demographic ageing. Those born in other EU countries have a slightly higher employment rate than the native-born population (77.5% compared with 77.2%)[164], likely driven by the fact that most of those who relocate within the EU move for work. The difference in employment rates between the native-born population and those born in other EU countries is largest among those with low levels of educational attainment. Those born outside the EU continue to have a much lower employment rate

[162] Eurostat [hlth_dpe050], EU-SILC.
[163] Kiss, Á., Maldonado, J., Turrini, A. and Van Herck, K. (2026), Migration, Mobility and the EU Labour Market: Recent Developments, European Economy Discussion Paper 241, European Commission, Directorate-General for Economic and Financial Affairs, February 2026. This analysis is based on Eurostat population statistics [migr_pop3ctb] for the EU-28 prior to 2020 and the EU-27 after Brexit.
[164] Eurostat [lfsa_ergacob], EU LFS.

(68.6%), despite their employment rate having increased more quickly than that of native-born workers over the last decade[165], driven in particular by low employment among women in this category. Barriers to labour-market integration for people born outside the EU remain considerable, including language barriers, lower educational attainment, difficulties in the recognition of qualifications, discrimination, legal and administrative hurdles, and limited social networks[166]. Third-country nationals, meaning those who are not citizens of an EU country regardless of where they were born, are likely to face even greater barriers to employment due to their legal status. Their employment rate was even lower in 2025, at 65.0%. Despite these challenges, workers born outside the EU make an important contribution to addressing labour and skills shortages. Nearly half of European SMEs (46%) report finding staff with the right skills difficult and one out of seven (14%) have tried to recruit third-country nationals to address their company's labour and skills shortages, mainly for manual shortage occupations. Improved language training, faster recognition of qualifications, and measures to combat discrimination remain essential to further contribute to the integration and retention of non-EU workers and to fully harness their contribution to the EU labour market.

Job quality is one of the levers for improving labour supply, particularly among women and underrepresented groups. It influences workers' decisions to enter the labour market and how many hours to work. While job quality is important for the whole workforce and has many elements (see section 1.3.1), some elements are particularly important for women as well as underrepresented groups and have a greater impact on their likelihood of working[167]. Low pay and poor working conditions matter more for those with weaker labour market attachment, such as women, older workers and people with care responsibilities. Improved job quality can then strengthen labour market attachment for those in work by increasing job attractiveness, reducing income risk and facilitating career stability. As the EU is faced with an ageing workforce and persistent labour shortages, raising job quality will be important to continue improving participation among women and the underrepresented groups discussed in this section. This will also contribute to tackling shortages in sectors that suffer of low attractiveness due to various combined job quality challenges. The tourism sector is one example of this, as it is often characterised by unattractive working conditions (relatively low pay, difficult working hours, limited period of work, limited career paths), leading to high turnover and retention problems.

1.2.2 Measures taken by Member States

Member States are expanding early childhood education and care (ECEC) while improving equitable access, service quality and the recruitment and retention of qualified staff. For example, **Poland** is complementing capacity expansion with mandatory quality standards for services for children under 3 from January 2026, as part of a broader intervention funded by both the RRF and the ESF+, creating over 100 000 places. **Spain**'s Recovery and Resilience Plan (RRP) foresees 45 611 new publicly owned places for children in the first cycle of ECEC (for children up to the age of 3). **Romania** has authorised the recruitment of staff for newly completed nurseries expected to provide around 1 300 additional childcare places across 18 counties. In **Croatia**, the 2026 amendment of the Preschool Education Act secures continued state financing for kindergartens regardless of their founder, improves access to nursery and pre-primary programmes for vulnerable

[165] Ibid.
[166] European Commission, Employment and Social Developments in Europe 2025.
[167] Ibid.

children and allows primary school teachers to work in kindergartens after completing a specialised pedagogical programme. In **Belgium** (Flanders), the Masterplan Childcare 2025-2029 supports investment for home-based childminders, and aims to address shortages by supporting career changes into childcare. Affiliated childminders will be supported to transition to employee status, with the aim of making the profession more attractive through a clear and appropriate pay. Following a pilot phase, **Greece** continues to expand the ESF+-supported 'Neighbourhood Nannies' initiative nationwide, combining placement vouchers for families, an expanded caregiver registry and partial support for caregivers' remuneration. **France** has extended financial compensation for the exercise of early-childhood public-service responsibilities to all municipalities, including those with fewer than 3 500 inhabitants, and to eligible intermunicipal bodies. Finally, **Malta** has finished rolling out training for childcare centres on internal quality-assurance processes under its national ECEC standards.

Member States are aiming to improve basic skills through targeted learner support, curriculum reform and integration of digital, citizenship and other transversal skills. The ESF+ project 'Competencies in Focus' in **Bulgaria** is one example of competence-based curriculum reform, though it is still in its initial phase. It supports 1 500 schools in testing innovative curricula, formative assessment and competence-based teaching, with a strong focus on STEM teaching and specialised training for teachers. **Spain** has allocated EUR 320 million to six education-support programmes, including reinforced reading and mathematics programmes providing more personalised support to pupils with difficulties, reducing gender gaps and strengthening teacher training. **Malta** is developing a dedicated strategy to address the weaknesses identified by PISA 2022 and is revising the National Curriculum Framework to strengthen performance in key competences, with technical support from the OECD and further stakeholder engagement and monitoring work planned. **Slovakia** will make its new primary curriculum mandatory for all primary schools from the 2026/27 school year, following the pilot phase. It emphasises competences, modern teaching methods and learning outcomes. **Poland** is also rolling out a new core curriculum from September 2026, centred on practical skills and competence development, including adapted provision for pupils with moderate or severe intellectual disabilities. **Luxembourg**'s ALPHA reform will allow all parents to choose German or French as the language of instruction for initial literacy by 2027/28, while all pupils continue learning Luxembourgish, German and French. **Slovenia**'s revised primary school curricula integrate digital competences, citizenship, sustainable development, health and well-being, entrepreneurship and financial literacy, and will introduce a new informatics and digital technology course from 2028. **Austria** has anchored financial education as a key competence in school curricula to provide pupils with more practical preparation for future economic and financial decisions.

Member States' policies to increase the attractiveness of teaching focus on career development, pay, well-being, and modern evaluation for teachers. In early 2026, **Estonia** introduced a structured teacher career model with transparent professional requirements, linking clear career stages with salary levels across the career cycle, supporting retention and recruitment. **Latvia** has adopted a multiannual schedule to raise minimum teacher pay through 2030, aiming to bring average teacher salaries to 2.5 times the statutory minimum wage, thus improve retention and respond to the ageing of the workforce. **Malta**'s Educator Wellbeing Strategy 2026-2030 addresses job satisfaction and retention through measures on outreach, personal and professional growth, mental-health support and stronger support networks. **Cyprus** has introduced a new system for teacher and school evaluation, accompanied by programmes for prospective and new teachers, targeted pedagogical support

and continuous professional learning. Schools will also conduct internal self-assessments and receive external assessments every three years.

Member States are strengthening targeted school support, personalised guidance, inclusive provision and pathways for students who need extra support. From the second half of 2026, **Ireland**'s new DEIS Plus programme will provide additional staff, training and resources to schools serving pupils with the highest levels of need. In **Czechia**, new financing rules for school counselling services will apply from January 2027. They aim to put the provision of psychologists, special-education teachers and other counselling staff on a more stable footing and improving access to support within schools. From the 2026/27 school year, **Estonia** will introduce a nationwide preparatory pathway with individual learning plans, career guidance and tailored support for young people who do not secure a place in upper secondary education or VET after basic school. **Malta** is strengthening links between families, schools and community services in 28 schools and has established a working group on second-chance education, enrolment and retention beyond compulsory schooling.

As artificial intelligence (AI) becomes more widely used in schools, Member States are developing frameworks, learning tools and supporting AI literacy. With World Bank support, **Romania** is developing a national conceptual framework for integrating AI literacy in education. It is expected to cover curriculum integration, ethical and regulatory arrangements, new competency levels for educators as AI leaders and governance actors, alongside pilots in schools and universities. **Bulgaria** has launched a project funded by the ESF+ on digital transformation in schools, with a budget of EUR 126 million. It will further develop the 'Digital Backpack' platform, integrating automated processes and AI into the learning environment. The project is expected to reach over 202 000 learners and 48 000 education professionals, including minority and marginalised communities. **Croatia** has developed national guidelines for the use of AI in primary and secondary education, based on the research on digital technology usage habits and its possible effects on students.

Member States are scaling up digital skills provision while strengthening the institutional infrastructure needed for inclusive digital transformation. While continuing teacher professional development on digital competences, **Cyprus** has equipped classrooms and provided support for more than 14 000 pupils to purchase tablets or laptops. **Spain**'s RRP measures include developing a national network of around 1 250 digital training centres, training participation for more than 1.5 million people, and longer digital skills training for employment (of at least 150 hours) for more than 206 000 participants. **Latvia** has delivered more than 25 000 digital skills trainings for adults and young people through the newly created individual learning account platform. Separately, state and local government staff have participated in training in areas including cybersecurity, data literacy and digital-content creation, with almost 66 000 training attendances. **Luxembourg**'s National Digital Inclusion Action Plan 2026-2030 combines training, access to digital tools, more accessible public services and targeted support for vulnerable groups, while new Digital Learning Hub Academies provide intensive digital and AI-related training for jobseekers. **Greece** has launched a programme to strengthen the digital autonomy of 5 400 elderly persons and persons with disabilities through 74 local hubs, covering safe internet use, digital communication, public services and online transactions. In **Belgium**, the French Community and Wallonia are developing a new cooperation agreement to coordinate the pedagogical, technical and logistical dimensions of digital education in compulsory and adult learning, including connectivity, equipment and digital skills for pupils and teachers. **Germany** plans to modernise its Distance Learning Protection Act as part of a broader commitment to create a unified digital pact for adult education and digital reskilling, adapting the regulatory framework to increasingly digital forms of learning provision.

Member States have continued to modernise their vocational education and training systems to improve their flexibility, quality and labour-market relevance. In **Estonia**, a broad reform linked VET more closely to extended compulsory education, strengthened learner support and introduced a new funding model for VET institutions. Four-year applied upper-secondary VET programmes are also being rolled out, with 32 programmes planned for 2026/27 in areas including ICT, engineering, construction, biotechnology and healthcare. Parts of the reform, including the new programmes, are supported by ESF+. In **Bulgaria**, an ESF+-financed VET modernisation operation, with a budget of EUR 47 million, aims to align vocational education with evolving labour market needs and equip learners with skills for current and future professions. **Germany** launched a federal reform initiative for vocational qualifications, covering career guidance, transitions into training, partial qualifications and continuing education, while in several Länder the ESF+ supports school to work transition in VET and flexible VET pathways for adults. **Finland** launched a large-scale pilot allowing participating VET providers greater freedom to choose which qualifications to offer. The pilot runs until the end of 2033 and aims to strengthen the effectiveness of VET and promote cooperation between education providers and the local labour market.

Strengthening work-based learning and cooperation with employers remained a priority, alongside efforts to provide training linked to labour-market needs. In **Belgium**, Flanders adopted an action plan to reinforce dual learning, remove practical and systemic obstacles for schools and employers and develop alternative pathways for young people who have difficulties participating in dual learning or full-time education. **Romania** is implementing, from the 2026/27 school year on, a new framework for a four-year technological and dual VET pathway. It combines school-based learning with workplace training and enables learners to acquire successive vocational qualifications or continue their studies. In **Luxembourg**, the 'Skills-Plang' initiative has established a framework to help companies anticipate structural changes affecting jobs and skills requirements, targeting enterprises whose activities are impacted by digital, ecological, regulatory or societal transitions. **Croatia** began implementing modular teaching in secondary vocational schools in the 2025/26 year as part of the ongoing reform to vocational education. The reform integrates theoretical and practical learning through modules and enables VET programmes to respond more effectively to labour-market needs.

Member States' higher education reforms combine modernisation with measures to improve access and the flexibility of study and career pathways. The Netherlands has announced an expansion of public-private investment in university places, research training and reskilling for the semiconductor and photonics sectors, with implementation expected from 2027. **Latvia**'s broad higher-education reform covers performance-based funding for universities, links public funding to the international evaluation of scientific institutions, changes the doctoral education model, and introduces principles for employing academic staff, among other changes. Several countries are also seeking to reduce financial barriers. **Ireland** has permanently reduced the maximum annual student contribution by EUR 500, raised the income threshold and value of selected maintenance grants, and increased the postgraduate fee-contribution grant. **Estonia** is making student loans more accessible from September 2026 by extending repayment periods, reducing interest rates and removing requirements for personal guarantors or real-estate collateral. **France** has reformed medical training to expand the supply of doctors, facilitate the return of French students who studied medicine in other EU countries and widen bridging pathways for paramedical professionals. **Denmark** has enabled university colleges to develop new 75-ECTS professional master's programmes as practice-oriented postgraduate pathways for graduates in welfare-related fields.

Member States are strengthening skills intelligence and labour market anticipation systems to better align education, training and employment policies with evolving needs. In **Belgium** (Flanders), an agreement with the Centre for Research & Development Monitoring (ECOOM) integrates and deepens structural labour market research, monitoring, forecasting and data provision. **Estonia** is amending its Professions Act to move from qualifications-based to competence-based approaches, integrating occupational qualifications and OSKA forecasting (the national system for monitoring the labour market and forecasting future labour and skills needs), into a single skills system. **Estonia** has also developed and strengthened OSKA with ESF cofinancing to improve skills intelligence and its use in education, training and labour-market policymaking. **Luxembourg** has strengthened skills intelligence through sectoral skills studies from its public employment service and an online portal, JobInsights.lu. These initiatives provide data on labour-market trends, occupations and skills needs while supporting the development of targeted training programme. In **Malta**, the National Skills Council is carrying out an analysis of training provision to assess preparedness for the green and digital transitions. **Portugal**, with EU technical support, is designing a skills anticipation system for higher education. **Sweden** has commissioned its central statistical agency to analyse how AI is affecting labour-market outcomes for graduates from higher education, with the findings intended to inform the future alignment of higher education with changing employment opportunities.

Member States have adopted various measures to support adult learning. Several Member States are advancing the implementation of Individual Learning Accounts (ILAs) by starting new pilots or expanding existing pilots or schemes. **Latvia** is finalising its ILA pilot in 2026, and an independent analysis is expected to be conducted in 2026. Since its launch in 2024, more than 46 000 ILAs have been opened on the platform. In **Bulgaria**, the government has launched its ILA pilot together with sectoral training funds. In **Lithuania**, by integrating the Employment Learning Information System within the ILA lifelong learning platform kursuok.lt, the platform now provides access to the learning support measures provided by the Employment Service for both employed and unemployed people, serving as a one-stop shop for lifelong learning. Beyond ILAs, Member States have implemented additional initiatives to strengthen adult upskilling and reskilling. In **Belgium**, the Flemish government has adopted 'Flanders learns!', an action plan built around six priority areas and 31 measures to increase skills supply in the region. **Malta**'s 'MySkills Scheme' seeks to promote lifelong learning, improve employability and help workers respond to changing labour market needs. It does so by providing financial support for individuals to upskill or reskill through accredited and selected non-accredited training courses. In **Luxembourg**, 'Skillsbridges' supports adult upskilling and reskilling in response to labour-market transformations by offering short, targeted training courses of 40–240 hours based on labour market analysis of growth sectors and occupations facing skills shortages. From the 2025/26 academic year, the programme aims to reach up to 800 participants annually.

Several initiatives also focus on expanding AI skills for adults. To support digital and AI upskilling, **Spain** launched the Upro Programme as part of the broader Generation D initiative. The programme aims to invest EUR 200 million to train up to 80 000 professionals in digital and AI skills, through courses developed in collaboration with professional associations and are tailored to different profiles. **Luxembourg** has also expanded specialised training opportunities for jobseekers in digital technologies and AI to support employment in high-demand occupations. Upskilling and reskilling are central to the country's AI Strategy, which promotes an inclusive approach to AI skills, supporting citizens, students, workers and specialists. Through the Malta Digital Innovation Authority, **Malta** is also rolling out initiatives to boost digital literacy in an AI-driven economy. An example is the AI Ghal

Kulhadd free online AI training, providing the population with basic AI skills focusing on AI fundamentals, responsible use, learning and workplace applications.

Member States are continuing to address skills shortages through skills recognition and validation, and by expanding the use of micro-credentials. In **Malta**, the Skills Pass became mandatory from January 2026 for third-country nationals in hospitality and tourism. Additionally, the Malta Further and Higher Education Authority (MFHEA) updated its RPL guidelines in June 2025 to introduce 14 mandatory requirements for the full validation process and widened acceptance of digital evidence. In **Slovenia**, the 2025 Act on Recognition of Professional Qualifications in Healthcare streamlined validation of foreign credentials improving links to employment. This is expected to speed up procedures, reduce costs for applicants, and facilitate entry into the healthcare system. On micro-credentials, Member States are moving from pilot initiatives towards more structured systems embedded in qualifications frameworks, adult learning platforms and higher education legislation. **Lithuania** is working on a micro-credentials model within its ILA platform. **Slovenia** formally defined micro-credentials in higher education legislation in February 2026, linking them to ECTS credits and quality assurance.

Several Member States are undertaking measures to support youth employability, in line with the reinforced Youth Guarantee. In **Italy**, a measure funded by the ESF+, called the '2026 Youth Hiring Incentive' (Bonus Giovani 2026), provides a full exemption of social security contributions for permanent hires of disadvantaged young people under the age of 35 by private sector employers in 2026. In **Finland,** the RRF supports the strengthening of multi-disciplinary services for young people (Ohjaamo services), which aim to improve the employment prospects of NEETs. This is done by means of a temporary incentive targeted at municipalities and well-being services counties, either to recruit new personnel or to transfer resources to Ohjaamo services. In **Romania,** a stability bonus for NEETs (16-30 years) in their first job will be introduced. This bonus aims to support NEETs in taking their first steps on the labour market and remaining professionally active. The bonus will be granted each month for 24 months to encourage continuity and professional development. This support complements the subsidy granted to employers if they employ NEETs registered as unemployed. In **Sweden,** the government has allocated approximately EUR 22.5 million (SEK 250 million) to municipalities to create additional summer jobs and jobs for young people in municipalities with high unemployment. As a result, it is estimated that up to 15 000 young people around the country will be employed for the period covered.

To address demographic pressures, Member States are taking steps to encourage older workers to stay in work and extend their working lives. In **Italy**, the 2026 Budget Law extended the 'Giorgetti bonus' (incentive to defer retirement). Employees who accrue the requirements for early retirement by 31 December 2026 can choose to keep working while receiving the pension contribution directly into their salary. **Austria**'s 'Aktivpension' package makes working past the statutory retirement age more attractive: eligible workers get a tax-free allowance of up to EUR 15 000 a year and no longer pay their own pension-insurance contribution, while employers keep paying their share. To be eligible, men need 40 insurance years and women need 34 (rising to 40 by 2033). Since the beginning of 2026, workers above the statutory retirement age in **Germany** have been eligible to earn up to EUR 2 000 per month tax-free in order to increase their participation in the labour market. **Spain** expanded flexible retirement to cover a higher number of part-time hours and certain self-employed workers, giving pensioners greater flexibility to combine work and retirement income. **France** introduced a new law with several measures to promote the employment of older workers, including the creation of a statutory obligation to cover matters relating to older workers' employment in collective bargaining every four years.

Member States continue with their efforts to improve gender equality in the workplace, work-life balance and pay transparency. The IV Plan for gender equality in **Spain** was adopted in November 2025, placing particular emphasis on addressing the wage gap, promoting a salary audit, as well as on co-responsibility and work-life balance measures. **Spain** also introduced a law on equal gender representation in constitutional bodies and bodies of constitutional significance, and a Ministerial Order establishing an advisory council on the gender gap. **Italy** introduced a full exemption from employer social security contributions for the permanent hiring of disadvantaged women by private employers, for a maximum period of 24 months for the most disadvantaged or 12 months for others. **Romania** introduced a job subsidy of 2 250 lei per month for a period of 12 months for employers who employ mothers with at least 3 dependent children up to the age of 18. Employers are obliged to maintain employment or service relationships for at least 18 months. **France** passed an act to protect all employees from discrimination at work where they are undergoing medically assisted reproduction or going through the adoption process. The act also made it easier for such individuals to obtain leave from employment. Other policies focussed on specific groups needing more support. **Spain** has put in place its first tailored Roma employment plan (2025-2028), with gender-sensitive measures to close employment gaps. **Ireland** launched an expanded Civil Service Traveller and Roma Placement Programme, including adding a pathway to permanent employment, as part of a wider strategy with specific targets such as to raising Traveller women's employment rate to 24% by 2027. Member States continued to make progress transposing the Pay Transparency Directive. **Italy** adopted a legislative decree in May 2026, strengthening protections against pay discrimination and retaliation and creating a monitoring body within the Ministry of Labour. **Slovakia**'s act on equal pay strengthened remedies for victims of pay discrimination and enhanced enforcement, aiming to narrow the gender pay gap and reinforce equal pay for equal work of equal value.

Member States addressed the lack of transparency and financial predictability that often discourages persons with disabilities from taking up work. In **Estonia**, in the context of the update of the unemployment benefits reform, the social protection of persons with disabilities has been strengthened through the possibility to apply for both workability allowance and unemployment benefit. In **Ireland**, the Back to Work Family Dividend, which supports the transition to employment, has been extended to include persons with disabilities. Setting employment targets for persons with disabilities has been recommended by the Strategy for the Rights of Persons with Disabilities. **Greece** has set a target of hiring 1 000 persons with disabilities registered with the public employment service in the public sector. Another barrier to the employment of persons with disabilities is institutional. **Belgium** updated its Code on Well-being at Work to facilitate return to work of persons with disabilities, including through better sharing of information between insurance, occupational and employees' medical doctors, as well as by obliging employers to formalise communication with employees with disabilities.

Several Member States have introduced administrative and language support to strengthen the labour market integration of third-country nationals. Since January 2026, the Fair Integration Initiative in **Germany** aims to protect migrant workers from exploitation and unfair working conditions by providing free multilingual advice on labour and social rights to third-country nationals across the country. Similarly, in **Malta**, the 'I Belong' programme introduced a pre-departure course for prospective third-country national workers, covering living and integration, workers' rights and workplace standards. In April 2026, **Croatia** amended its regulations on the residence of third-country nationals, introducing stronger employer obligations, stricter housing standards, mandatory health checks and digitalised procedures through the e-Građani portal.

1.3 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. This recommends that Member States enhance the functioning of labour markets and the effectiveness of social dialogue, in line with Pillar 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). Section 2.3.1 examines developments related to job quality and labour market segmentation, the future of work, including in the context of the digital transformation, and active labour market policies. 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 policy areas.

1.3.1 Key indicators

Flexible contractual arrangements can respond to individual needs and help labour markets adapt; at the same time, safeguards are important to avoid deepening segmentation and to ensure job quality. Non-standard forms of employment, including temporary and part-time work, can offer both employers and employees greater flexibility and act as a 'stepping stone' towards stable and high-quality jobs. However, they can also hinder career progression, prolong instability and provide poor working conditions, restricted access to social protection, training and representation[168]. Moreover, non-standard employment often comes with significant wage penalties (see Section 1.1.1). Fragmented working lives also tend to lead to insufficient pension rights, increasing the risk of old-age poverty. Against this background, certain sectors and occupations that rely more on such contractual arrangements may become less attractive, thus worsening labour shortages[169]. For example, labour shortages in the tourism sector are compounded by the structure of employment in the sector, including comparatively high shares of temporary and part-time employment. While at the beginning of the decade full-time open-ended contracts played an important role in attracting talent, recent OECD evidence nonetheless points to a smaller need for companies to compete for workers by offering such contracts since 2023, as labour markets have been somewhat loosening. Labour market segmentation tends to especially affect young people, women, migrants, older workers and low-qualified[170]. Effective active labour market policies, lifelong learning, and incentives for transitions to higher-quality employment can help mitigate labour market segmentation and strengthen job quality.

The share of temporary workers in the EU is on a downward path in a context of resilient labour markets, but large disparities across Member States remain[171]. The share of temporary workers among all employees (20-64) reached 11.5% in 2025. This is 0.1 pps below the previous year and 3.4 pps lower than a decade ago – see Figure 1.3.1.

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

[169] 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.

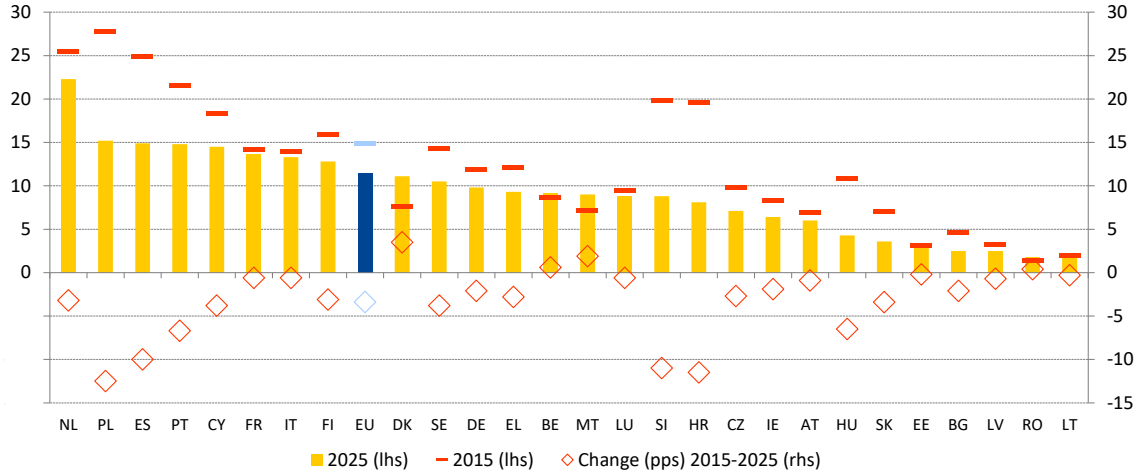
[170] European Commission, European Employment and Social Outlook, Publications Office of the European Union, Luxembourg, 2026.

[171] 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, but nevertheless defined by objective criteria, such as the completion of an assignment or the period of absence of an employee temporarirly replaced. Source: EU LFS explanatory notes.

While a majority of Member States experienced a similar development, the gap between the highest and the lowest temporary employment shares remains significant, at 20.6 pps. While in Lithuania, Romania, Bulgaria, Latvia and Estonia figures were below 3%, Poland, Spain, Portugal and Cyprus (around or above 15%) and the Netherlands (at 22.3%) continued to record the highest shares in the EU in 2025.

Figure 1.3.1: A decade of progress in reducing temporary employment across the EU has not been accompanied by a closing of the gap between Member States

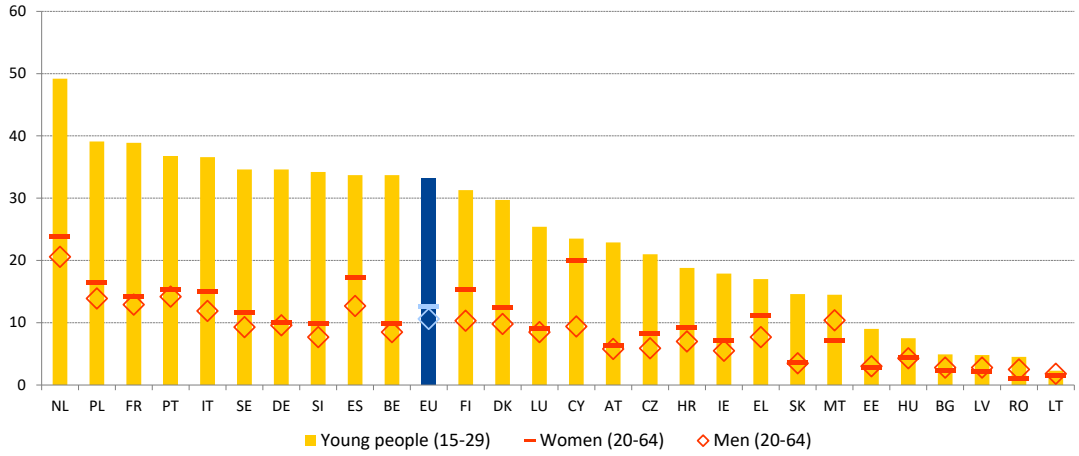
Share of temporary employees among all employees (20-64, %, annual data)



Note: Definition differs for ES and FR in 2025. Break in series for LU in 2015.
Source: Eurostat, [lfsi_pt_a], EU LFS.

Figure 1.3.2: 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), (%, 2025)



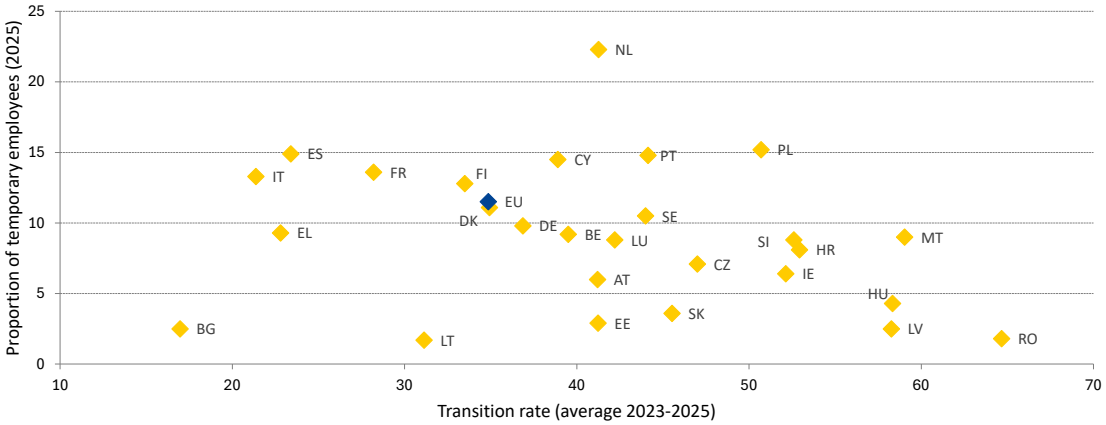
Note: Definition differs for ES and FR.
Source: Eurostat, [lfsi_pt_a], EU LFS.

Temporary work falls disproportionately on the youth, and is more common among women than men, with significant differences across Member States. In 2025, 33.2% of young employees (15-29) had a temporary contract in the EU against only 11.5% among all employees aged 20-64. The lowest rates (below or around 5%) were recorded in Bulgaria, Latvia, Lithuania and Romania, while the Netherlands was close to 50%, followed by Poland and France at around 39% - see Figure 1.3.2. In most Member States (21), women were more frequently on temporary contracts than men, leading to a gender gap of 1.9 pps in 2025 on

average in the EU. The gap was widest in Cyprus (10.6 pps), followed by Finland (5.0 pps) and Spain (4.6 pps), while the difference between women and men was smallest (0.1 to 0.2 pps) in Hungary, Slovakia, Estonia and Lithuania.

Figure 1.3.3: 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 2025 and transition rate to permanent jobs (16-64) (average value for 2023, 2024 and 2025).



Note: The 16-64 age group is considered for transition rates between temporary to permanent contracts. The 20-64 age group is used for temporary employment, in line with the Social Scoreboard Headline indicator on employment and related analysis in the section. Transition rates are missing for LU in 2023. Break in series in 2023 for FR and in 2025 for LU. Provisional data in 2024 and 2025 for LT. Data with low reliability in 2025 for PL. Definition differs for ES and FR in 2025.
Source: DG EMPL calculations based on Eurostat, [lfsi_pt_a], EU LFS and [ilc_lvhl32], EU-SILC.

In some Member States, temporary contracts fail to deliver on their promise to act as stepping stones into permanent work. The average transition rate to permanent contracts in the EU fell from 37.2% to 34.9% over the past year. While in the Netherlands and Portugal, registered transition rates exceeded 40%, among the countries with the highest shares of temporary workers, in Italy and Spain the rates were around or just above 20% (well below the EU average) – see Figure 1.3.3. On the opposite side, in Hungary, Latvia and Romania, the shares of temporary workers were below 5%, and in Malta below 10%, and the transition rates to permanent contracts were very high, close to or above 60%. This suggests that where its share is high and transition rates are low, temporary employment contributes significantly to labour market segmentation. Where involuntary temporary employment is high, more transitions to permanent jobs are also associated with stronger productivity growth.

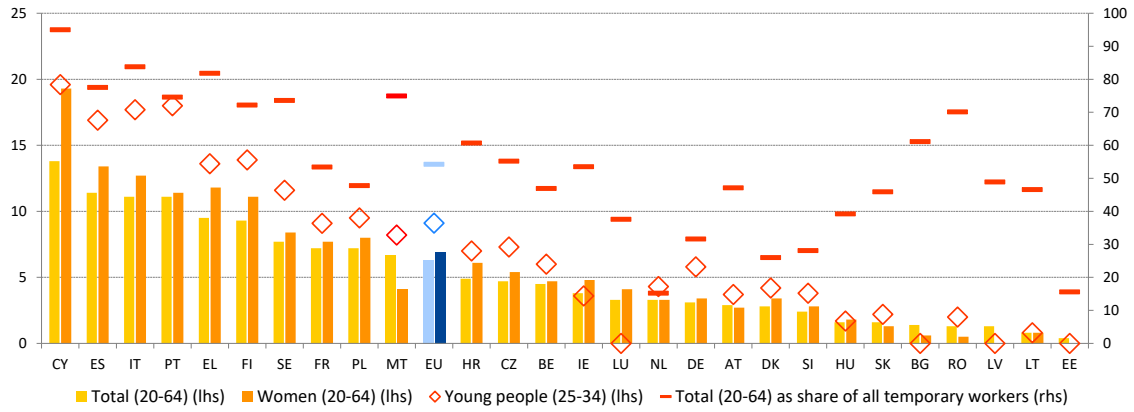
For millions of Europeans, temporary work is not a choice, with young people and women disproportionally affected. While the share of involuntary temporary employment among all employees was stable in the past year, it decreased from 8% in 2021 to 6.3% in 2025. According to recent Eurofound analysis, this decline reflects genuine improvements as tighter labour markets helped a greater number of low- and medium-skilled workers move into stable jobs[172]. The share of involuntary temporary employment is marked by significant differences across Member States, ranging from below 1% in Estonia and Lithuania to around or above 10% in Cyprus, Spain, Italy, Portugal and Greece – see Figure 1.3.4. In almost all Member States, women had higher shares than men. Among temporary workers, the proportion of those in involuntary temporary employment ranged from below 20% in the

[172] Eurofound, Constrained flexibility: Involuntary non-standard employment in the European Union, Publications Office of the European Union, Luxembourg, 2026.

Netherlands and Estonia to over 80% in Cyprus, Italy and Greece. While both the Netherlands and Spain have high rates of temporary work, in the former only few are involuntarily in such a situation, with above-average transition rates. In Spain however, as in other southern Member States, three out of four temporary employees are involuntarily so, and transition rates are relatively low. This reflects also structural aspects, such as large tourism and hospitality sectors, characterised by seasonal and cyclical demand, relying more heavily on temporary work[173].

Figure 1.3.4: Women and young people are particularly affected by involuntary temporary employment

Involuntary temporary employees as a percentage of the total number of employees (20-64) (in %, 2025)



Note: Involuntary temporary employment is the aggregate of the reasons for temporary emloyment 'no permanent job was found' [lfsa_etgar] and 'the job was only available with a temporary contract' [lfsa_etgar]. Definition differs for ES and FR. Data with low reliability for AT, BG, EE, HR, IE, LT, LU, LV, RO, SI and SK. Data for total and total as share of all temporary workers only 'Job only available with a temporary contract' for EE, LV and LU. Data for women missing for EE and LV, only 'No permanent job found' for RO and SK, and only 'Job only available with a temporary contract' for BG, LU, MT and AT. Data for young people missing for BG, EE, LU and LV, only 'No permanent job found' for RO and SK, and only 'Job only available with a temporary contract' for LT and AT.
Source: Eurostat, [lfsa_etgar], EU LFS.

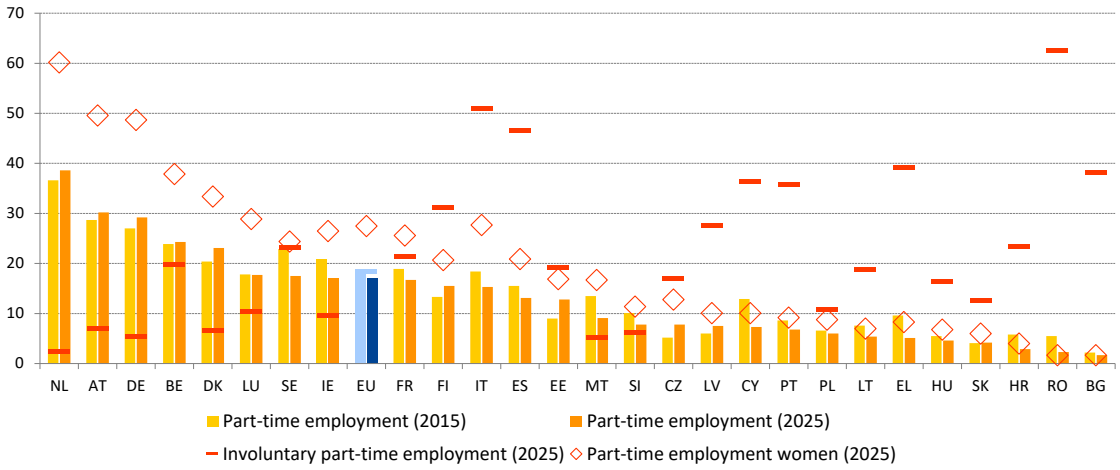
Part-time work is gradually receding in the EU, with women still accounting for the bulk of it, and is involuntary mostly in Member States that do not rely heavily on it. Since 2015, the share of part-time employment in total employment (20-64) has decreased by 0.8 pps and reached 17.0% in 2025, slightly lower than in 2024 (17.1%). In Hungary, Slovakia, Croatia, Romania and Bulgaria, below 5% of total employment was part-time, while in the Netherlands, Austria, and Germany, the share was around 30% or higher – see Figure 1.3.5. Women continue to work part-time much more often than men, at 27.5% vs 7.8% of men in 2025 (see also Section 1.2.1). This share reaches around half or more in the Netherlands, Austria and Germany. Despite continuous declines in recent years, in 2025, 18.4% of total part-time employment (20-64) in the EU was still involuntary, compared to 19% in 2024 and 32.3% a decade before. In those Member States where part-time employment rates are below the EU average, for example in Romania, Italy and Spain, around half or more of part-time workers are involuntarily so. At the same time, in those where part-time employment is more prevalent than on average, such arrangements are often voluntary. In some Member States, notably Spain, Italy and Belgium, a segment of

[173]See ibid and European Commission, European Employment and Social Outlook, Publications Office of the European Union, Luxembourg, 2026.

permanently employed workers involuntarily work part-time, representing a distinct form of underemployment[174].

Figure 1.3.5: Part-time employment tends to be more often voluntary and more prevalent among women

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: For part-time employment definition differs for ES and FR in 2025. For part-time employment break in series for LU in 2015. For involuntary part-time employment break in series for LU in 2015 and low reliability of data for NL in 2015 and for LU, MT and SI in 2025.
Source: Eurostat, [lfsi_pt_a] and [lfsa_eppgai], EU LFS.

The share of self-employed workers without employees continued to decrease slowly in the EU, while a substantial part of them is economically dependent[175]. In 2025, self-employed own-account workers accounted for 8.9% of total employment (20-64) in the EU, or some 17.6 million people[176]. The rate was down by 0.1 pps in 2024, extending a gradual decline over recent years. On the one hand, own-account work was below 5% of employment in Germany, Denmark and Luxembourg. On the other hand, Greece remained an outlier at 17.3%, ahead of Poland (14.1%), while several Member States saw rates around 12-13% (Czechia, Italy, Slovakia and the Netherlands). National trends diverge, as the share dropped markedly in Greece (-1.9 pps) and Romania (-1.1 pps), while rising in several Member States, most notably in Latvia (1.1 pps) and Slovakia (0.6 pps). Self-employment without employees, while a sign of own initiative, can also serve as a proxy for 'bogus' self-employment concealing dependent employment relationships[177]. One in five own-account workers is considered to be highly vulnerable in light of economic, organisational and operational dependency and financial security, with financial vulnerability being the most widespread challenge[178]. Moreover, 15% are considered to be economically dependent with the highest

[174] Eurofound, Constrained flexibility: Involuntary non-standard employment in the European Union, Publications Office of the European Union, Luxembourg, 2026.
[175] According to the operational definition adopted by Eurostat in the context of the 2017 module, economically dependent self-employed are those 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.
[176] Eurostat, [lfsa_egaps] and [lfsi_emp_a], EU LFS. Definition differs for ES and FR (see metadata).
[177] See European Commission, Employment and Social developments in Europe 2023, Publications Office of the European Union, 2023.
[178] Eiffe, F. and Adăscăliței, D., Self-employment and vulnerability, Eurofound working paper, (2026, forthcoming).

prevalence in agriculture, financial services as well as health and other services[179]. Around 40% of them report at least some difficulty making ends meet. The self-employed are also exposed to significantly higher rates of in-work poverty, atypical schedules and long working hours as well as gaps in access to social protection (see also section 1.4.1)[180].

While work in evenings, nights, weekends or long working hours slowly declined, digital tools and an 'always on culture' contributes to blurring the lines between work and private life. Atypical schedules and long working hours can weigh on job quality and are associated with heightened health and safety risks, greater stress and more difficulty reconciling work with family life[181]. In 2025, close to one in three (32.6%) people (15-64) in the EU worked at atypical times, down from 33.9% in 2023[182]. This was least frequent in Hungary (19.4%) and Lithuania (12.2%), and most frequent in Greece (56.2%), Romania (40.0%) and Malta (39.1%). Long working hours (49 hours or more per week) were also falling steadily in recent years, from 6.5% of total employment in 2024 to 6.2% in 2025[183]. It remained below 2% in Bulgaria, Latvia, Lithuania and Romania, while exceeding 9% in Cyprus (9.0%), France (9.3%) and Greece (11.6%). Long and atypical working time decreased the most in higher-skilled sectors and occupations, while workers in mining, construction and transport in turn saw the largest increases[184]. At the same time, data from the European Working Conditions Survey suggest that the share of workers who would prefer shorter working hours increased from 27% in 2015 to 33% in 2024. In turn, a higher share of workers in 2024 compared to 2015 indicated that they worked in their free time to meet work demands. While digitalisation and remote work models can provide for greater flexibility, they can blur the boundaries with private life[185]. As a recent Eurofound survey demonstrates, among surveyed workers in 2024, one in five reported being contacted outside working hours several times a month. At the end of 2024, this affected some 39.4 million workers, weighing heavily on their job quality.

Outsourcing and subcontracting can shape working conditions and job quality, although their implications may differ across economic activities. Multiparty work relationships, which include subcontracting and outsourcing, can improve efficiency, boost innovation through specialist expertise and allow SMEs to take on work contracts they otherwise could not. However, for workers, these relationships can involve temporary contracts, self-employment and platform work. For example, a recent Eurofound report found that 10% of self-employed workers in the EU were subcontractors[186]. Subcontracting is most over-represented in the construction industry, which accounts for 25% of self-employed subcontractors, followed by industry and transport and storage. Regarding domestic service outsourcing, research from the JRC found that there is a small-to-moderate negative association between 'outsourceable' jobs and job quality, compared to 'non-outsourceable'

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

[180] European Commission, European Employment and Social Outlook, Publications Office of the European Union, Luxembourg, 2026.

[181] Eurofound, European Working Conditions Survey 2024: Overview Report, Publications Office of the European Union, Luxembourg, 2026.

[182] Eurostat, [lfsa_esegatyp], EU LFS. Definition differs for ES and FR (see metadata).

[183] Eurostat, [lfsa_qoe_3a2], EU LFS. Definition differs for ES and FR (see metadata).

[184] European Commission, European Employment and Social Outlook, Publications Office of the European Union, Luxembourg, 2026.

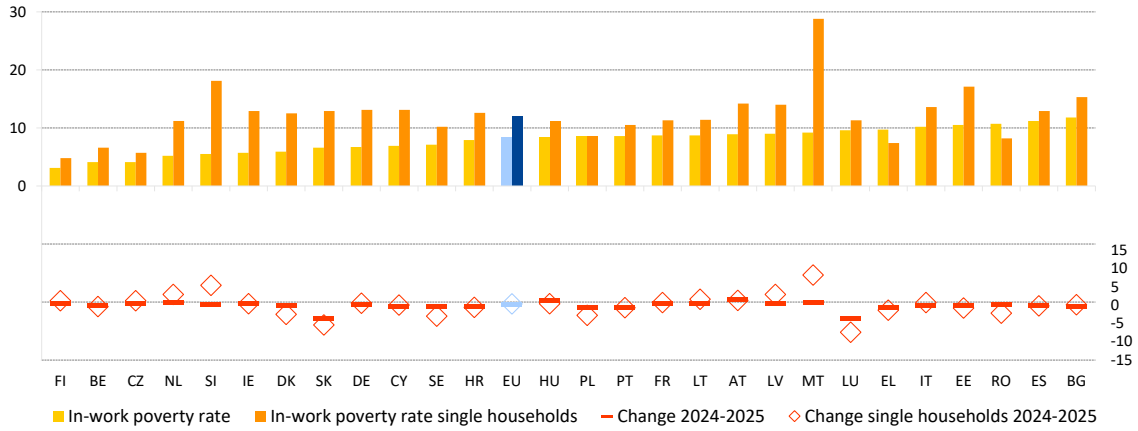
[185] Eurostat [lfsa_ehomp] EU LFS. Employees aged 15-64, working from home 'usually' and 'sometimes'. In 2025, around 21% of employees worked from home at least some of the time.

[186] Eurofound (2024), Self-employment in the EU: Job quality and developments in social protection, Publications Office of the European Union, Luxembourg.

jobs[187]. The negative associations are predominantly concentrated in less knowledge-intensive sectors, such as warehousing and support activities for transportation, and land transport. By contrast, no comparable negative association is found in knowledge-intensive sectors such as computer programming and legal and accounting services. A separate JRC analysis finds contrasting patterns across types of outsourceable activities: those in operational services, such as cleaning and catering, are associated with around 22% lower earnings, while those in professional business services are associated with around 23% higher earnings. These wage differences become smaller or statistically insignificant when comparing workers within the same detailed occupations, suggesting that occupational composition accounts for much of the observed disparities. This finding is consistent with outsourceable activities being concentrated in different segments of the labour market. Further analysis of operational outsourceable activities finds stronger negative wage associations for women and workers in densely populated areas.

Figure 1.3.6: Workers living alone are more often at risk of poverty

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



Note: Break in series in 2024 for HR and in 2025 for LU and SK. Provisional data in 2024 and 2025 for LT.
Source: Eurostat [ilc_iw01, ilc_iw02], EU-SILC.

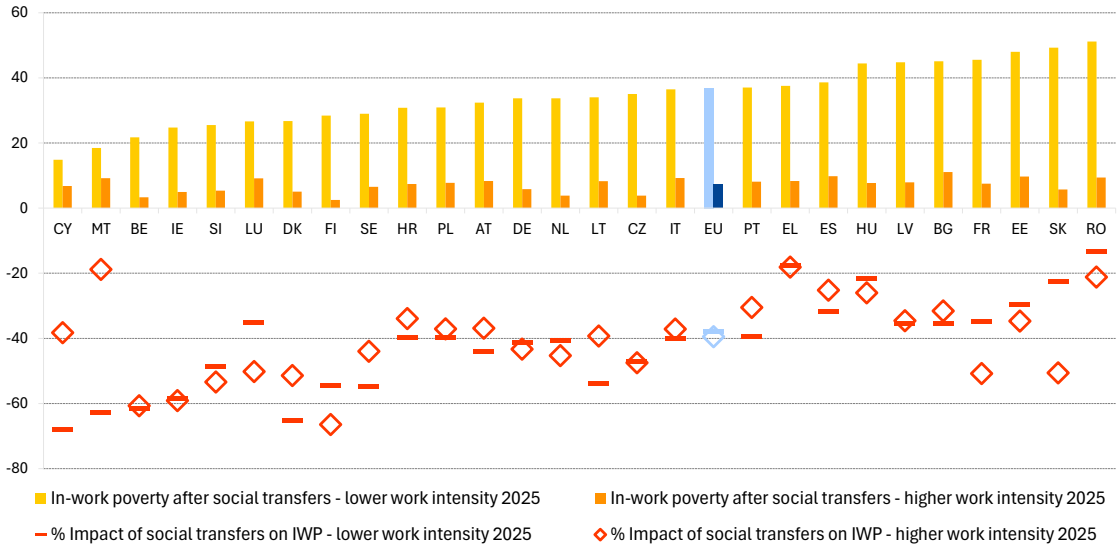
For one in twelve workers in the EU, having a job is still no guarantee against poverty risks. The share of employed people aged 18-64 at risk of poverty increased by 0.1 pps to 8.3% in the Union in 2025 (referring to 2024 incomes). This interrupted a period of incremental decline, though the value remains significantly below pre-COVID levels (down from 9.1% in 2019). Austria and Hungary saw increases in 2025, while Slovakia recorded a significant reduction, reversing the previous year's increase. Finland, Czechia and Belgium recorded the lowest in-work poverty rates, while Bulgaria, Spain and Romania recorded the highest – see Figure 1.3.6. Workers living alone are markedly more exposed, with an in-work poverty rate of 11.9% in 2025, slightly up from 11.7% a year earlier. The rate exceeded 17% in Malta, Slovenia and Estonia. In-work poverty is linked to a range of factors such as low pay, low household work intensity, job insecurity, weak social protection coverage and ineffective social transfers. This is reflected in the disproportionately higher rates of people affected among non-EU citizens, workers with low educational levels, part-time employees, temporary workers and households with dependent children[188]. In-work poverty rates were

[187] European Commission, European Employment and Social Outlook, Publications Office of the European Union, Luxembourg, 2026.
[188] See European Commission, Who are the working poor? – An analysis of in-work poverty in the EU, Publications Office of the European Union, 2026.

lower for women compared to men, as they are generally more often supported by income from their partner[189].

Figure 1.3.7: Social transfers cushion in-work poverty more effectively in some Member States than in others

In-work at-risk-of-poverty rate after social transfers (excluding pensions, 18-64) by work intensity of the household and the related impact of social transfers (%, annual data)



Note: The impact of social transfers on IWP is calculated as the proportional reduction of IWP before and after transfers. Lower work intensity households are defined as households below half of their total working potential ($0<WI\leq0.45$). Higher work intensity households are defined as those above this threshold ($0.45<WI\leq1.0$).
Source: DG EMPL calculation based on a special extraction from EU-SILC.

The impact of social transfers on in-work poverty reduction varies greatly by household work intensity and across the Union. Households' work intensity is a key determinant of in-work poverty risks. In 2025, members of low work intensity households (working around half of their overall working potential) faced an in-work poverty rate of 24%, while this was only 4.6% for high work intensity households (at or close to their full working potential). Social transfers (excluding pensions) play a crucial role in mitigating these risks, especially for people living in lower work intensity households – see Figure 1.3.7. For these workers, the risk drops from 59.4% before social transfers to 36.9% after their effect is considered – a reduction of more than 37%[190]. The impact of social transfers differs markedly across Member States. Among low work intensity households, it exceeded 60% in Belgium, Malta, Denmark and Cyprus, whereas it remained around or below 21% in Romania, Greece and Hungary.

Pillar Box 4: Job quality across sectors of the EU economy

Adequate earnings and fair wages, job and career security and working time have been improving across the EU over the last decade but important challenges remain and weigh on job quality. Adequate earnings and fair wages and job and career security are key dimensions of job quality, ensuring financial security, living standards and recognition for workers' contribution. Together, these dimensions thereby also importantly create incentives encouraging further skills development. At the same time, working time arrangements shape work-life balance as another important dimension of job quality. Recent analysis by the

[189] European Commission, European Employment and Social Outlook, Publications Office of the European Union, Luxembourg, 2026.
[190] DG EMPL calculations based on an ad hoc Eurostat extraction of EU-SILC data.

European Commission[191] provides insights into these selected dimensions of the 2026 Employment Committee (EMCO) Job Quality Monitoring Framework[192]. Overall, the quality of jobs in the EU across these dimensions is found to be better than a decade ago but important challenges across countries and sectors remain. The share of low-wage earners decreased in the EU from 16.4% in 2014 to 14.7% in 2022. The share of people experiencing poverty risks while in employment also decreased from 9.7% in 2014, but was still at 8.3% in 2025[193]. Involuntary temporary employment was as high as 6.4% in the same year (although down from 8.5% in 2014)[194], and the share of workers in involuntarily part-time was at 3.3% (down from 5.9% in 2014). 6.2% of employed people worked long hours of equal to or more than 49 hours per week in 2025 in the EU (from 9.7% in 2014), while the share of employed people working at atypical times fell from 38.6% to 32.6% over the same time period. At the same time, women, younger workers, the lower-educated, migrants and the self-employed all experience greater job quality challenges than the average. These groups are far more likely to find themselves in jobs that fall short across all the three job quality dimensions examined here. Against this background, the Quality Jobs Roadmap and the upcoming Quality Jobs Act constitute a renewed commitment to fostering quality jobs in the Union (see 1.3.1).

Accommodation, food, and other service activities face challenges across all three job quality dimensions, while workers in health, social work and education experience lower job and career security. Set against the EU averages, the indicators reveal significant differences in job quality challenges across economic sectors. Around one-third of workers in the EU, those working in the ICT, financial and insurance, manufacturing, and public administration sectors, score better than the EU average across all the indicators mentioned above, for which data was available. These sectors tend to encompass sectors of strategic and economic importance to the EU. Professionals, workers in scientific and technical activities sectors as well as those working in construction and real estate more frequently work long hours, but perform well across the other two dimensions. In turn, in accommodation, food, administrative and support service activities, around one out of three workers earns a low gross hourly wage. In addition, workers in accommodation and food services have amongst the highest shares of involuntary part-time work (8.6%) and atypical working times (73%). Involuntary temporary work affects every fifth worker in agriculture, forestry and fishing, where many also face long working hours (21.2%). Lacking job and career security is also in part due to the cyclical demand for these jobs. Job and career security, but in part also adequate earnings, present challenges also for those working in education, health and social work. The education sector in particular has almost twice the EU average share of workers that are involuntarily on fixed-term contracts, while one in five workers engaged in social activities is a low-wage earner. Several of the sectors identified here as facing the greatest challenges to job quality simultaneously recorded some of the most elevated labour shortages. Indeed, vacancy rates in the EU in 2025 stood at 3.2% in administrative and support service activities and at 2.7% in accommodation and food service activities, thus well above the average.

[191] Ibid.

[192] The 2026 Employment Committee Job Quality Monitoring Framework is presented in the 2026 Employment Performance Monitor, Annex C, including the whole set of agreed indicators per job quality dimensions, as well as all the indicator values per Member State and job quality dimension.

[193] It decreased from 13.5% to 11.8% for single-person households over the same time span.

[194] Data on involuntary temporary employment before 2021 only reflects the reason [NF_PJOB], from 2021 onwards it includes also the reasons [NF_ JOB_TCTR].

Adequate earnings and fair wages, job and career security and working time vary markedly across sectors

Heat map of sector group (NACE 1-digit) job quality scores across select indicators, as compared to the EU average

Scores	Sectors	# Workers (ths)		Low-wage	Involuntary temporary	Involuntary part-time	Long working hours	Atypical working time
	Sectors with better scores across the select indicators							
0	Public administration and defence; compulsory social security	14140	7%	na	6.1	1.3	2.7	20.9
0	Water supply; sewerage; waste management and remediation activities	1753	1%	10.3	6.1	na	2.9	27.2
0	Information and communication	7943	4%	4.8	3.4	0.9	6.1	15.4
0	Financial and insurance activities	5563	3%	3.3	2.0	na	5.8	12.7
0	Manufacturing	31010	16%	10.4	3.9	0.7	4.0	33.1
1	Professional; scientific and technical activities	12138	6%	7.2	4.1	1.4	9.7	16.9
1	Construction	13984	7%	12.2	5.2	0.9	9.9	13.3
1	Real estate activities	1747	1%	14.2	4.0	na	7.8	21.3
2	Education	15156	7%	7.1	11.3	4.4	3.5	18.8
	Sectors with worse scores across the select indicators							
3	Transportation and storage	10868	5%	16.5	5.0	2.2	8.5	44.5
3	Human health and social work activities	22807	11%	10.7	7.0	4.0	3.7	42
4	Wholesale and retail trade; repair of motor vehicles and motorcycles	26954	13%	20.6	4.7	4.0	6.3	48.1
4	Administrative and support service activities	8254	4%	32.3	8.2	8.3	4.5	32.7
4	Agriculture; forestry and fishing	6102	3%	na	17.8	2.8	20.7	49.7
4	Arts; entertainment and recreation	3491	2%	22.2	13.5	7.2	5.6	50.3
5	Other service activities	5026	2%	21	7.5	6.1	6.5	41.7
5	Accommodation and food service activities	9889	5%	35.0	11.5	8.2	9.4	73.0

Note: Data is for 2025 for all indicators but 2022 for the share of low-wage earners and 2023 for atypical working time. The heatmap uses a three-colour scale ranging from green (lower shares), through yellow (values around the EU average), to red (higher shares). The score indicates the number of indicators in which a sector performs worse than the EU average.
Source: European Commission, European Employment and Social Outlook, Publications Office of the European Union, Luxembourg, 2026. DG EMPL calculations based on Eurostat special extractions.

Carefully designed and well-targeted policy measures are essential to improving job quality in the Union. Collective bargaining systems and minimum wages play a central role in ensuring adequate earnings and fair wages, notably for low-wage earners. Over the last year, several Member States have taken action in line with the Minimum Wage Directive. In February 2026, **Greece** adopted, for instance, a new law aimed at expanding the coverage of collective agreements and improving the framework governing their conclusion, implementation, and extension. In July 2026, **the Netherlands** adopted the Act on Greater Security for Flexworkers, strengthening the protection of workers on temporary, on-call and temporary agency contracts to help reduce labour market segmentation and improve job and career security. To strengthen the employment protection of agricultural seasonal workers, as of July 2025, the period over which these workers can accrue social insurance rights has been extended in **Hungary**. Throughout 2026, **Italy** incentivised the hiring on permanent contracts and the conversion of fixed-term contracts into permanent ones through exemptions from employers' social security contributions. The relief applies to the employer's share only, up to monthly ceilings and for a maximum of 24 months; employees' contributions are unaffected and pension entitlements continue to accrue in full. In February 2026, **Estonia** introduced flexible working time arrangements that allow employers and employees to agree on a range of working hours rather than fixed schedules, guaranteeing both a minimum and maximum number of hours. Simultaneously, the reform also introduced obligatory minimum consecutive weekly rest times.

Artificial intelligence (AI) can complement workers, thus boosting labour productivity growth, create new tasks and jobs but also displace others. As recent academic literature demonstrates[195], some patterns of how AI is impacting workers and the functioning of labour markets can already be observed. On the one hand, AI, notably in the form of algorithmic

[195] European Training Foundation and Bardak, U. (ed.), The impact of AI on labour markets – What we know so far, Publications Office of the European Union, 2026.

management, plays an increasingly important role in governance processes related to operational work and human resources management. On the other hand, by changing production processes, AI tools affect the quantity of work, raising the fundamental question of whether AI displaces workers or complements them. There are a number of forces at work shaping these developments. First, AI tools, such as machine learning and robotics, enable a new wave of automation capable of performing a wide range of tasks. These encompass both cognitive and manual tasks, and routine as well as, increasingly, non-routine ones, previously considered uniquely human, leading to AI-induced job displacement. Automation is thus moving up the skill ladder, with knowledge work also affected. Second, deploying AI requires advanced technical specialists, such as machine learning engineers, and gives rise to entirely new tasks and roles, such as AI-driven health diagnostics, driving job creation across sectors. Several studies suggest that these effects could outweigh displacement effects in the early stages of adoption, potentially leading to positive employment effects[196]. In turn, some other studies find that the increased demand for AI skills has not had significant impacts on aggregate employment[197]. After surveying over 1 000 leading global employers, the World Economic Forum projects that by 2030, 92 million jobs would be destroyed through automation globally, but 170 million new jobs would be created simultaneously[198]. Third, the most widespread AI effect identified in the literature is that of job transformation. Rather than simply replacing a position, AI is expected to increasingly be used as part of jobs, raising the productivity of workers by effectively enhancing human capabilities. This fundamentally changes the task composition of jobs and the skills required to perform them. A Cedefop survey[199] in 11 EU Member States from spring 2024 found that the complementary effect, making workers more productive in certain tasks, was most prevalent. Among all workers, 67% using AI reported faster task completion, a further 41% indicated that they were handling new or different tasks thanks to AI, whereas just 30% reported that AI automated some tasks. Given the extremely rapid development of the field, however, such proportions may very well change over time and require close monitoring. Anchored in the AI Act, the EU's response aims to ensure that AI systems – including in the field of employment – are safe and respectful of fundamental rights. The Act sets out clear 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[200]. Moreover, the Apply AI Strategy[201], 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.

So far, AI is reallocating labour across tasks and firms with no visible impact of net job destruction, yet uncertainty on medium to long-term impacts looms large. According to a 2024 IMF estimation, around 40% of all global jobs might be affected by AI, with half of those seeing a substantial share of tasks automated by AI[202]. Though estimates vary across economies, sectors and occupations, there is a growing consensus that AI tends to augment

[196] For example, see Albanesi et al., New technologies and jobs in Europe, ECB Working Paper Series, 2023.
[197] For example, see Marguerit, D., Augmenting or Automating Labor? The Effect of AI Development on New Work, Employment, and Wages, 2025.
[198] World Economic Forum, The Future of Jobs Report 2025, 2025.
[199] Cedefop, Skills empower workers in the AI revolution first findings from Cedefop's AI skills survey. Publication Office of the European Union, 2025.
[200] See Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence.
[201] See Communication from the Commission to the European Parliament and the Council Apply AI Strategy.
[202] Cazzangia, M. et al., Gen-AI: Artificial Intelligence and the Future of Work, IMF Staff Discussion Notes 2024, 2024.

high-skilled, high-wage work, while displacing or destabilising routine-based roles[203]. According to recent studies[204], occupations at higher automation risk have seen slower employment growth but task reallocation and AI-driven firm growth largely sustained overall employment. With regard to the AI's impact on knowledge work, where the rapid and large-scale adoption of generative AI has a transforming effect, two effects are observed. On the one hand, AI may erode entry-level jobs and disrupt early career development, as senior workers complemented by AI can absorb tasks once done by several juniors. On the other hand, AI can broaden the expertise (cognitive extension) of lower skilled and inexperienced workers, enabling organisations to reallocate tasks from higher- to lower-skilled occupations. For the EU, a recent report by Eurofound presents evidence which does not support the claim that generative AI has produced a youth-specific employment shock[205]. As evidence is still limited overall, however, no firm conclusions can be drawn at this stage. At the same time, 'physical AI', embodied in smarter, sometimes humanoid, robots, while at an early stage, is rapidly developing and increasingly being rolled out internationally, especially in China[206]. The widespread adoption of this technology is likely to change the situation even further and beyond what we can observe from available data. Outcomes depend also on the institutional and regulatory context, on top of the availability of relevant skills in the workforce. Occupations at all skills levels are likely to be impacted by AI, and workers, to various degrees, will need to possess general digital skills, AI literacy as well as task-specific technical AI skills to cope with the AI-driven transformation of their jobs.

How workers move between tasks, jobs and firms will therefore be decisive. Recent OECD evidence shows that adjustment to trade and technology shocks, including AI, often takes place through transitions into joblessness rather than directly into new jobs, which risks leaving displaced workers with lasting scars[207]. Unemployment benefits with adequate coverage and duration, combined with early support from public employment services and timely reskilling, are therefore key to shortening AI-related task displacements and turning them into job-to-job transitions[208]. At EU level, the Skills Guarantee piloted since July 2026 through six ESF+ projects in the automotive industry and its supply chain helps workers in restructuring sectors move into new jobs in growing and strategic sectors through re-skilling, on-the-job training and employment support, while testing innovative job-to-job transition mechanisms.

Digital monitoring and algorithmic management reshape how work is organised and controlled, underlining the need for fairness, transparency and correct determination of platform workers' employment status to raise their job quality. If used responsibly, ethically and in an inclusive manner, AI and algorithmic management systems in the workplace can boost efficiency, streamline recruitment, reduce bias and improve job

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[203] See European Training Foundation and Bardak, U. (ed.), The impact of AI on labour markets – What we know so far, Publications Office of the European Union, 2026.

[204] For example, see OECD, Skills in the AI age, OECD Artificial Intelligence Papers No. 60, OECD Publishing, 2026. For more comprehensive literature reviews, see ibid. and Nurski, L., Implications of AI for work, employment and social dialogue: Literature review, Eurofound Working Paper, Publications Office of the European Union, 2025.

[205] Eurofound (2026), AI is already in use in Europe's workplaces, but not at the expense of young workers, article.

[206] Chang et al., Embodied AI: China's ambitious path to transform its robotics industry, MERICS Report, Mercator Institute for China Studies, 2026.

[207] OECD, OECD Employment Outlook 2026, OECD Publishing, Paris, 2026.

[208] See also ILO and World Bank (2026), Disruption without dividend? How the digital divide and task differences split GenAI's global impact, 27 March 2026.

quality[209]. However, if poorly governed, they risk heightened work pressure, may lead to constant surveillance, embedded bias and data-protection breaches[210]. Platform work can offer flexibility, primary or additional income, and easier labour market entry for young people and vulnerable groups. At the same time, it is often associated with precariousness, low earnings, limited access to social protection and opaque algorithmic management. The Platform Work Directive[211], entered into force in December 2024, aims to improve working conditions for people performing platform work in the EU, including by contributing to the correct determination of their employment status and ensuring transparency, fairness, human oversight, safety and accountability in algorithmic management. 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. Member States are required to transpose its provisions into national law by December 2026.

Fighting undeclared work and strengthening workplace safety remain key, while enforcement capacity continues to differ across Member States. 9.7% of the total labour input in the EU private sector was undeclared in 2019, based on the most recent estimates[212]. This included 6.8 million workers in the personal and household services sector, of whom 2.1 million worked in the care sector[213]. Undeclared work erodes the tax base, while depriving workers of their legal rights and posing risks to their health and safety, thus significantly lowering job quality.[214] Undeclared work can also involve a cross-border element, including work performed by third country nationals without proper contractual arrangements, or supply chains including letterbox companies[215]. Tackling undeclared work continues to be a challenge in many Member States, which increasingly rely on risk-based analysis, big data and artificial intelligence, as well as mutual learning[216]. Yet, their capacities continue to differ considerably. According to the latest data, the ILO's measure of inspectors per 10 000 employed people varied from 3.08 in Luxembourg to 0.23 in Ireland[217]. Labour inspectorates also play an important role in ensuring workers' safety and health at work. In 2024, 3 367 fatal accidents at work were recorded in the EU, following a slight increase by 45 deaths compared to 2023, and representing 1.65 fatal accidents per 100 000 workers. Close to a quarter (23.0%) of all fatal accidents at work took place in the construction sector, while transportation and storage (15.9%) had the next highest share[218]. Health issues can also affect presence at work. Responding to Eurofound's inquiry, 26% of workers said that they were

[209] See 2025 Eurobarometer survey.

[210] Fernandez Macias, E. et al., Work in the Digital Era: How Technology is Transforming Work and Occupations, Publications Office of the European Union, Luxembourg, 2025.

[211] 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.

[212] The European Commission defines undeclared work as 'any paid activities that are lawful as regards their nature, but are not declared to public authorities, taking into account differences in the regulatory systems of the Member States'. Estimates of the real size of the undeclared economy need to be treated with caution. See Franic, J. et al., Extent of undeclared work in the European Union, European Labour Authority, Bratislava, 2023.

[213] See Guzi et.al., Tackling undeclared work in the personal and household services sector, European Labour Authority, Bratislava, 2021.

[214] For an overview of tax evasion and tax gaps across the various Member States, please consult the European Commission's 'Mind the Gap' report.

[215] See e.g. the topics on which the Platform Tackling Undeclared Work is working: Documents | European Labour Authority,

[216] The European Labour Authority's Platform Tackling Undeclared Work facilitates exchange and mutual learning among Member States.

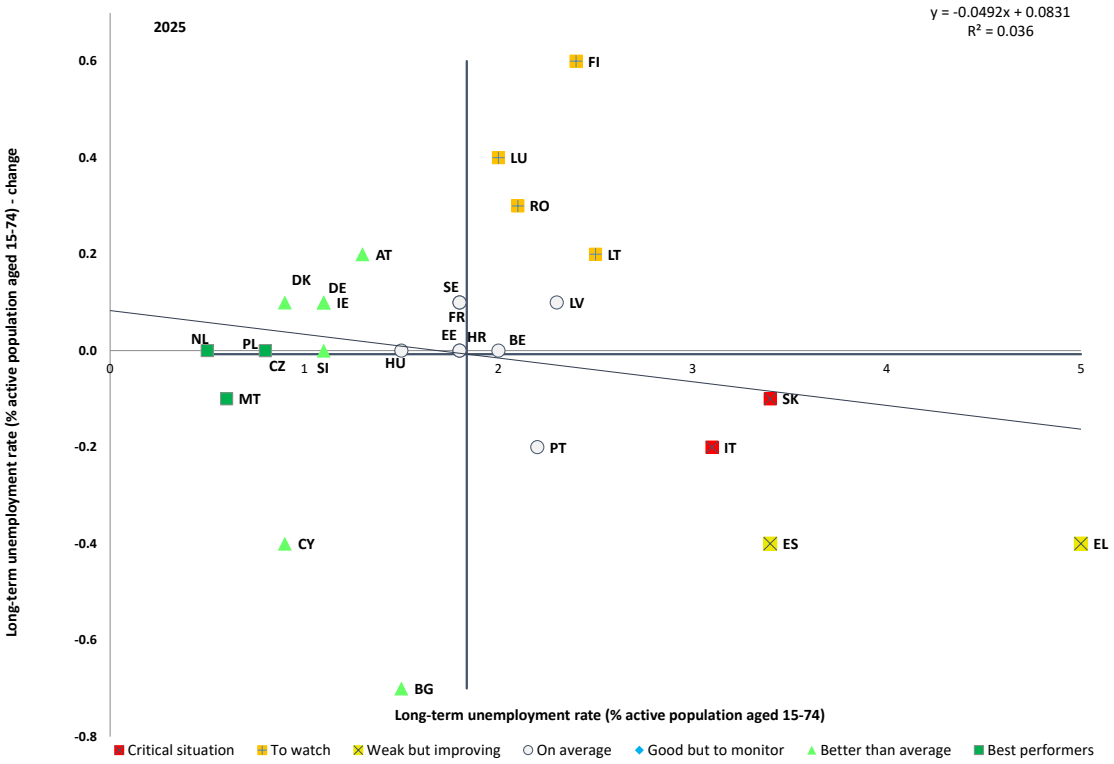
[217] See ILO – Data explorer.

[218] Eurostat, [hsw_n2_02].

absent from work for health reasons for 5 or more days in the 12 months prior to the survey[219].

Figure 1.3.8: Long-term unemployment rates continued to decline in some Member States with very high levels, but without clear signs of upward convergence

Long-term unemployment rate (age 15-74), 2025 levels and changes from 2024 (%, Social Scoreboard headline indicator)



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

After three years of steady decline, the fall in long-term unemployment came to a halt. The long-term unemployment rate in the EU remained stable at 1.9% in 2025, but continued to fall most in Member States with the highest levels. Indeed, the Netherlands, Malta, Poland and Czechia were 'best performers' with the lowest rates – see Figure 1.3.8. Yet, with increases in some Member States with values above the average and some deteriorations for those below, there is no clear sign of overall upward convergence. The rate rose markedly in Finland and increased further in Luxembourg, Romania and Lithuania, which are 'to watch'. In Italy and Slovakia that record high levels, the situation improved but at modest pace, pointing to a 'critical situation', unlike in Greece and Spain that are 'weak but improving'.

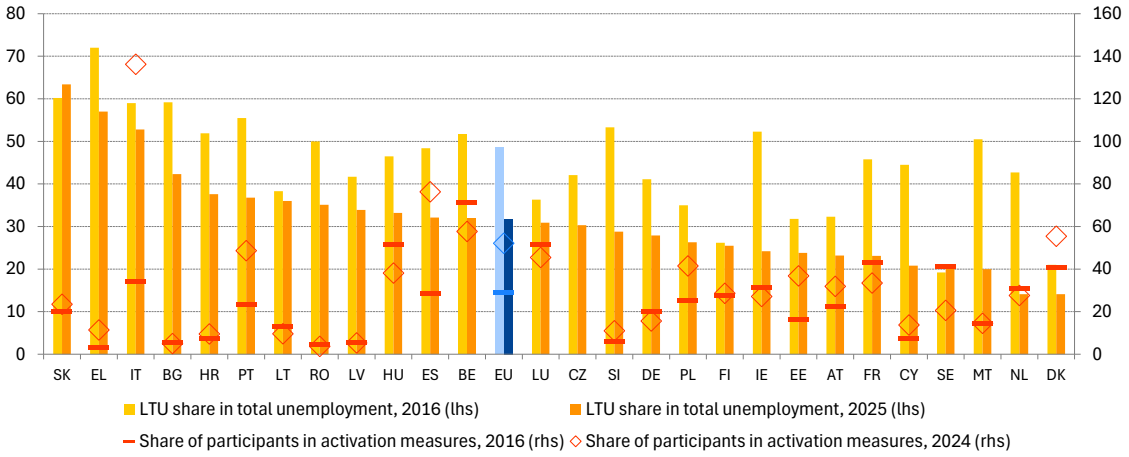
Regional differences in long-term unemployment rates are larger than between Member States. For the overall long-term unemployment rate (15-74) significantly larger differences are observed at the regional level compared to the national one (see Figure 7 in Annex 5)[220]. In 2025, the lowest rates were reported in the Belgian province of West-Vlaanderen (0.3%) and in the Dutch region Gelderland (0.4%), alongside similarly low values in Jihozápad in

[219] Note that this question had a large share of nonresponse in a number of Member States. See Eurofound, European Working Conditions Survey 2024: Overview report, Publications Office of the European Union, Luxembourg, 2026.
[220] Eurostat [lfst_r_lfu2ltu], EU LFS.

Czechia, Oberbayern in Germany and the Warszawski stołeczny and Śląskie regions in Poland (all 0.5%). The highest rates were recorded in the Greek regions of Dytiki Makedonia (10.0%) and Kentriki Makedonia (7.4%) as well as the Slovak Východné Slovensko (6.9%). Even higher rates were observed in the Spanish autonomous regions of Ciudad de Melilla (16.3%) and Ciudad de Ceuta (14.8%), as well as in the French outermost regions of Mayotte (14.8%) and Guadeloupe (9.8%). Gaps between the regions with the lowest and the highest rates were most pronounced in Italy, France, and Spain, with differences of 6.9 pps, 14.1 pps, and 14.7 pps, respectively, though several of these gaps are narrowing. In Italy, the distance between the best and worst performing regions shrank by more than 2 pps in a year, driven by marked improvements in the southern regions. Long-term unemployment also continued to fall in most French outermost regions and in Ciudad de Ceuta.

Figure 1.3.9: Participation rates in active labour market policies continue to display large variation across countries

Share of long-term unemployment in total unemployment (%), 2025 and participants in regular labour market policy (LMP) interventions (categories 2-7) per 100 persons wanting to work (PPS), 2024



Note: Data on LMP participation not available for CZ. Latest available data for RO (2020) and HR (2021). LMP participation is estimated for DK, EL, NL and SE. Data have low reliability for BG, LT and IT. High figures or above 100 can reflect participating individuals who are employed, notably those in some form of subsidised employment. Definition on long-term unemployment differs for ES and FR and data not reliable for LU in 2025. Break in series for DK in 2016.
Source: Eurostat, [lfsa_upgan], EU LFS, Labour market policy (LMP) database [lmp_ind_actsup].

Long-term unemployment fell over the past decade in the EU, while participation and expenditure on active labour market policies (ALMPs) rose. In Q2-2026, the EU registered around 4.2 million long-term unemployed, after a moderate increase compared to the low reached in 2024. Still, this is less than half the level recorded when the Council Recommendation on long-term unemployment was adopted in 2016. The share of the long-term unemployed in total unemployment declined from close to 48.6% in 2016 to 31.8% in 2025 – see Figure 1.3.9. This positive longer-term trend notwithstanding, the pace of progress continued to differ across Member States. Greece and Italy, for instance, caught up more gradually, whereas the situation in Slovakia worsened. The reported improvements since 2016 have come together with a marked expansion of active labour market policies at EU level. Participation in activation measures rose by 80% in the EU, from 28.9 participants per 100 people wanting to work in 2016 to 52.1 in 2024, though again with large differences across Member States.

Implementation gaps in the Council Recommendation on long-term unemployment persist, as transitions into employment weakened in 2024. The 2024 monitoring data on the implementation of the Council Recommendation on long-term unemployment confirms

persistent implementation gaps in certain Member States. More than eight years after its adoption, one-third of Member States still do not meet the Recommendation's first objective of providing a Job Integration Agreement (JIA)[221] or equivalent to at least 90% of those registered as unemployed for at least 18 months. In four Member States (Spain, Cyprus, Portugal and Slovakia) at least two in three long-term unemployed in this group do not have an active JIA. Out of the just over 3.1 million long-term unemployed with a JIA who ended their unemployment spell in 2024, some 1.3 million (40.7%) are known to have taken up employment. This share declined compared to 2023 in all but eight of the 23 Member States for which data are available. The 12-month follow-up situation similarly deteriorated in the 16 Member States with available data, with 57.2% of JIA users in employment one year later (down from 63% in 2023), 2.7% participating in an activation measure and 17.6% back in unemployment. Importantly, the monitoring data confirms the value of effective and dedicated active labour market support. Member States providing JIAs or individual action plans *based on in-depth assessment records* report significantly better results in bringing the long-term unemployed into employment than those using regular individual action plans.

Public Employment Services (PES) were faced with fewer vacancies, more jobseekers registering and rising expenditures on social benefits. Consistent with the slowdown in economic growth, the number of vacancies notified to PES each month fell by 11.1% in 2024. At the same time, the number of registered jobseekers rose by 0.7% and the number of long-term registered unemployed by 1.0%. After falling consistently since 2010, PES expenditure rose by 6.2% in 2024, primarily as a result of increased spending on social benefits (mostly unemployment benefits). Moreover, the composition of the PES client base has changed, also reflecting the increased participation of women and older people in the labour market. The share of women among PES clients rose from 46.8% in 2010 to 50.2% in 2024, while people aged 55+ accounted for 22.2%, with a growing underrepresentation of young people. Clients are also increasingly highly educated, with the share of tertiary educated (ISCED 5-8) rising from 13.4% in 2010 to 21.0% in 2024. The involvement of social partners in the governance of PES can help ensure that AMLPs respond to labour market needs, and strengthen their legitimacy and take-up among employers and workers. Recent research by Eurofound[222] found that in a large majority of Member States, social partners have legislatively formalised or informal advisory roles, e.g. through labour market councils, or even greater authority in supervisory roles, e.g. through administrative or management boards. Only in a handful of countries, no structured social partner involvement in the governance of PES exists.

There are significant gaps in the coverage of unemployment benefits in some Member States. With the energy shock and rising restructuring related job losses, unemployment benefits act both as income protection and as automatic stabilisers. In 2025, the share of short-term unemployed (15-64) receiving unemployment benefits stood at 38.2% in the EU, up from 37.1% in 2024. Behind this are divergent national trends. Coverage rose substantially (by 3 pps or more) in Czechia, Ireland, Italy, Slovakia and Sweden, while falling noticeably (by more than 1 pp) in Poland, France, Bulgaria, Cyprus and Finland – see Figure 1.3.10. The differences in levels remain significant. In some Member States, the majority of the newly unemployed are covered, while in others fewer than one in five receive benefits. Austria, Germany, Finland and Lithuania recorded the highest coverage rates (above 45%), whereas

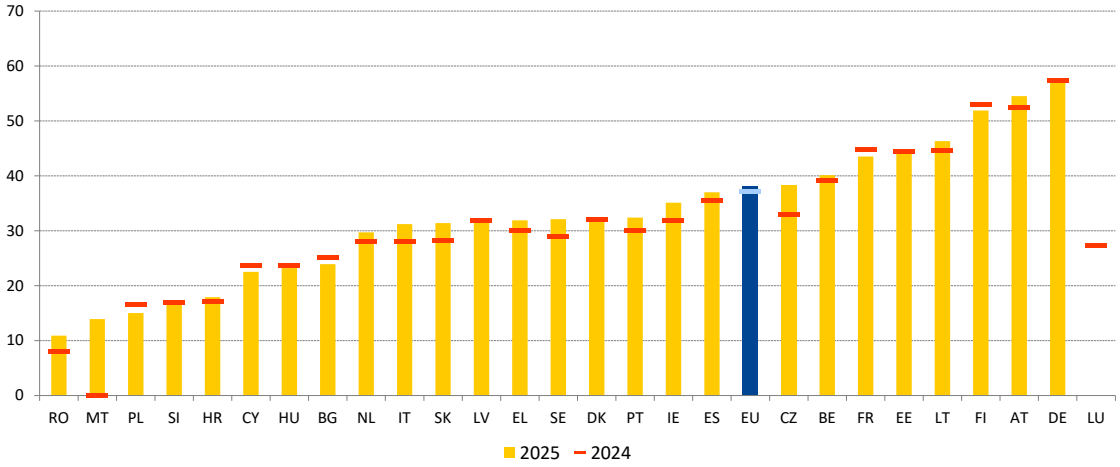
[221] JIAs are tailor-made plans to bring the long-term unemployed back to work, and, depending on the existing national services, include mentoring, job search support, further education and training, and support for housing, transport, child and care services or rehabilitation.

[222] Eurofound, A seat at the table, but whose decision? Social partners in the governance of public employment services (PES) and social security institutions, Publications Office of the European Union, Luxembourg, 2026.

less than 20% of the short-term unemployed received benefits in Romania, Malta, Poland, Slovenia and Croatia. More than half of self-employed people in the EU lack access to unemployment benefits, and where they are covered, replacement rates are often well below those of other workers.

Figure 1.3.10: The coverage rate of unemployment benefits for short-term jobseekers displays significant differences across Member States

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



Note: Data for 2025 are not available for LU and for 2024 in MT. Definition differs for ES and FR. Low reliability for HR, MT and SI in both 2024 and 2025. Break in series in 2024 for BG and FR.
Source: Eurostat [lfsa_ugadra], EU-LFS.

The institutional design of unemployment benefit systems, notably qualifying periods and benefit duration, vary considerably across Member States. The duration of the contributions required to be entitled to unemployment benefits varies significantly across Member States, as do further precise rules governing entitlement[223]. The qualifying period ranges from 13 weeks of insurance contributions in Italy, 52 weeks in Belgium, Bulgaria, Czechia, Germany, Denmark, Estonia, Latvia, Lithuania, Poland and Romania, to up to 104 weeks in Slovakia. Long qualifying periods weight most on workers on temporary contracts and young people. Also, the maximum duration of unemployment benefits for people with a one-year work history has remained broadly unchanged. Since 2019, only Belgium, Latvia, France, and Slovakia have modified the maximum duration. The level of income replacement is often closely linked to the duration of the unemployment spell. Overall, in 17 Member States, unemployed people with a one-year work record are eligible for unemployment benefits for at most 6 months (i.e. 26 weeks)[224].

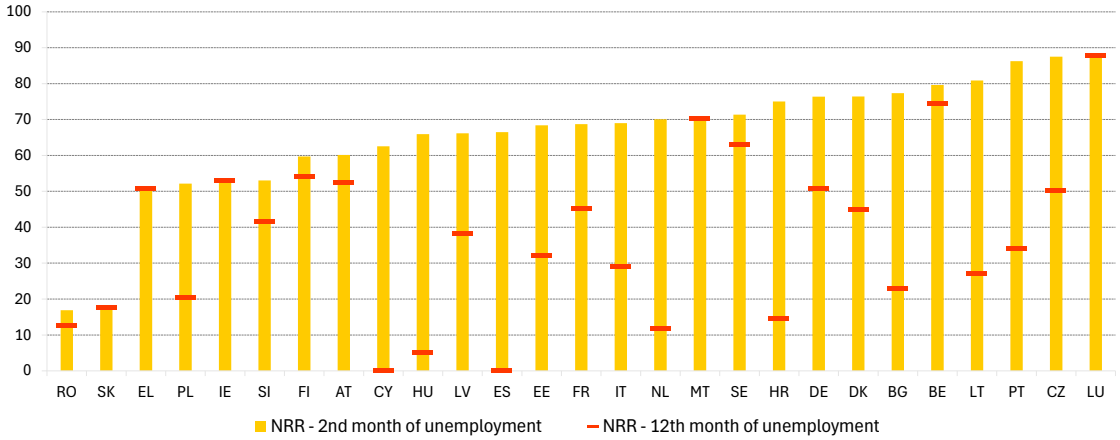
Significant differences are present also in relation to how large the income loss is when unemployment strikes, and how quickly support erodes as the unemployment spell lengthens. In the second month of unemployment, the net replacement rate ranges from up to 87.7% of previous (net) earnings in Luxembourg, to around 60% in Austria, to as low as 16.9% in Romania – see Figure 1.3.11. As unemployment spells lengthen, the net replacement rate of unemployment benefits tends to decrease. At the twelfth month of unemployment, the net replacement rate ranges from 87.7% in Luxembourg to 0% in Cyprus and Spain. In 2025, five Member States – Slovakia, Greece, Ireland, Malta and Luxembourg

[223] Source: MISSOC database, data as of 1 July 2025.
[224] 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.

– maintained the same replacement rate at the second and the twelfth month of the unemployment spell. The effectiveness of benefits also depends on their link to activation.

Figure 1.3.11: Significant differences exist in replacement rates across Member States

Net replacement rate (NRR) of unemployment benefits at 67% of the average wage, at the 2nd and 12th month of the unemployment spell (2025)



Note: The indicator is calculated for the case of a single person without children, aged 20, with a short work history (12 months) and previous full-time earnings of 67% of country's average wage. Different income components, unemployment benefits and other benefits (such as social assistance and housing benefits) are included.
Source: DG EMPL calculations based on the JRC EUROMOD-HHoT (version J2_57, indicators produced in 11/2026).

Intra-EU labour mobility has seen declining inflows and rising returns. In 2025, around 10.1 million working-age EU citizens resided in a Member State other than their own, accounting for 3.9% of the EU working-age population (20-64)[225], a share that has been stable over the past five years. In 2024, Romania (26%), Poland (11%) and Italy (10%) remained the main countries of origin, while 32% of EU movers were based in Germany, as the top destination country. While the net flow of movers, the difference between the total number of inflows to and outflows from a specific country, remains positive, their inflow has been declining and the number of returnees has been rising in recent years. This shift in behaviour is likely linked to demographic change, widespread labour shortages and an overall trend of economic convergence, all of which reduce the incentives for workers to be mobile. In 2024, there were 1.87 million cross-border workers, with an increase of 2% compared to 2023. The recently presented Fair Labour Mobility package aims to make it easier to prove social security rights, use qualifications across borders and protect workers and businesses from unfair practices[226].

Social dialogue and collective bargaining are central to the anticipation and management of change in European labour markets, notably in times of AI and broader economic restructuring. In many Member States social dialogue and collective bargaining are increasingly under pressure. While employer density remains relatively stable at EU level, even if on a declining trend in several Member States, trade union density has been declining on average across the Union[227]. Collective bargaining coverage has decreased by 11 pps, from about 77% in 2005 to 66% in 2024, with particularly big declines in central and eastern

[225] European Commission, Annual report on intra EU-labour mobility 2025, Publications Office of the European Union, Luxembourg, 2025.
[226] See Fair Labour Mobility Package - Employment, Social Affairs and Inclusion.
[227] See OECD/AIAS database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS).

Europe. In line with the Minimum Wage directive, among Member States with collective bargaining coverage rates below 80%, twelve have established action plans outlining clear timelines and concrete measures to promote collective bargaining[228]. In the remaining six Member States action plans are being discussed with social partners and are expected to be established in the coming months. At the same time, social dialogue and collective bargaining are important to ensure that workplace policies can adapt to evolving economic, technological and social realities. This is particularly the case in the context of increasingly rapid technological changes that fundamentally alter the functioning of labour markets, like AI. Collective bargaining provides the framework for discussions on the deployment and governance of AI at the workplace, its impact on working conditions, task redesign, reskilling and job security. Social dialogue importantly also builds the trust and shared ownership for a fair and successful deployment of AI[229]. So far, to a very limited extent, AI has slowly been making its way into collective bargaining agreements in a few Member States and has led to some social partner initiatives in recent years[230]. Overall, in a number of Member States, there is also still scope for improving social partners' capacity to effectively participate in social dialogue and contribute to policymaking.

The Quality Jobs Roadmap and the upcoming Quality Jobs Act constitute a renewed commitment to fostering quality jobs in the Union, in consultation with social partners. The Treaties explicitly recognise the key role of social partners in policy- and law-making, in full respect of their autonomy and the diversity of national industrial relations. The importance of their role is also underlined in the Employment Guidelines. Building on the 2025 Pact for European Social Dialogue, in December 2025, the European Commission adopted the Quality Jobs Roadmap[231], after a consultation process with social partners both at European and national levels. The consultation mobilised about 200 organisations across the EU. The Roadmap outlines initiatives to align employment policy with the needs of a fast-evolving economy. It focuses on the areas where EU action is mostly needed: creating and maintaining quality jobs in the EU, including in regions facing transitions, and the modernisation and fairness in the world of work. In view of its important dimension for advancing quality jobs, supporting workers through transitions, and safeguarding Europe's productivity, the Roadmap is supporting the Competitiveness Compass, acting as an enabler for Europe's competitiveness. It will be followed by a Quality Jobs Act, for which second-stage social partner consultations were conducted until September 2026.

The involvement and consultation of civil society organisations are key for policymaking and for driving sustainable and inclusive change. At EU level, civil society organisations contribute actively to discussions on policy priorities and proposals in their domains of expertise, including in the European Semester. They also play an important part in policy implementation. They serve as a key source of insight for policymakers on current and emerging challenges, helping to shape national and EU initiatives, and to assess how policies perform in practice.

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[228] See the Report from the Commission to the European Parliament and the Council pursuant to Article 10(3) of the Minimum Wage Directive.

[229] The crucial importance thereof is reflected in workers' own perceptions: 35% of workers believe that their employers will use AI to replace workers; six out of ten think that it is unlikely that their employer will take workers' views into account when making decisions about AI; 44% believe that they will not receive adequate training to work with the technology. See Cedefop, Skills empower workers in the AI revolution first findings from Cedefop's AI skills survey. Publication Office of the European Union, 2025.

[230] Eurofound, Collective bargaining on artificial intelligence at work, Publications Office of the European Union, Luxembourg, 2025.

[231] See Communication from the Commission to the European Parliament, the European Economic and Social Committee and the Committee of the Regions Quality Jobs Roadmap, COM(2025) 944 final.

1.3.2 Measures taken by Member States

Several Member States implemented reforms with the aim of improving job and earnings security for atypical workers. In January 2026, **Hungary** limited employment under simplified employment to 120 days per year, with the exception of seasonal work in agriculture, where it is 210 days. The employer has to pay higher social security, pension contributions and taxes for the days beyond the limit. In July 2026, **The Netherlands** introduced new measures to combat bogus self-employment. These include the legal presumption of employment for self-employed low-wage workers, thus strengthening labour protection and access to social protection. Furthermore, a concurrent reform is set to replace most zero-hour contracts, tighten the rules governing successive temporary contracts, and strengthen the position of agency workers through equal treatment provisions. This is meant to reduce job precariousness and labour market segmentation. **Austria** aims at boosting the job security of vulnerable workers introducing minimum notice periods for freelance service workers of four weeks and the extension of collective agreements to this group, from January 2026. In April 2026, **Italy** introduced a full exemption from employer social security contributions, for a maximum period of 24 months, for the conversion of fixed-term employment contracts into open-ended ones, for young people under 35 who have never held a permanent job. The incentive applies to conversions made between August and December 2026 of fixed-term contracts of up to 12 months started by April 2026. The benefit applies to conversions implemented between 1 August and 31 December 2026, for temporary contracts started by 30 April 2026.

Responding to labour market needs, several Member States adjusted contractual rules to enhance flexibility in hiring and working arrangements. In May 2026, aiming to increase flexibility in part-time working arrangements, **Belgium** reduced the minimum weekly working hours for part-time employees from one-third to one-tenth of the weekly working hours of full-time employees. In **Germany**, as of January 2026, employers can rehire workers who have reached the statutory retirement age on a fixed-term basis without objective justification (*sachgrundlose Befristung*), even if they had previously worked for the same employer. Each individual fixed-term contract may last up to two years, the total duration may reach eight years, and up to twelve contracts may be concluded. In June 2026, **Finland** launched a government reform aiming to remove barriers to employment and strengthen the operating conditions for SMEs. This includes, among others, increasing flexibility in the criteria for concluding fixed-term employment contracts, altering the duration of the layoff notice period and the employer's re-employment obligation. In January 2026, **Italy** introduced a right for converting full-time into part-time employment contracts, along with a social security contribution exemption for employers who grant such requests without reducing overall employment. Employees with at least three cohabiting children are eligible, until the youngest child turns 10 provided that the reduction in working time is at least 40%.

Member States have taken a range of social policy and employment measures to address drivers of in-work poverty. In January 2026, **Ireland** increased the income threshold of the weekly Working Family Payment (WFP), the country’s in-work benefit schemes and extended eligibility for Fuel Allowance for recipient families. **Malta** also revised the benefit level of their in-work benefit scheme upwards in January 2026. They simultaneously enacted a reform on their tax system to raise the income tax exemption threshold from EUR 15 000 in 2025 to 22 500 in 2028, easing the burden on lower income families. **Sweden** operated similar reforms by reducing taxation of full-time workers on low and medium incomes. In March 2026, they introduced a new tax-free ‘job bonus’. This is an allowance for those who transitioned from income support into work for a maximum of 18 months. In June 2026,

Estonia strengthened contributory social protection for vulnerable workers by reforming the eligibility criteria of their unemployment benefit scheme. The aim is to make it more inclusive for those performing irregular, short-term and project-based work.

Several Member States strengthened occupational safety and health protection, through new rights, stricter enforcement and sanctions, and rules targeting specific hazards. As of April 2026, **Spain** incorporated occupational safety and health as a new fundamental right at work. The convention reformulates eight ILO conventions and thereby guarantees workers the right to a safe and healthy working environment. In May 2026, **Malta** strengthened enforcement capacity in the construction sector by increasing staffing at the Building and Construction Authority (BCA) and the Occupational Health and Safety Authority (OHSA), investing in training and streamlining inspections. In February 2026, **Denmark** introduced requirements for employers to ensure employees' direct access to asbestos test results. It also introduced indicative prison terms for particularly serious working environment violations, including serious asbestos breaches or those causing a fatal accident, raised fines for larger companies, and extended the review clause in the Posting of Workers Act. In July 2025, **France** strengthened the protection of health professionals by extending aggravating circumstances under the Criminal Code. With this, violence, threats, insults, theft and sexual assault against a care worker in the course of their duties carry heavier penalties, regardless of their status or workplace. As of January 2026, **Austria** introduced a Heat Protection Regulation for outdoor work exposing employees to heat or natural UV radiation. It specifies which risks employers must assess and which protective measures they must take, taking into account factors such as work intensity, clothing and the protection of vulnerable workers.

Working time rules have been revised in several Member States, expanding flexibility for employers while adjusting long-standing protections. Germany is preparing a reform of the Working Time Act that would replace the current daily working-time ceiling with a more flexible weekly framework. It also introduces a statutory electronic working-time recording system, preserving EU-mandated health and safety protections. As of June 2026, **Estonia** reversed working time restrictions for minors, allowing those aged 15 to 17 and having completed basic education to work full-time with parental consent. As of April 2026, **Belgium** introduced a single structural scheme of 360 voluntary overtime hours, of which 240 are exempt from overtime premium, social security contributions, and income tax. The ceiling rises to 450 hours in the hospitality sector, with 360 exempted. Part-time workers can access it only after three years of employment and during temporary workload increases.

Member States are increasingly strengthening their operational and digital frameworks to combat undeclared work and labour exploitation. In **Greece**, the digital labour card - used to record working time - was expanded in March 2026 to new sectors, including private healthcare and telecommunications. The measure already protects over two million workers through tracking of working hours. Since August 2025, **Spain** has been strengthening its enforcement capabilities by increasing the personnel and resources for the Labour and Social Security Inspectorate. Spain has also launched a regulatory reform in September 2025 to standardise minimum technical requirements for the working hours registry. To combat the exploitation of foreign workers, **Italy** adopted a law in December 2025 which enables the labour inspectorate to perform preliminary checks prior to the submission of an application for entry permits. Italy is also setting up a round table on combating labour exploitation, while expanding participation. Meanwhile, the **Netherlands** has resumed full enforcement to tackle bogus self-employment and adopted in November 2025 a mandatory authorization system for temporary work agencies (Wtta), backed by Labour Inspectorate enforcement, to ensure compliance and safeguard vulnerable workers.

By adapting governance and services to regional needs, several Member States strengthened their employment measures at the regional and local levels. In December 2025, **Denmark** introduced a bill giving municipalities greater freedom to organise job centres, and efforts to bring people in employment and plan interdisciplinary measures according to local needs, including more flexible contact processes. As of November 2025, **Belgium** concluded a cooperation agreement between the Flemish and Walloon regions, through their respective regional public employment services, the VDAB and Le Forem. The objective is threefold: to reach the national target of an 80% employment rate, to improve the functioning of the labour market, and increase the interregional mobility of jobseekers. In December 2025, **Lithuania** expanded its network of regional career centres to 22 (up from 16 in 2025). The centres offer a wide range of services, including career guidance and planning, motivation for vocational training, company visits, job shadowing, support with CVs and job interviews.

A number of Member States set out multi-annual strategic frameworks for active labour market policies. For example, in December 2025, **Cyprus** adopted a National Strategy for Active Labour Market Policies (ALMPs) 2026–2028 to promote employment, improve skills and support social inclusion. Building on the previous strategy and international best practices, it allocates substantial resources to strengthen the Public Employment Service (PES). It aims to ensure that interventions are demand-driven and tackle skills mismatches and labour shortages through close cooperation with employers. In January 2026, **Slovenia** adopted Guidelines for the Implementation of Active Employment Policy Measures for 2026–2030, focusing on the most vulnerable groups. The objectives are to reduce long-term unemployment, accelerate the activation of unemployed people (especially those over 50, low-skilled and social assistance recipients), support faster labour market entry for young people up to 29, and strengthen skills in line with labour market needs.

Several Member States strengthened recruitment incentives and job-creation schemes, to give jobseekers facing barriers to employment a route towards full-time work. Belgium's Walloon region introduced a new recruitment incentive, 'Job Plus', in July 2026, replacing several existing hiring subsidies with a single scheme to reduce labour costs when recruiting jobseekers facing barriers to employment. Eligible private-sector and non-profit employers in Wallonia can generally receive EUR 1 000 per month per full-time employee, for 12 to 36 months, administered by the public employment service. As of October 2026, **Greece** launched a EUR 220 million employment and work experience subsidy programme financed under the ESF+ aimed to create approximately 50 000 new jobs. Delivered by the PES, it targets the long-term unemployed, women, and recipients of the Minimum Guaranteed Income affected by or at risk of poverty, offering participants six-month placements in private-sector companies. In 2026, **Luxembourg** authorised a maximum of 400 insertion jobs administered by the PES that facilitate labour-market integration for people facing difficulties accessing employment, including the long-term unemployed. Insertion jobs provide temporary work opportunities in the public sector, associative (non-profit) and social economy. They are combined with supervision and support designed to improve employability and encourage subsequent integration into the regular labour market. **Ireland** has increased the payment under its Part-Time Job Incentive (PTJI) Scheme to around EUR 160 for single persons and EUR 262 where there are two adults in the household. The scheme allows certain long-term unemployed people to take up part-time work and receive a special weekly allowance instead of their jobseeker's payment and is intended as a stepping stone to full-time work.

The governance of public employment services has been reformed in several Member States. Belgium's Walloon region launched a major reform of its public employment service

(Le Forem) in October 2025 to provide earlier and more personalised support to jobseekers. Instead of passive registration, jobseekers must now engage actively through a digital personal account, regular follow-up, and individualised action plans tailored to their employability and skills. In 2026, **Finland** introduced reforms simplifying the regulatory framework for jobseeker service processes, service platforms and job search profiles. It aims to increase private employment agencies' access to information about jobseekers to promote faster employment and amends the obligation for young people without education or training to apply for study places. As of July 2025, **Spain** adopted a multi-year plan to be carried out within the framework of the new Employment Law. It addresses employment policies with a focus on subjective rights, centred on people and companies, aimed at guaranteeing the effective exercise of the rights provided by law through stable and sufficient resources and actions. In 2026, **Sweden** introduced legislative amendments to improve information sharing between municipalities and the PES, enabling better follow-up and support for participants in municipal adult education and improved reach-out. Moreover, SEK 25 million are provided to strengthen early assessments of jobseekers' training needs and matching to suitable courses.

Several Member States reformed their unemployment benefit systems, combining stronger support with tighter eligibility, greater incentives to work and access to training. In July 2025, a major reform of the unemployment benefits system was adopted in **Belgium**. The overall duration of unemployment benefits is now limited to a maximum of two years, following changes to the eligibility criteria. Under the new rules, one year of work recorded in the past three years gives individuals the right to 12 months of unemployment benefits, that can be extended by an additional 12 months through additional months of work. In June 2026, **Estonia** amended its unemployment benefits system, simplifying procedures and introducing a universal basic-rate model to replace the previous two-tier system with a single scheme. To qualify for the basic unemployment benefit, individuals must have been employed for at least eight months within a three-year period, including cases of voluntary contract termination. In January 2026, **Malta** extended the period during which the highest rate of unemployment benefits can be paid from six weeks to ten weeks. Conversely, the duration for the lowest rate has been shortened from ten to six weeks. In May 2026, **Finland** overhauled its unemployment benefits system, merging two separate employment benefits (the labour market subsidy and basic unemployment allowance) into one general social security benefit. These changes follow previous amendments in 2025, which abolished certain supplements and special allowances. In October 2025, **Sweden** made changes to better align the provision of benefits with the income loss of the applicant, with different compensation levels. The amendments tighten eligibility conditions and encourage jobseekers to apply for work and enrol in training. The length of the eligibility period is based on the labour market history of the applicant.

Member States introduced measures to support labour mobility, attract foreign talent and alleviate labour shortages. To streamline administrative procedures and improve access to information, several countries are investing in digital platforms. In January 2026, **Luxembourg** launched 'Work in Luxembourg', a national talent-attraction initiative featuring an online portal. The platform provides information on employment, housing, and everyday life to facilitate the relocation of highly skilled international professionals into sectors experiencing labour shortages. Similarly, in December 2025, **Romania** introduced a new official platform (WorkinRomania.gov.ro), which is designed to serve as a single point of interaction between foreign workers, employers, placement agencies, and state authorities. As of January 2026, **Germany** has created a permanent nationwide advisory service for third-

country nationals. It provides free multilingual labour and social-law counselling to combat labour exploitation, wage dumping, and information asymmetries affecting migrant workers.

Furthermore, some Member States took measures to lower entry barriers for migrant workers with various skills levels. Italy is piloting simplified procedures for workers who have completed training programmes abroad, including the possibility to apply for an entry visa within 12 months of completing the course, instead of the previous six months. The measure was introduced in December 2025 on an experimental basis and will run until 31 December 2027. In May 2026, **Estonia** introduced measures which will allow sectors experiencing labour shortages to apply for temporary residence permits for employment on more favourable terms, while quotas for these sectors do no longer apply.

Several Member States took steps to strengthen collective bargaining coverage and the frameworks underpinning collective agreements. In May 2026, **Germany** introduced collective bargaining compliance requirements in federal public procurement for federal public contracts above EUR 50 000. The measure aims to strengthen coverage, improve job quality, prevent the undercutting of wages and working conditions, and incentivise employers to participate in collective bargaining arrangements. In February 2026, **Greece** enacted a law implementing the National Social Agreement on the Strengthening of Collective Bargaining Agreements. It expands collective agreement coverage, promotes collective bargaining and improves the framework for such agreements. In April 2026, **Italy** strengthened the monitoring and transparency of collective agreements. It also established that total remuneration should not be lower than identified by the agreement signed by the most representative trade unions and employer organisations for the relevant or a similar sector.

To promote collective bargaining and strengthen the role of social dialogue in line with the minimum wage directive, several Member States have adopted dedicated action plans. In September 2025, the government of **Estonia,** together with social partners, adopted a Roadmap for Promoting Collective Bargaining 2025-2027. It aims to increase collective bargaining coverage and strengthen social dialogue, including by modernising the collective agreements register. It also reviews the framework for extending agreements and improving monitoring and enforcement of extended agreements. Between 2026-2030, **Ireland** aims to increase collective bargaining through measures including deepening analysis and understanding of collective bargaining, awareness-raising as well as strengthening the capacity of social partners and relevant institutions, such as the Workplace Relations Commission. **Bulgaria** has introduced various measures under its national plan for incentivising collective bargaining 2026-2030. These include legislative changes, the ratification of ILO conventions, capacity building for social partners, awareness campaigns as well as stronger monitoring.

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

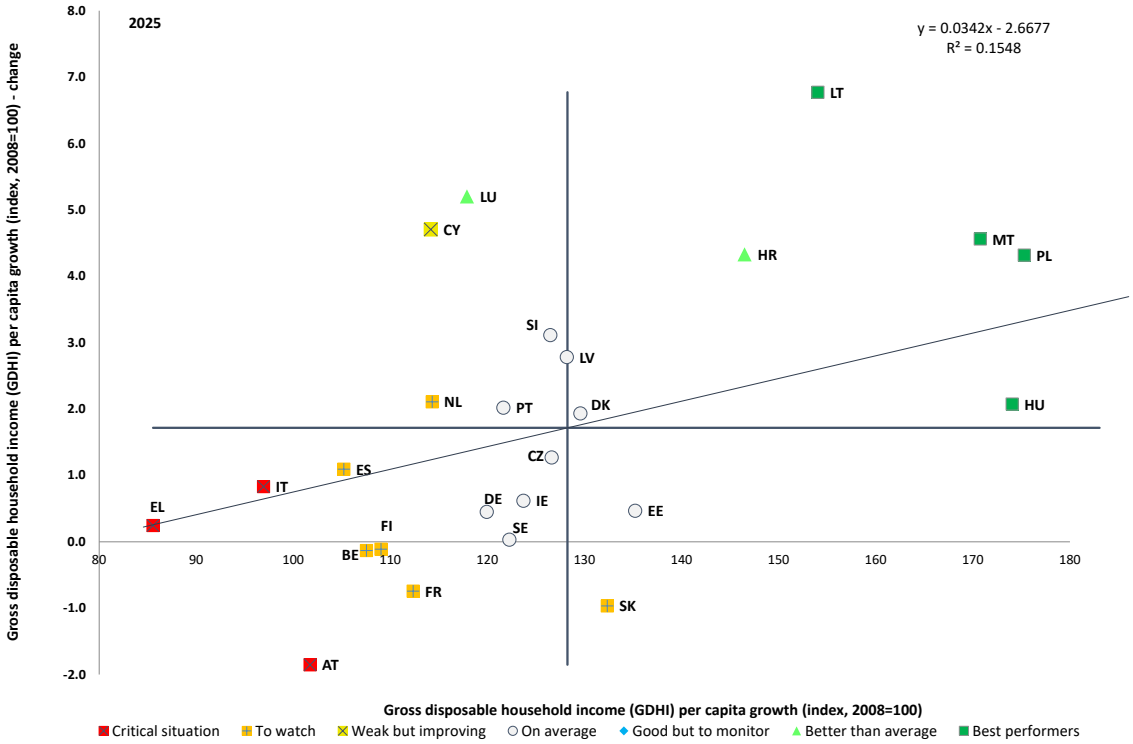
This section reviews the implementation of the employment guideline 8. This recommends that Member States promote equal opportunities for all, foster social inclusion and fight poverty, in line with Pillar principles 2 (gender equality), 3 (equal opportunities), 11 (childcare and support to children), 12 (social protection), 14 (minimum income), 15 (old-age income and pensions), 16 (healthcare), 17 (inclusion of persons with disabilities), 18 (long-term care), 19 (housing and assistance for the homeless) and 20 (access to essential services). Section 1.4.1 provides an analysis of key indicators, while section 1.4.2 reports on policy measures undertaken by Member States.

1.4.1 Key indicators

Real household incomes continued to increase across the EU in 2025, with growth recorded in most Member States. The GDHI per capita index (2008=100) reached 116.5, up 0.8 points on the previous year - a sign that the purchasing power lost during high-inflation years continues to be restored. Yet the recovery remains uneven and differences among Member States increased. While some Member States saw substantial further gains, Greece and Italy only small increases and still have not returned to where they were before the financial crisis and are thus in 'critical situations'. Austria is also in 'critical situation' due to a low level after a substantial decrease. 'To watch' were Spain, and the Netherlands for still low levels despite average gains, and Belgium, Finland and France for decreases and below average levels, as well as Slovakia for an average level after a decrease.

Figure 1.4.1: Growth in gross disposable household income (GDHI) per capita increased for the EU with strong variation across Member States in 2025

Real gross disposable household income (GDHI) per capita growth index, 2025 levels and changes from previous year (2008=100, Social Scoreboard headline indicator)



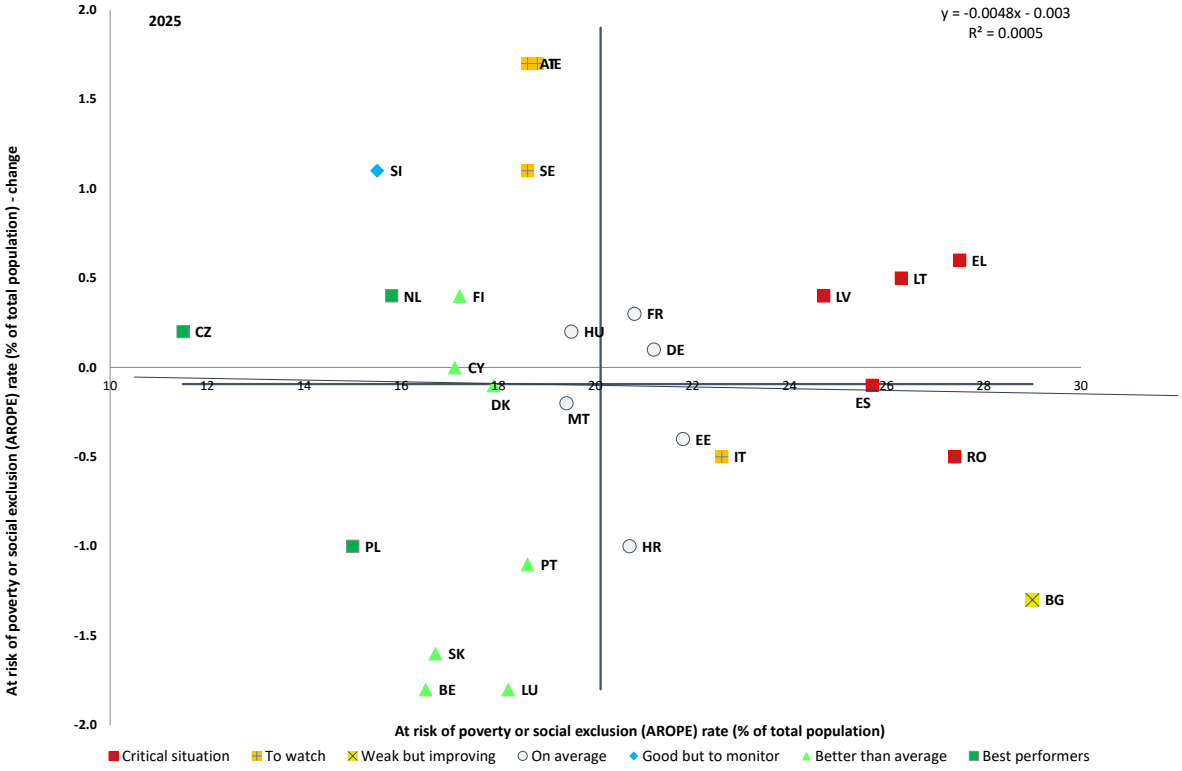
Note: Guidelines are centred on the unweighted EU average. Data not available for BG.
Source: Eurostat [tepsr_wc310], European sector accounts.

Around one in five people in the EU were at risk of poverty or social exclusion in 2025, as in the previous year, but differences across Member States increased. The at-risk-of-poverty or social exclusion (AROPE) rate was broadly stable in 2025, decreasing by 0.1 pps to 20.9%. Yet, the situation across Member States remains highly uneven, with no sign of upward convergence. Some of the largest declines in the rate from 2024 were seen in Belgium and Slovakia, while Czechia, Poland and the Netherlands are 'best performers' due to having the lowest rates. Bulgaria, despite recording one of the highest rates in the EU, is 'weak but improving'. Austria, Ireland and Sweden show some of the largest deteriorations, thus 'to watch', despite their rates being below the EU average. 'Critical situations' are identified for Greece, Lithuania and Latvia, due to still very high rates and worsening, and for Spain and Romania, due to high rates and relatively small improvements. The data also point

to persistent structural inequalities: women remain more exposed than men (21.9% against 19.8%), and people aged 18 or more born outside the EU face a risk more than twice as high as the native-born, at 38.9% versus 17.6%, rising to 44.2% among young migrants (18 to 29).

Figure 1.4.2: The at-risk of poverty or social exclusion rate was broadly stable in 2025 in the EU overall but differences across Member States are large and increased

Share of the population at risk of poverty or social exclusion, 2025 levels and changes from previous year (%, Social Scoreboard headline indicator)



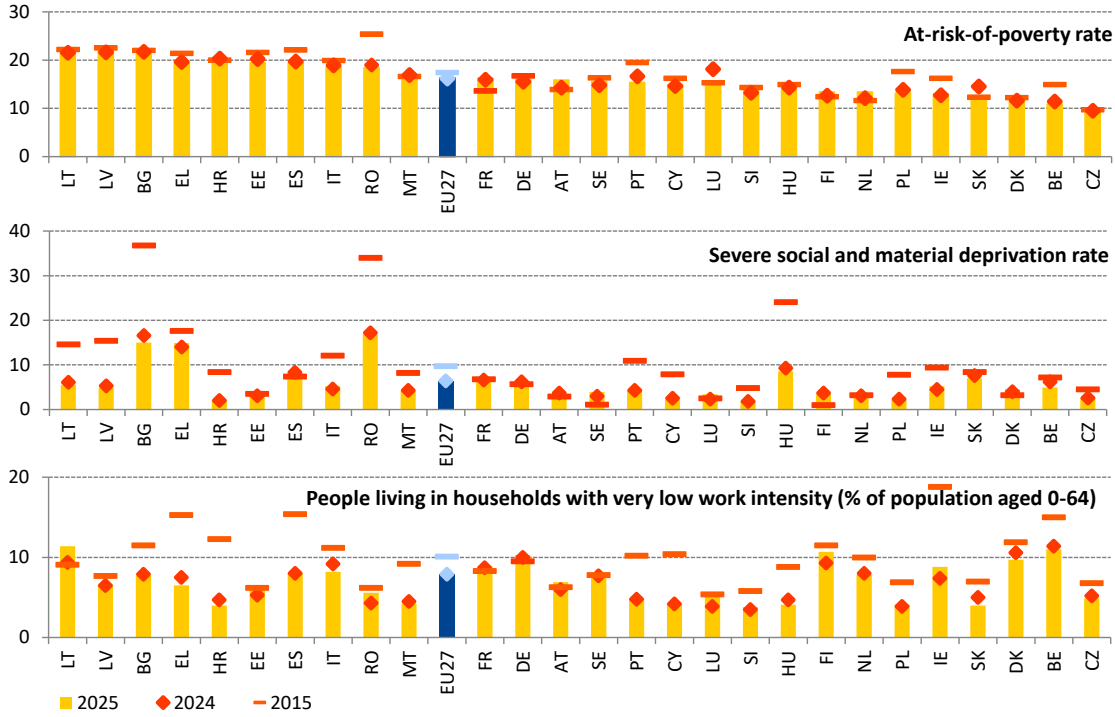
Note: Guidelines are centred on the unweighted EU average. Break in series for LU and SK, provisional data for LT.
Source: Eurostat [ilc_peps01n], EU-SILC.

Regional and territorial variation in poverty or social exclusion risks across the EU is large. Variation was large across EU (NUTS 2) regions in 2025, including within Member States, especially in Italy, Hungary and Romania (see Figure 8 in Annex 5). AROPE rates ranged from 54.8% in Guyane, 45.3% in Calabria, 44.0% in Sicilia and 43.7% and 43.7% in Ciudad de Melilla to 7.0% in Provincia Autonoma di Bolzano/Bozen, 5.6% in Valle d'Aosta/Vallée d'Aoste and 2.9% in Bratislavský kraj[232]. Outermost regions experienced AROPE rates above the EU average, ranging from 54.8% to 20.5%. Towns and suburbs in the EU recorded somewhat lower AROPE rates than cities and rural areas (20.4, 21.0% and 21.4%, respectively). However, variation across Member States was substantial. AROPE rates ranged from 9.9% to 27.1% in cities; from 11.6% to 30.4% in towns and suburbs; and from 9.5% to 40.8% in rural areas[233].

[232] Eurostat [ilc_peps11n], EU-SILC.
[233] Eurostat [ilc_peps13n], EU-SILC.

Figure 1.4.3: All three components of the at-risk-of-poverty or social exclusion rate contributed to its changes across Member States in 2025

Components of the at-risk-of-poverty or social exclusion rate headline indicator (%, 2015, 2024, 2025)



Note: Indicators are ranked by AROPE rates in 2025. Break in series for LU and provisional data for LT for all components in 2025. Break in series for HR and provisional data for LT for all components in 2024. Break in AROP series for SK in 2025.
Source: Eurostat [tessi010], [tepsr_lm420], [tepsr_lm430], EU-SILC.

At the EU level, the various components of the AROPE indicator were broadly stable, but drove changes in the AROPE rates of Member States to different extents. At EU level, the at-risk-of-poverty (AROP) rate stood at 16.3% in 2025 (referring to 2024 incomes; slightly up from 16.2% in the previous year). The most notable decreases, feeding into the AROPE rate, were in Slovakia (-2.3 pps) and Portugal (-1.2 pps). Austria (+1.6 pps), Slovenia and Lithuania (both +1.1 pps) as well as the Netherlands (+1.3 pps) recorded increases that were among the largest – see the top panel of Figure 1.4.3. Eurostat's Flash estimates referring to 2025 incomes indicate that AROP rates are expected to have been stable in the EU on average and in most Member States in 2025. They have decreased in Spain and Romania and increased in Ireland, Slovenia, Hungary, Germany and Croatia[234]. Severe material and social deprivation continued its gradual decline to 6.3% (from 6.4% in 2024). Here, Bulgaria (-1.6 pps) and Belgium (-1.3 pps) saw the most significant improvements, while Greece (+0.9 pps) and Sweden (+0.9 pps) recorded increases – see the middle panel. The share of people in (quasi-)jobless households remained unchanged at 7.9%. The situation improved in Greece, Italy and Slovakia with a reduction of 1.0 pp, while it increased most sharply in Lithuania (+2.0 pps), Ireland and Finland (both +1.4 pps) – see the lower panel.

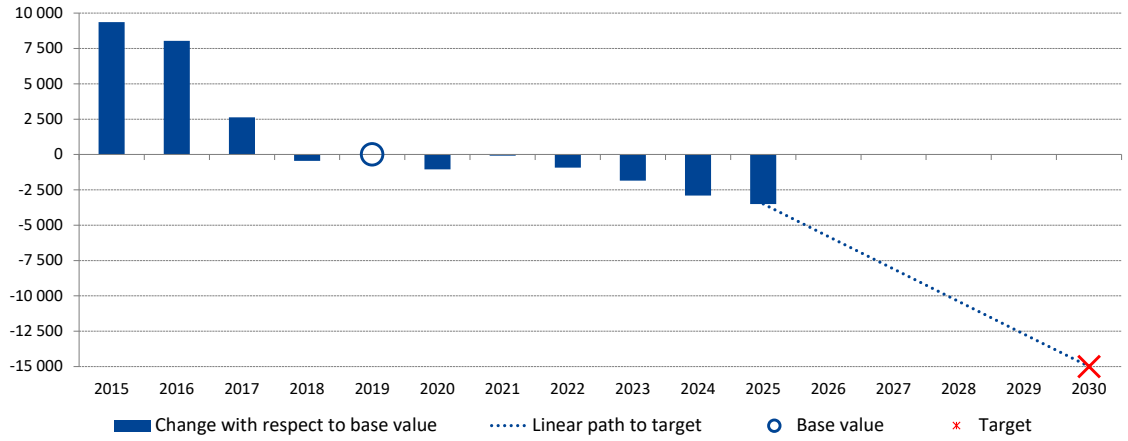
The population at risk of poverty or social exclusion declined further in 2025, but there is a need to increase the pace of progress to meet the EU headline target by 2030. The number of people at risk of poverty or social exclusion (AROPE) fell by 0.5 million in 2025, to 92.7 million. Adjusting for breaks in series in Germany and France, the reduction amounts

[234] See Eurostat, Flash estimates of income inequalities and poverty indicators for 2025.

to 3.5 million compared to the 2019 base year, leaving a gap of 11.5 million to the target of at least 15 million. This implies that an average annual reduction of about 2.3 million would be required to reach the target by 2030 – see Figure 1.4.4 below. Achieving the target will thus demand a significant acceleration of efforts during the remainder of the decade[235]. Child poverty declined further in 2025 in the EU, with about 0.24 million fewer children (0-17) experiencing poverty or social exclusion risks. The gap to reaching the target for children remains at around 5 million.

Figure 1.4.4: 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)



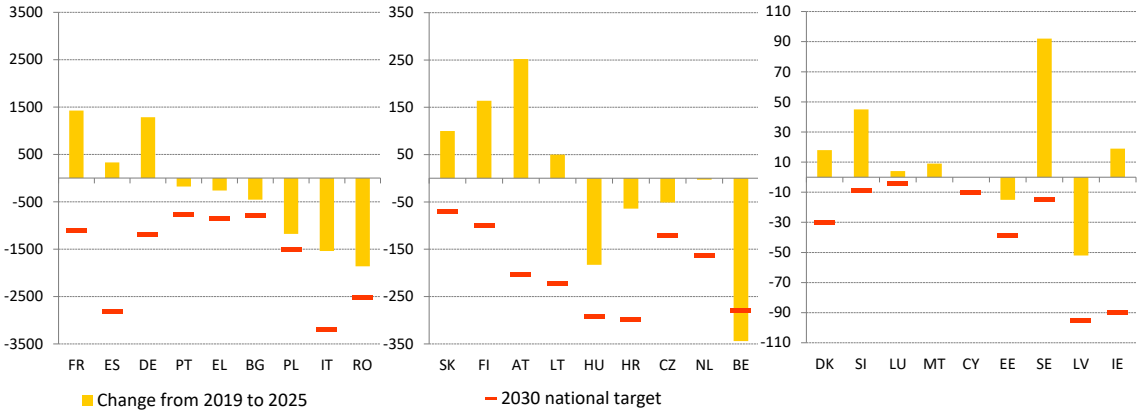
Note: Series adjusted for breaks in series, due to underlying major breaks in DE in 2020 (break adjusted backwards to 2019) and in FR in 2022 (the EU aggregate uses figures for 'Metropolitan France' rather than 'France' to be in line with the 2019 figure for France). For 2025, the EU aggregate is calculated as the sum of Member States using Metropolitan France, as the published EU27 aggregate does not yet correctly incorporate this adjustment.
Source: Eurostat [ilc_pecs01] and DG EMPL calculations.

Progress towards the national poverty reduction targets remains uneven across Member States, and some earlier gains were reversed in 2025. In 2025, only 13 Member States saw reductions in the number of people at risk of poverty or social exclusion since 2019 – see Figure 1.4.5 below. Some Member States have reached their targets (Belgium) or are on track to do so (such as Bulgaria, Poland, Italy, Romania, Hungary and Latvia). At the same time, Sweden and Ireland, which had reached their targets in 2024, recorded increases and their rates are now back above their 2019 levels. The largest relative gaps remain in Member States, where AROPE numbers still exceed 2019 levels, including France, Spain, Slovakia, Finland, Austria, Denmark, Slovenia and Sweden. Among the 21 countries that set complementary targets on child poverty reduction, 13 registered improvements in 2024 and 11 have made progress since 2019, while Cyprus has already reached its target. On the other hand, Czechia, Germany, Spain, France, Luxembourg, Malta, Austria, Slovenia, Slovakia and Finland have yet to make progress relative to 2019.

[235] Stronger, sustained and more coordinated efforts are needed to come closer to the 2030 target, but it still remains within reach. For comparison, similar progress was achieved over the second half of the last decade, where a reduction in the population at risk of poverty or social exclusion of around 10.5 million was achieved between 2015 and 2020, equivalent to on average around 2.1 million per year.

Figure 1.4.5: Fewer than half of Member States have made progress towards their poverty reduction targets since 2019

Changes in levels over 2019-25 and national 2030 targets (total population, thousand persons)



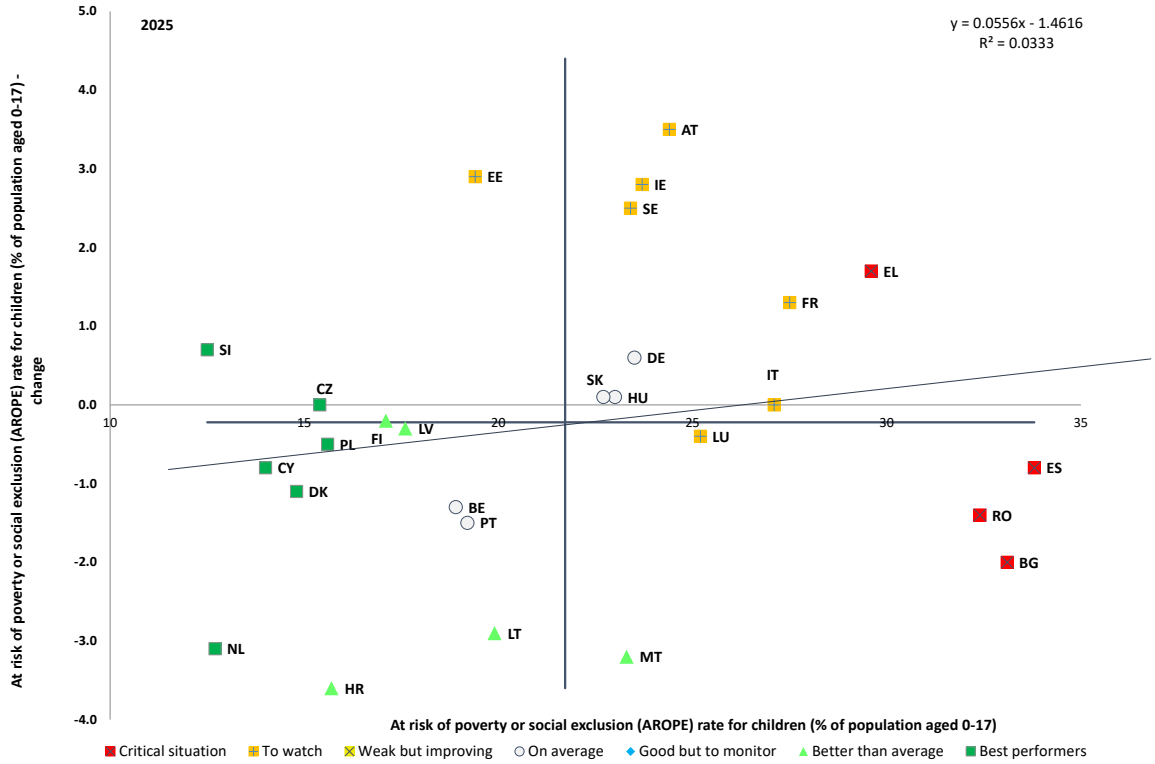
Note: Break in series in 2020 for FR, IE, DK, LU, DE in 2021 for LU, in 2022 for FR, FI and LU, in 2023 and 2024 for HR and 2025 for LU and SK. Provisional data for LT in 2024 and 2025. DK and DE express their national poverty reduction targets as a reduction in the number of people living in (quasi-)jobless 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], [ilc_lvhl11n] and table on 2030 national targets in Annex 1.

Child poverty remained broadly stable too, but at a higher level than for the total population. The share of children at risk of poverty or social exclusion was broadly stable, increasing slightly from 24.2% in 2024 to 24.3% in 2025, while their absolute number slightly decreased from 19.5 to 19.3 million. Yet, the rate was still above that of the overall population, by 3.4 pps, in 2025. The largest declines were seen in Croatia, Malta and Lithuania, all 'better than average', and in the Netherlands, among the 'best performers', all of them with average to low rates – see Figure 1.4.6. Throughout the EU, the most significant increases were seen in Austria, Estonia, Ireland, Sweden and France, all but France with above-average rates and all 'to watch', along with Italy and Luxembourg, where the rates are considerably high although broadly stable. The prevalence was the highest in Spain, Bulgaria, Romania and Greece, all in a 'critical situation'. Overall, there are signs of divergence, despite improvements for Member States with high risks. Lifting children out of poverty and social exclusion is instrumental to help them realise their full potential and break the cycle of intergenerational poverty. Fully implementing the strengthened European Child Guarantee in all Member States is key in this respect – see also Pillar Box 5.

Figure 1.4.6: Changes in the at-risk-of poverty or social exclusion rate for children show signs of divergence in 2025, despite improvements also in higher risk countries

Share of children at risk of poverty or social exclusion, 2025 levels and change from previous year (%), Social Scoreboard headline indicator



Note: Guidelines are centred on the unweighted EU average. Break in series for LU and SK, provisional data for LT.

Source: Eurostat [ilc_peps01n], EU-SILC.

The components of the risk of poverty or social exclusion rate for children showed little variation in the EU. The at-risk-of-poverty (AROP) rate increased slightly, from 19.3% in 2024 to 19.6% in 2025, in the EU[236]. Croatia, Malta, the Netherlands and Romania saw reductions exceeding 2.5 pps , while the largest increases were seen in Austria (4.3 pps) and Estonia (2.1 pps). In 2025, the AROP rate was the lowest in Denmark (9.2%), while highest in Spain (28.4%) and Bulgaria (27.0%). Eurostat's flash estimates foresee stability in the incidence of monetary poverty for children on average in the EU, with a 19.7% rate in 2026. As regards severe material and social deprivation, the EU rate for children stayed unchanged between 2024 and 2025 (at 7.9%). It ranged from 1.2% in Croatia to 21.1% in Romania. The rate decreased by 3.7 pps in Slovakia and by 2.3 pps in Hungary, while it rose the most in Greece, by 2 pps. The share of children living in (quasi-)jobless households was 7.5% in 2025 (7.4% in 2024) in the EU, without significant changes in most Member States, except for Estonia (+2.4 pps), Ireland (+1.7 pps) and Czechia (-1.3 pps).

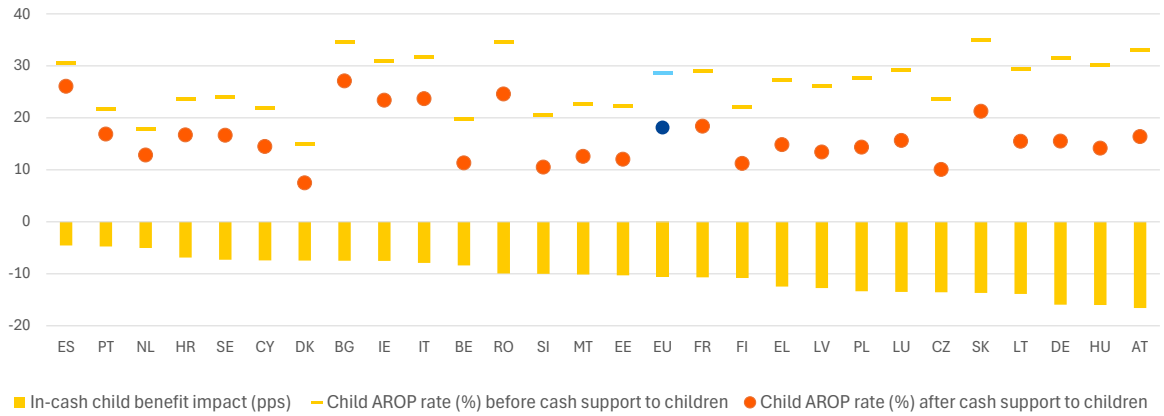
[236] This paragraph relies on the following data sources: Eurostat [ilc_li02], [ilc_mdsd11], [ilc_lvhl11n], EU-SILC and Eurostat, *Flash estimates of income inequalities and poverty indicators for 2025*, 2026.

Pillar Box 5: The role of in-cash benefits for children in reducing child poverty risks

The consequences of growing up in precarious conditions are severe and long-lasting, nearly doubling the likelihood of living in poverty in adulthood. Childhood socio-economic disadvantage is estimated to cost the EU 3.4% of GDP annually, through weaker health, reduced employment and lower earnings[237]. Yet, there has been no progress towards the 2030 target since 2019 to reduce the number of children at risk of poverty or social exclusion by at least 5 million[238], while poverty and social exclusion for the overall population has declined. In response, the Commission has issued a Communication on breaking the cycle of child poverty and strengthening the European Child Guarantee, along with the Anti-Poverty Strategy of May 2026. The aim is to accelerate child poverty reduction and mitigate the intergenerational transmission of poverty by ensuring that children in need have access to key services. One of the pillars of this comprehensive approach are adequate in-cash benefits, which cover all monetary benefits paid to households with children to support children and ensure adequate living standards. Important examples include child allowances, birth benefits and tax reliefs.

In-cash child benefits play a key role in tackling child poverty

Impact (pps) of in-cash child benefits on the share (%) of children at risk of poverty (AROP) in 2022



Source: Calculations using EUROMOD 2022 policies linked to 2022 EU-SILC data. European Commission, RAND Europe, Nightingale, M., Ribera Almandoz, O., Shiva, M. et al., Report on the effectiveness of child benefits in the EU – *Final report*, Publications Office of the European Union, 2026.

In all Member States, child poverty would be more prevalent and more severe in the absence of in-cash child benefits for households with children. On average in the EU, these benefits are estimated to reduce the share of children at risk of poverty by 10.6 pps. There is nonetheless large variation in the impact of in-cash child benefits on child poverty rates, ranging from 4.6 pps in Spain to 16.6 pps in Austria[239]. While the size of the impact appears to be only weakly related to the level of monetary poverty before transfers, it clearly reflects differences in the type and design of child benefits, their coverage and take-up. As regards the type of benefits, child allowances are, for instance, found to be more effective

[237] Figure calculated for European OECD member countries. Most of this cost (54%) is due to health outcomes but in some countries, such as Greece, Italy and Sweden for example, more than 60% of the cost is due to lost earnings. See Clarke, C. et al. (2022), The economic costs of childhood socio-economic disadvantage in European OECD countries, OECD Papers on Well-being and Inequalities, No. 9, OECD Publishing, Paris. Technical details of the two-stage regression-based procedure are in Annex B.

[238] In comparison to the 2019 level.

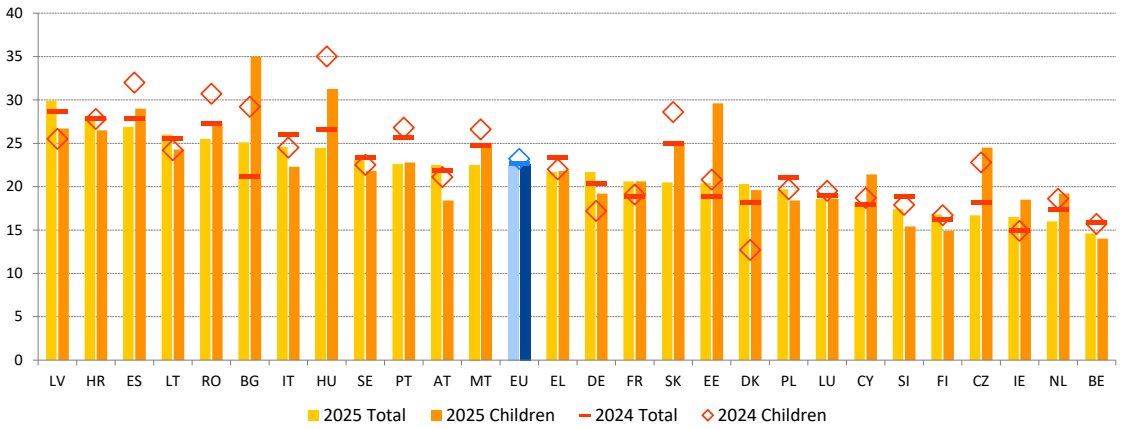
[239] European Commission, RAND Europe, Nightingale, M., Ribera Almandoz, O., Shiva, M. et al., Report on the effectiveness of child benefits in the EU – Final report, Publications Office of the European Union, 2026.

than birth benefits and tax reliefs. On average across the EU, child allowances account for as much as 74.8% of the effect of in-cash child benefits on the child poverty rate.

Several Member States have taken recent initiatives to enhance the effectiveness of their in-cash child benefit systems. In 2026, **Spain** proposed a Universal Child Benefit of EUR 200 per month for each dependent child under 18 to support families and reduce child poverty (pending legislative and budgetary approval). **Ireland** recently updated its Child Support Payment, increasing weekly rates to EUR 58 for children under 12 and EUR 78 for those aged more than 12. **Czechia** plans to raise parental allowances to CZK 400 000 for children born from 2027. **Malta** announced in 2026 that it would boost its Children's Allowance by up to EUR 250 per child for low-income families. During the same year, **Latvia** extended family allowances to students aged 16-20. As regards one-time payments, birth grants have also been enhanced in **Latvia**, while **Malta** plans to increase its Childbirth and Adoption Bonus by EUR 500. To improve efficiency, **Germany** will automate child benefit payments through its 'Once-Only' system in 2027, eliminating redundant applications.

Figure 1.4.7: The depth of poverty slightly declined at EU level and was slitghly higher for children than for the total population

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



Note: Break in series for HR in 2024 and LU in 2025, provisional data for LT in 2024 and 2025. Break in series for SK in 2025.
Source: Eurostat [ilc_li11], EU-SILC.

The depth of poverty is still significant in the EU, especially for those living in (quasi-)jobless households, despite some improvements. The depth of poverty was overall 22.5% in 2025 (referring to 2024 incomes), down from 22.7% in 2024 (referring to 2023 incomes)[240]. It decreased most (by more than 2 pps) in Slovakia, Portugal, Hungary and Malta. However, in 12 Member States, increases were recorded. The steepest rise was in Bulgaria and Denmark (by more than 2 pps) – see Figure 1.4.7. At the EU level, the depth of poverty for people aged 18 to 64 living in (quasi)-jobless households was significantly larger than for the total population, at 34.3% in in 2025[241]. For children, the poverty gap declined to 22.6% in 2025 (referring to 2024 incomes), only 0.1 pps higher than for the total population and 0.6 pps lower than in 2024 (referring to 2023 incomes). The largest increases (over 5 pps)

[240] 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.
[241] Eurostat [ilc_li12]. See also Figure 1.4.10 for the poverty rate of people living in (quasi-)jobless households.

were recorded in Estonia, Denmark, Bulgaria and Ireland (over 3.5 pps), while the largest decreases (over 3.5 pps) were seen in Portugal, Hungary and Slovakia.

Persons with disabilities remain at a higher risk of poverty or social exclusion than the rest of the population. Their AROPE rate was at 28.8% in 2025 in the EU, 11.1 pps higher than the average rate for the rest of the population aged 16 or above[242]. The rate for persons with disabilities remains over 35% in eight Member States. In four countries the gap with respect to people without disabilities exceeded 20 pps[243]. This rate is even higher for persons with severe disabilities, standing at 36.5%. Women with disabilities face an even higher risk than men (29.5% vs 27.9%). The provision of inclusive and accessible education, training and employment opportunities as well as support services and adequate social protection are key to reduce the gap in poverty or social exclusion risks for persons with disabilities.

People born outside the EU face a risk of poverty or social exclusion that is more than twice as high as for the native-born, with the gap widened further in 2025. Despite an overall slight decrease in the AROPE rate for the total population, the rate for people born outside the EU increased, reaching 38.9% against 17.6% for the native-born aged 18 and over. This gap is recorded in every Member State, but is particularly wide in Austria, Spain and Sweden, where it exceeds 23 pps, and remains wide in France, Belgium, the Netherlands and Germany[244].

A significant number of Roma in the EU face particularly high 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[245]. This is less than the 80% recorded in 2016 but still more than four times the EU average of 16% in 2024. Severe material deprivation follows the same pattern: 37% of Roma are affected, while the EU average is 6%. Regarding Roma children, some progress has been made over the last ten years, but rates are still extremely high. In 2024 77% of Roma children were at risk of poverty, down from 85% in 2016. This is more than 55 pps above the EU average for children. Over the same period, also severe material deprivation fell, to 40% from 66%, but is more than five times higher than the EU average at 7%. Achieving the 2020-30 EU Roma strategic framework's poverty reduction targets will require a significant acceleration of progress over the remainder of the decade.

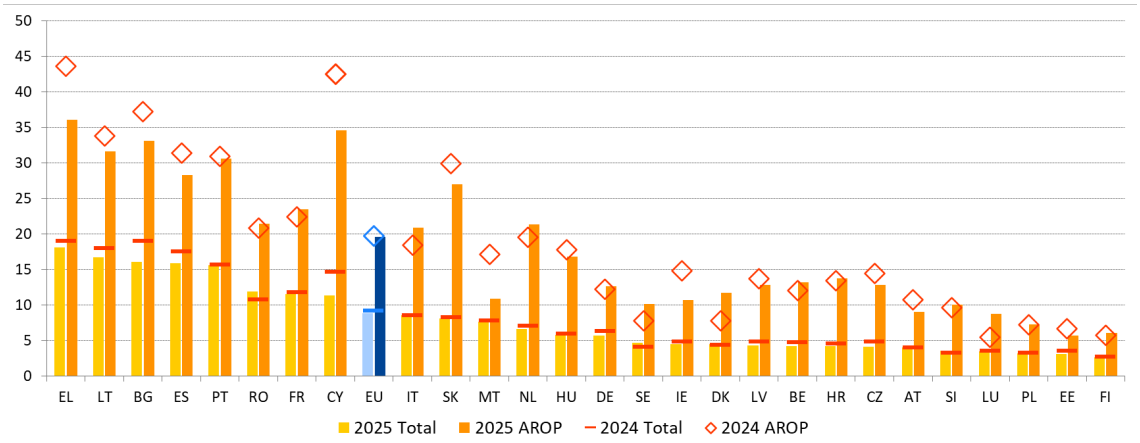
The main indicator of energy poverty – the inability to keep home adequately warm - eased slightly in 2025 but continues to point at structural challenges for vulnerable households across the EU. The share of people unable to keep their home adequately warm decreased to 8.8% in 2025, down from 9.2% in 2024, but remained above the level recorded in 2021 (6.9%). The largest improvements were recorded in Cyprus and Bulgaria, but rates were still high in several Member States, notably Greece, Lithuania and Bulgaria, all above 16% - see Figure 1.4.8[246]. As many as 19.6% of people at risk of poverty were unable to keep their home warm in 2025. Single-parent households were particularly exposed. In terms of households' arrears on utility bills, the level remained fairly stable, having increased by only0.1 pps from 2024 to 2025[247]. As temperatures continue to rise due to climate change,

[242] Eurostat [hlth_dpe010], EU-SILC.
[243] Gaps were particularly wide in Lithuania, Latvia, Croatia and Cyprus. Rates were also high in the same countries except for Cyprus, along with Bulgaria, Romania, Estonia, Malta and Greece.
[244] Eurostat indicator [ilc_peps06n], comparing those born in non-EU countries to those born in the reporting country; people aged 18 years or more.
[245] See: EU Agency for Fundamental Rights, Rights of Roma and Travellers in 13 European countries, 2024. The survey countries in 2024 were: BG, CZ, EL, ES, FR, HU, IE, IT, PT, RO.
[246] The improvements in Cyprus and Bulgaria were not due to milder weather, as heating degree days increased.
[247] Eurostat indicator [ilc_mdes07] EU-SILC.

there is also an increasing number of people that struggle to keep their homes adequately cool. In 2023, 26% of people in the EU reported being unable to keep their homes comfortably cool in summer. This figure rose to nearly 35% in the lowest income group and over 45% among people with arrears on utility bills[248]. Against this background, rising natural gas and heating oil prices following the closure of the Strait of Hormuz are expected to put renewed pressure on vulnerable households – see Pillar Box 6.

Figure 1.4.8: The inability to keep home adequately warm declined slightly in the EU in 2025, but was still more than twice as high for people at risk of poverty than for the total population

Share of persons living in a household unable to keep its home adequately warm (in % of total population and in % of at-risk-of-poverty population)



Note: Break in series for LU in 2025 and provisional data for LT in 2024 and 2025.

Source: Eurostat [ilc_mdes01], EU-SILC.

Access to affordable transport varies widely across Member States, while limited public transport provision remains a challenge, particularly in rural areas. Around half of people in the EU never use public transport, ranging from 16% in Luxembourg to 85% in Cyprus. For around a third of people main barriers are the lack of services, unsuitable timetables or long travel times. Only 3% cite financial reasons as the main barrier for not using public transport regularly. At the same time, among people at risk of poverty that use public transport, 11% report that costs present a heavy financial burden. This share also ranges widely across Member States, from 3% in Estonia to 34% in Greece [249]. In areas with limited or no public transport, households often rely on private cars. However, despite the gradual progress made over the past decade, around 4% of people living in rural areas in the EU still cannot afford a car. This share is the lowest in Malta (0%) and highest in Bulgaria (13.0%).

Pillar Box 6: Impacts of the 2026 Middle East price shock on households' expenditures

The closure of the Strait of Hormuz led to the largest increase of energy prices since the price hike in 2021 and risks increasing transport and energy poverty in the EU. The US-Iran conflict has led to significant damage to the oil and natural gas infrastructure in the Gulf region and caused transport fuel prices to increase.[250] At the peak of the crisis in April 2026,

[248] See: 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.

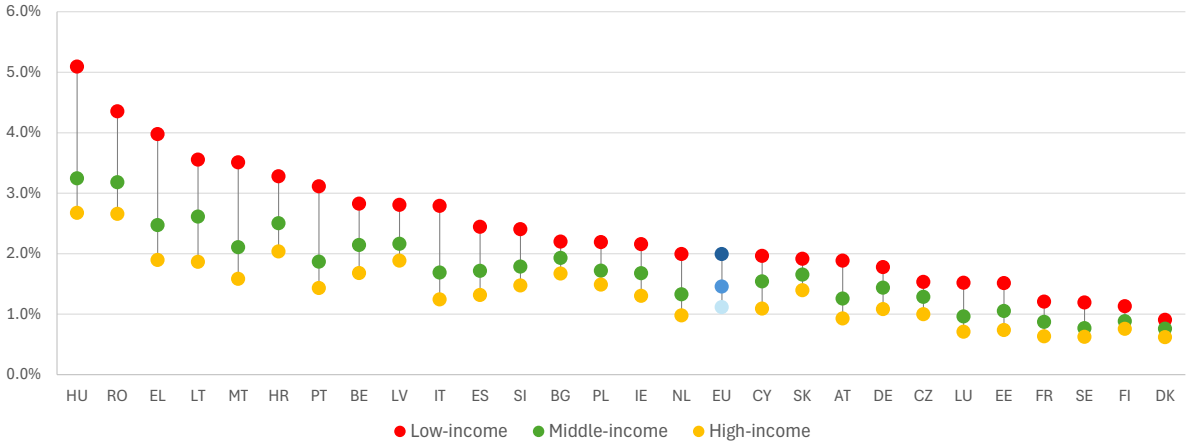
[249] This paragraph relies on JRC calculations based on EU SILC AHM 2024 as well as Eurostat [ilc_atst01], [ilc_atst02], [ilc_mddu05] EU SILC.

[250] Oil prices peaked initially at around 120 USD per barrel (70 USD/bbl before the conflict), while Dutch TTF Natural Gas prices reached 60 EUR/MWh around 20 March (30 EUR/MWh pre-conflict). With the progress of

EU consumer prices of transport fuel reached 19% above pre-conflict level on average, then and fell to 16% above their pre-conflict level in July before going up again to 29% above pre-conflict prices in September. Higher transport and heating costs disproportionately affect low-income households and, if sustained, risk increasing both transport and energy poverty across the EU. Low-income households in rural areas, where the dependency on a private car is higher, can be especially affected, potentially also impacting on their participation in the labour market and social life. Simulations can support Member States in designing and targeting measures to mitigate these impacts effectively.

Households, especially those with low incomes, are impacted more in Member States where food and heating expenditures are relatively high

Simulated average increase in households' expenditure in 2026 by Member State and income group (%, share of disposable household income)



Notes: The markers show the average additional share of disposable income that households in each income group would need to spend to maintain their pre-war consumption levels. Low-income groups are approximated by the bottom three deciles, middle-income groups by deciles 4 to 7, and high-income groups by the top three deciles.
Source: EUROMOD version J2.6 simulations, using EU-SILC and HBS data combined with JRC-GEM-E3 / AGLINK-COSIMO results.

The price impact runs through the whole economy before reaching households, leading to heterogeneous impacts across Member States and income groups[251]. A key concept to measure these impacts is the purchasing power loss of households via the additional expenditure needed to maintain their pre-conflict consumption. The mechanism enforcing this is similar to the one at work after the 2022 energy price shock[252]. When fuel, natural gas and fertilizers prices jump, they make the production of electricity, food and other goods and services more expensive, increasing households' expenditures, while incomes stay as before. This transmission leads to different impacts across countries, as well as across the income

negotiations, both oil and gas spot prices declined markedly. While Brent crude price briefly returned to the pre-conflict levels, LNG prices remained above 40 EUR/MWh. With the failure of the negotiations and the renewed military confrontation, oil prices reached 115 USD per barrel and LNG prices stood at around 100 EUR/MWh as of end-October.

[251] This analysis is based on Amores, A. et al., The Middle East energy shock – Growth, employment, and social impacts in the EU, Publications Office of the European Union, 2026.

[252] See Pillar Box 7 in the Joint Employment Report 2023 as well as Fulvimari, A. et al. (2024) and Menyhert, B. (2022) for further details.

distribution in each country. As it is uncertain how long the current shock lasts, a simulation looking at scenarios and the full chain of responses is best to show the possible outcomes[253].

The simulations show that a stronger negative overall impact per country is linked with a larger loss in purchasing power for poor households[254]. Low-income households lose considerably more purchasing power than higher income households because essential goods such as food and energy account for a larger share of their budgets. At EU level, households in the bottom three income deciles need to spend an additional 2.0% of their disposable income to compensate the higher prices, compared with 1.1% for households in the top three deciles. This pattern is observed across all Member States, although its strength varies. Differences are particularly pronounced in Hungary, Romania and Greece, and are considerably smaller in the Nordic countries. This reflects differences in price increases, income distributions, consumption patterns and the relative importance of food, heating and transport costs in household budgets across income groups.

Policy responses need to account for the heterogeneity of impacts across income groups and countries. To mitigate the distributional effects of higher energy prices, Member States implemented measures including electricity price caps, VAT reductions, energy vouchers and credits, as well as targeted electricity and gas tariffs for low-income households. Broad policy packages encompassing both support for energy bills and fuel expenses were implemented, among others, in **Germany** and **Luxembourg. Slovenia** and **Croatia** complemented these measures with interventions targeting other product categories, such as food. **Austria** and **Spain** focused primarily on supporting low-income households via lower tariffs on electricity and gas. Generally, the social partners expressed positive views on the transport and energy support and housing efficiency measures, in particular on those targeting low-income households and small businesses.[255]

Income inequality continued to edge down in the EU in 2025, with no signs of upward convergence across Member States. The income quintile share ratio (S80/S20) fell slightly from 4.66 in 2024 (referring to 2023 incomes) to 4.62 in 2025 (referring to 2024 incomes). However, national trends varied widely. Changes among low-inequality countries were mixed and often slightly upwards but five of them are 'best performers' – see Figure 1.4.9[256]. Some Member States with above average levels saw decreases and some with levels around the average saw increases, such as Greece and Spain, and Hungary, Sweden and Cyprus, respectively, which were all 'to watch'. Bulgaria, Lithuania and Latvia were in a 'critical situation', with high levels (also rising further in Latvia) both at the upper and lower ends of the income distribution. Looking ahead, Eurostat's latest flash estimates point to a stable

[253] Two alternative macro-economic scenarios, a central scenario and a more pessimistic downside scenario, are considered. These scenarios are consistent with the European Commission's 2026 spring economic forecast. The downside scenario involves a prolonged crisis and extended closure of the Strait of Hormuz. Behavioural responses and government support measures are not taken into account.

[254] The fact that the economic burden falls more on the relatively poor households has potential negative repercussions for poverty, as well as social and material deprivation, as explained in Fulvimari, A. et al. (2024) and Menyhért, B. (2022).

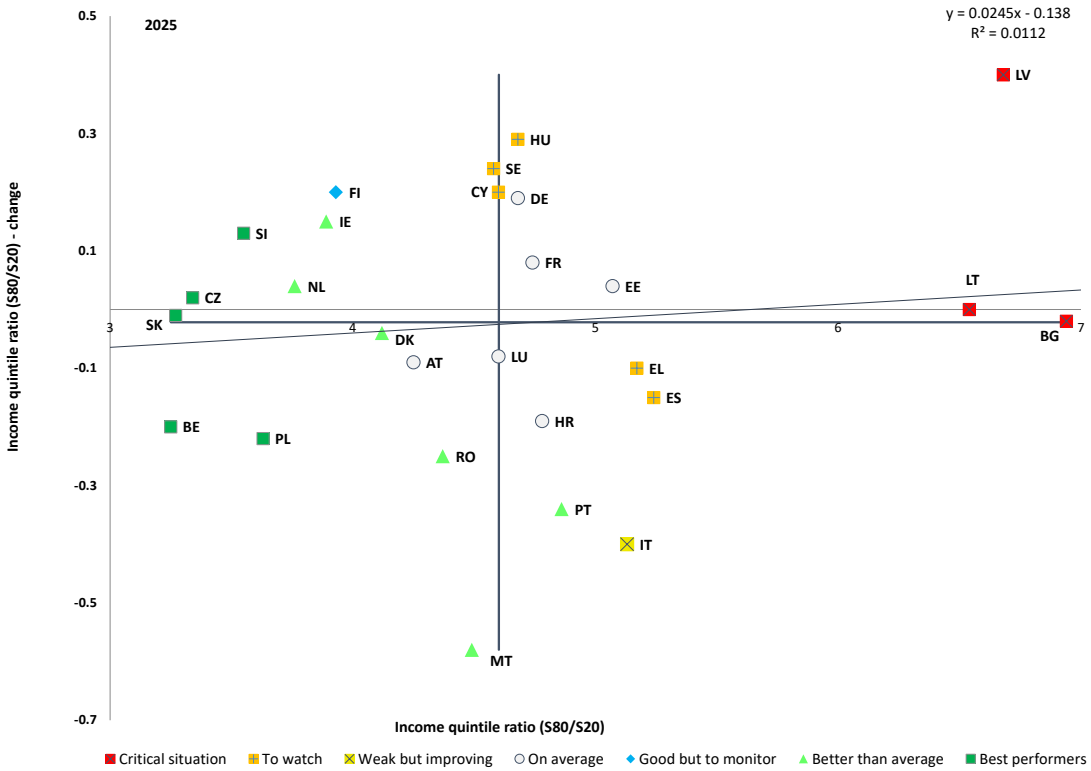
[255] See Eurofound (2026) for further details on the measures in response to the price shock and the social partner involvement.

[256] The S80/S50 ratio ([ilc_di11d]), which captures upper-end inequality is the highest in these countries, all above 2.4 and well above the EU average (2.12). They also record the highest S50/S20 ratios ([ilc_di11e]), pointing to a wide gap between middle and lower incomes as well, above 2.45, against the EU average of 2.17. They also see below-EU average values of the S40/S100 indicator ([ilc_di11f]), pointing to a relatively weak income position of the lower-middle class.

trend in income inequalities referring to 2025 incomes, as measured by the income quintile share ratio, in all EU countries[257].

Figure 1.4.9: Income inequality continued to slightly decrease on average in the EU in 2025, but with no signs of upward convergence across Member States

Income quintile share ratio (S80/S20), 2025 levels and changes from previous year (Social Scoreboard headline indicator)



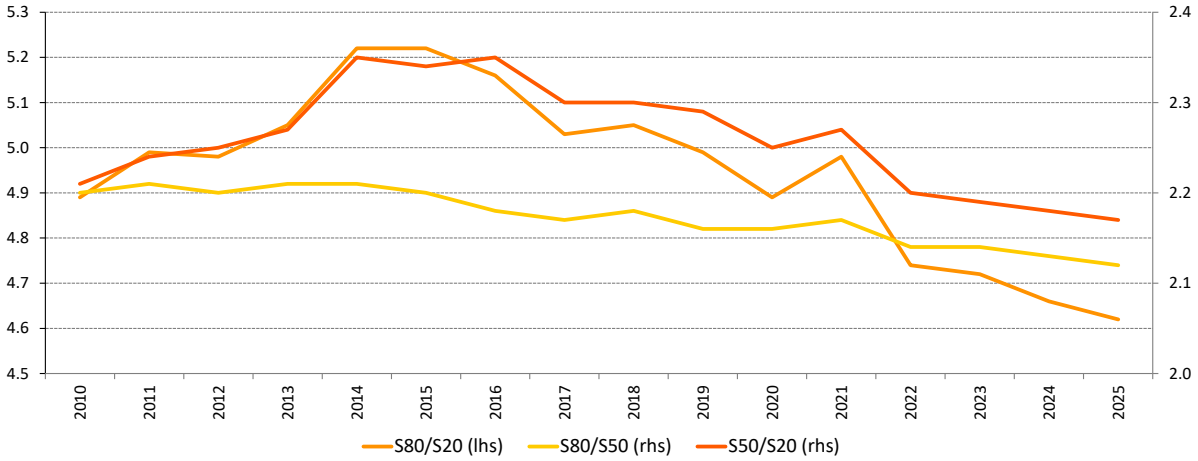
Note: Guidelines are centred on the unweighted EU average. Break in series for LU and SK, provisional data for LT.
Source: Eurostat [tessi180], EU-SILC.

In a longer-term perspective, income inequality declined over the past ten years, mostly reflecting improvements in the lower end of the income distribution. After the increases during the first half of the 2010s, income inequalities in the EU, as measured by the income quintile share ratio (S80/S20), declined to levels known before the economic and financial crisis, with a further decrease in most recent years – see Figure 1.4.10. In 2025 (referring to 2024 incomes), both income inequality at the bottom of the income distribution and at the top of the income distribution (as measured by the S50/S20 and the S80/S50 ratios) further declined below pre-financial crisis levels. This long-term evolution highlights the impact of swift and effective policy responses in the EU in recent years, alongside strong employment growth. This is visible especially when comparing the overall stability after the COVID-19 pandemic and the increased cost-of-living in 2020-23 with the sharp increase of income inequality in the early 2010s. Distributional impact assessments[258] of reforms and investments remain particularly important inform policy design *ex ante* also in this light.

[257] See: Eurostat, Flash estimates of income inequalities and poverty indicators for 2025, 2026.
[258] See Commission's Communication on Better assessing the distributional impact of Member States' policies (COM(2022) 494 final).

Figure 1.4.10: Income inequalities in the EU fluctuated over the last fifteen years, but declined in most Member States after 2015

Quintile share ratios S80/S20, S80/S50 and S50/S20, (2010-2025, income years 2010-202)



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

At the EU level, social protection benefit expenditure has increased somewhat in 2025, both in nominal and real terms, with substantial differences across Member States. It reached 27.5% of GDP in 2025, slightly up from 27.3% in 2024 (+0.2 pps), remaining substantially below its 2020 pandemic peak (30.0%) but 0.8 pps above 2019 levels[259]. Expenditure ratios increased in 19 Member States and declined in eight. Following several years of overall convergence, differences widened slightly in 2025[260], and expenditure exceeded 30% of GDP in four Member States, while it was below 18% in five[261]. The increase was 4.9% in nominal terms in the EU. In real terms, growth was more limited at 2.1% at EU level. Across functions, growth of expenditure in real terms ranged from 0.8% for unemployment to 3.2% for sickness and healthcare benefits[262], while spending declined in real terms for housing benefits (−2.1%). Disparities were also large, four-fold between the smallest and larger spending Member State, in expenditure per inhabitant expressed in purchasing power standards. Long-term convergence stalled in 2025, with relative dispersion increasing slightly, after declining substantially since 2008[263]. Nevertheless, 13 Member States (accounting for more than 80% of the EU population) recorded levels between 75% and 135% of the EU average. Old-age and survivors' benefits accounted for almost half (46.9%) of the EU social protection benefit expenditure in 2025. These are followed by sickness/healthcare (30.0%), family/children (8.7%), disability (7.0%), unemployment (3.9%), social exclusion (2.2%) and housing benefits (1.3%).

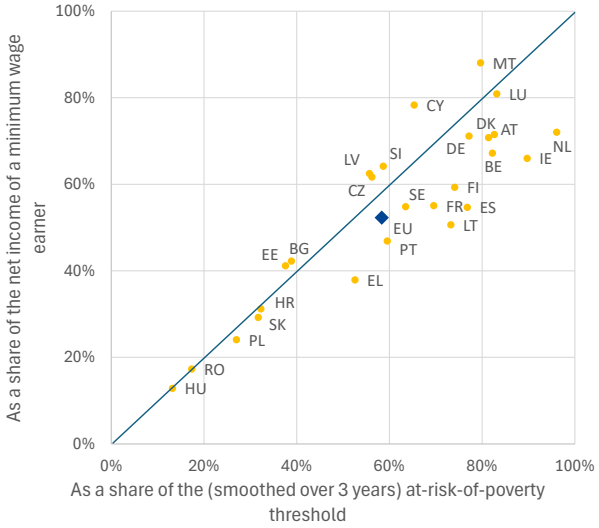
Despite improvements in recent years, minimum income support is generally not sufficient to lift people out of poverty. The adequacy of minimum income support, as measured by the net income of a minimum income recipient (unemployed single person household) as a percentage of the at-risk-of-poverty threshold (smoothed over three years), was at 58.4% at EU level in 2025 (referring to 2024 incomes) – see Figure 1.4.11. It was

[259] Eurostat [spr_exp_func], estimated values for 2025, preliminary values for EU averages.
[260] The coefficient of variation declined overall from 26.2% in 2018 to 23.7% in 2024, before increasing to 24.3% in 2025, however still well below its pre-pandemic level.
[261] Above 30% in AT, FI, FR and DE; below 18% in EE, RO, HU, MT and IE.
[262] Including disability: +2.3%; social exclusion: +2.1%; old-age and survivors: +2.0%; family/children: +0.9%.
[263] The coefficient of variation fell from 51.5% in 2008 to 40.3% in 2024, before increasing slightly to 40.5% in 2025.

above 80% in the Netherlands (almost 100%), Ireland, Luxembourg, Austria, Belgium and Denmark, and below 20% in Romania and Hungary. When expressed as a percentage of the income of a minimum wage earner, adequacy was at 52.3% for the EU in 2025 (referring to 2024 incomes). It was below 20% again in Romania and Hungary, and higher than 70% in Malta, Luxembourg, Cyprus, the Netherlands, Austria and Denmark.

Figure 1.4.11: The adequacy of minimum income support to jobless households remains low

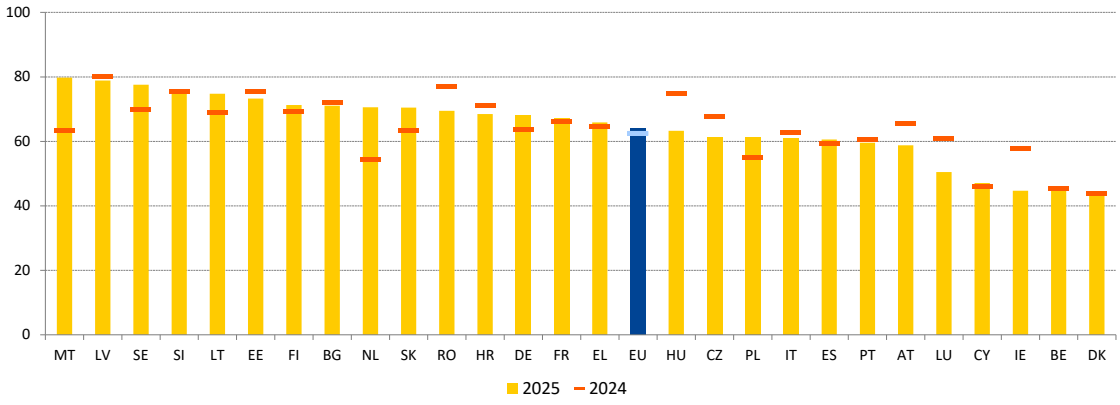
Net income of a minimum income recipient (unemployed single-person household) as % of the at-risk-of-poverty threshold (smoothed over three years) and of the net income of a minimum wage earner



Note: The value for the EU is an unweighted average. The net income of a minimum income recipient includes other benefits, such as housing benefits, for instance. The wage of a low-wage earner is used in AT, DK, FI, IT and SE that have not got a minimum wage. IT is not shown as its related scheme is not considered to be a minimum income benefit.
Source: DG EMPL computation based on Eurostat and on JRC EUROMOD-HHoT (version J2_57, indicators produced in 11/2026).

Figure 1.4.12: The risk of poverty increased further for people living in (quasi-)jobless households

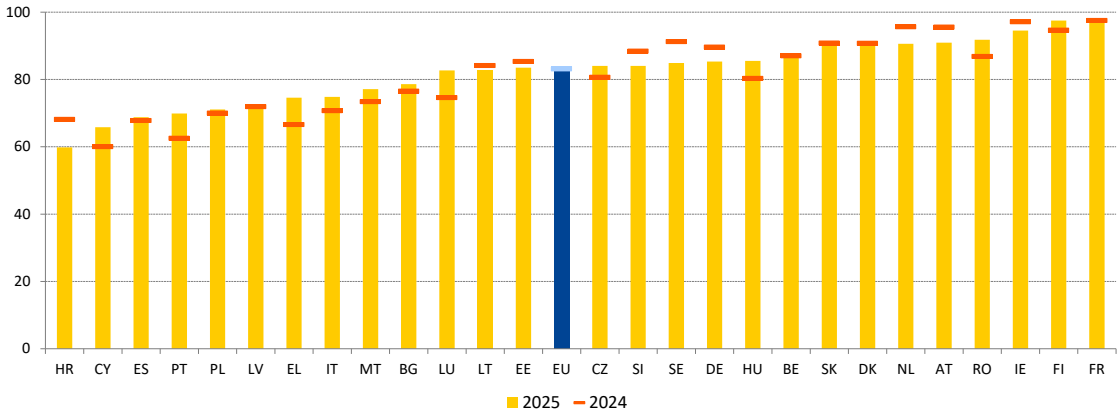
At-risk-of-poverty rate of working-age persons living in (quasi-)jobless households (levels in 2025, % and changes from 2024, pps)



Note: (Quasi-)jobless households [with very low work intensity] are those where working-age (18-64) members had a working time equal or less than 20% of their total work-time potential during the previous year. Break in series for HR in 2024, LU and SK in 2025, provisional data for LT in 2024 and 2025.
Source: Eurostat [ilc_li06], EU SILC.

Figure 1.4.13: The recipient rate for social benefits increased slightly for people living in (quasi-)jobless households at risk of poverty

The share of those receiving at least one type of in-cash social benefits (other than old-age benefits) among working age persons who are both living in (quasi-)jobless households and are at-risk-of-poverty (levels in 2025, % and changes from 2024, pps)



Note: (Quasi-)jobless households [with very low work intensity] are those where working-age (18-64) members had a working time equal or less than 20% of their total work-time potential during the previous year. Break in series for LU and SK in 2025, provisional data for LT in 2024 and 2025.
Source: Eurostat [ilc_li70], EU SILC.

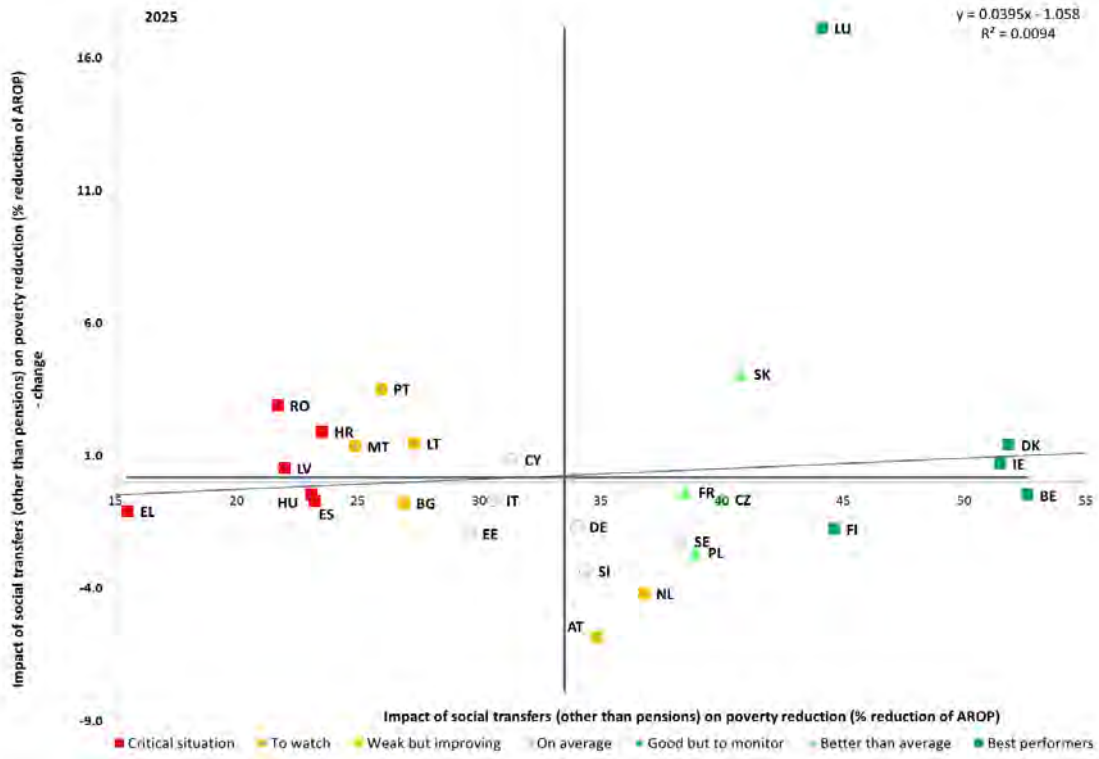
Joblessness is now more closely associated with poverty risks. The share of people at risk of poverty among those living in (quasi-)jobless households was at 64.1% in 2025 (referring to 2024 incomes), which is more than four times higher than for the general population. It increased by 1.7 pps from 2024. This was driven by increases in Member States with higher levels (notably Malta and the Netherlands), while decreases were recorded in those with relatively lower levels (especially Ireland and Hungary), in a sign of divergence – see Figure 1.4.12. The 'benefit recipient rate' (i.e. the share of persons living in (quasi-)jobless households and received at least one type of in-cash social benefits other than old-age benefits) was at 83.6% in the EU in 2025 (referring to 2024 incomes). It was stable compared to the previous year, which results from two opposing changes: several Member States with relatively lower benefit recipient rates catching up (such as Portugal and Greece) and four with already relatively higher levels improving further (particularly Hungary and Romania) – see Figure 1.4.13. At the same time, others experienced decreases, especially among those with high levels (such as Austria, the Netherlands, Sweden and Germany), but also Croatia at the other end of the spectrum.

The impact of social transfers (excluding pensions) on poverty reduction remained broadly stable at EU level, but with large variation across Member States. In 2025 (referring to 2024 incomes), Belgium, Denmark and Ireland had broadly stable high levels as 'best performers', with poverty-reducing impacts above 50% – see Figure 1.4.14. Six Member States were 'to watch' – three of them after registering increases (Portugal, Lithuania and Malta), while remaining at still relatively low levels (along with Bulgaria). Austria and the Netherlands, though still at levels above the average, recorded large decreases, thus also 'to watch'. 'Critical situations' were recorded in six Member States with very low impacts (between 15.5% and 23.5%) - for four of them, Greece, Latvia, Hungary and Spain, after almost no change and for two (Romania and Croatia) following an increase. Regional differences were the largest in Germany, Poland, Italy and the Netherlands (see Figure 9 in Annex 5). For women the poverty-reducing impact of transfers is smaller than for men in the EU on average (at 32.7% vs 33.5%). The impact of social transfers on the risk of

poverty among children decreased from 41.8% in 2024 to 40.0% in 2025 in the EU[264]. This decrease was driven by reductions in 17 Member States (up to 8.2 pps in Estonia, 8.1 pps in Austria and 5.1 pps in Poland), mitigated by increases in the remaining Member States (up to 15.5 pps in Luxembourg, 8.5 pps in Romania, and 8 pps in Portugal).

Figure 1.4.14: The impact of social transfers (excluding pensions) on poverty reduction was broadly stable at EU level

Impact of social transfers (other than pensions) on poverty reduction, 2025 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Guidelines are centred on the unweighted EU average. Break in series for LU and SK, provisional data for LT.
Source: Eurostat [tespm050], EU-SILC

While social transfers reduced their poverty risks, such risks remained significantly higher among people in non-standard forms of employment compared to other workers. The impact of social transfers on poverty reduction in 2025 in the EU was significantly higher for employees on temporary contracts (22.3%) compared to permanent ones (9.8%), and for part-timers (23.9%) compared to full-timers (11.6%). The impact was also higher for the self-employed (25.4%), compared to 11.8% for employees overall[265]. Nevertheless, monetary poverty remained greater for non-standard workers and the self-employed in most Member States. In the EU as a whole, the AROP rate was 12.8% for temporary workers (declining from 13.5% in 2024), compared to 5.3% for those on permanent contracts. The rate was at 14.8% for part-timers in 2025 (up from 13.8% in 2024) vs 7.0% for full-timers, and at 20.1% for the self-employed (vs 6.5% among all employees). Monetary poverty for

[264] 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.

[265] 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.

workers on temporary contracts was higher than 15% in eight Member States. Among the self-employed, it was above 25% in five of them[266]. People in non-standard forms of employment also faced higher social and material deprivation rates, reaching 13.8% at EU level in 2025 for temporary workers compared to 7.3% for permanent employees, and 11.3% for part-timers vs 7.2% for full-timers. At the same time, the material and social deprivation rate was lower for the self-employed, at 7.2% compared to 8.1% for employees.

There remain gaps in formal access to social protection for most workers in non-standard contracts, despite improvements in recent years[267]. As of 2025, there were 18 Member States where at least one group of non-standard workers was not covered by at least one branch of social protection[268]. These included most frequently unemployment benefits (17 Member States), followed by sickness and maternity/paternity benefits (13 Member States in both cases)[269]. At the EU level, estimates point to at least 4.4 million workers not covered by healthcare, 5.3 million by unemployment benefits and 5.5 million by sickness benefits. Gaps affected workers under non-standard contracts such as civil law contracts, short-term temporary contracts and workers earning below the income threshold required for coverage as well as seasonal and domestic workers. Moreover, in eleven[270] Member States, access was voluntary for at least one group of workers. Available evidence on take-up shows that in the latter case most do not opt in and are therefore not covered[271].

The self-employed also continued to face formal coverage gaps in access to social protection. These concern one or more branches of social protection in 19 Member States[272], most often in relation to unemployment benefits, followed by benefits linked to accidents at work and occupational diseases (14 and 9 Member States, respectively). More limited gaps were reported for paternity benefits and sickness benefits (5 and 4 Member States, respectively), while no formal coverage gaps were identified for old-age, survivors' and invalidity benefits. At EU level, estimates point to at least 12 million self-employed not covered by unemployment benefits, 5.5 million by sickness benefits and 5.8 million not covered in cases of accidents at work and occupational diseases. 15 Member States provided access to social protection for the self-employed through voluntary opt-in schemes, most common for sickness and maternity benefits. National estimates point to considerable variation in the take-up of such schemes, with effective access to social protection for the self-employed differing substantially across countries[273].

Wide variation was recorded in coverage by social cash benefits across Member States, categories of workers and by employment status. Effective access is measured by the share of working-age people (16-64) at risk of poverty before social transfers who were receiving social cash benefits[274]. In the EU in 2025 (referring to 2024 incomes) this slightly increased

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[266] These are BG, HU, CY, SE, DK, FR, LU, MT and RO, EE, PL, LT, LV, respectively.

[267] See also the thematic social reporting on access to social protection in the 2025 Annual report of the Social Protection Committee.

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

[269] See: EC/SPC-ISG (2026), Monitoring framework on access to social protection for workers and the self-employed, 2025 update.

[270] These are AT, CZ, DE, DK, HU, LU, NL, PL, RO, SI, SK.

[271] See Ibid, Table 1.6.

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

[273] Recent analysis of voluntary coverage is available in the background papers for the EU Mutual learning event on 'Access to social protection: coverage and contributions for the self-employed' (April 2026), available here.

[274] Special extraction by Eurostat of the recipient rate indicator for 'effective access' in the monitoring framework on access to social protection. Social cash benefits covered in the indicator are those received at individual level, excluding pensions.

compared to the previous year and was above pre-COVID levels for all labour market statuses. It was higher among workers on temporary contracts (39.8%) than for those on permanent ones (25.5%), and among part-timers (31.1%) compared to full-time workers (25.0%), in most Member States. However, in eight countries[275] temporary contract employees were less likely to receive benefits than those under permanent contracts. In three Member States (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 2025. The self-employed at risk of poverty (before social transfers) remained the category that was least likely to receive social cash benefits, with an overall coverage rate of 12.2% in 2025 in the EU, and a share below 5% in five[276] Member States. More than half (54.8%) of the unemployed at risk of poverty were receiving social benefits on average in the EU in 2025, up from 52.8% in 2024. Five Member States achieved coverage rates above 80%, while coverage was below 20% in five others[277]. At the same time, the at-risk-of-poverty rate among the unemployed continued to increase, at 49.3% in 2025, more than 3 pps above the level in 2022.

House prices increased slightly relative to average incomes in 2025. After decreases of 6.6 pps in 2023 and 1.8 pps in 2024, the house price-to-income ratio increased by 1.7 pps in 2025, to 100.4% of its long-term average[278]. 19 Member States saw increases, which were at or in excess of 8 pps in Spain, Hungary, Portugal and Slovakia. At the same time, some Member States recorded reductions, which were at or above 3 pps in Luxembourg, Poland and Finland. 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. On average in 2025, EU households spent 18.9% of their disposable income on housing, after a modest improvement from 19.2% in 2024. The highest shares were seen in Greece, Denmark, Germany, Sweden, Czechia and Finland (over 20%), while Cyprus, Croatia, Malta, Slovenia and Italy had the lowest (below 15%), partially also reflecting differences in tenure structure. For people at risk of poverty, the share was more than double than those not at risk (at 36.3% vs somewhat less than 16.0%[279]).

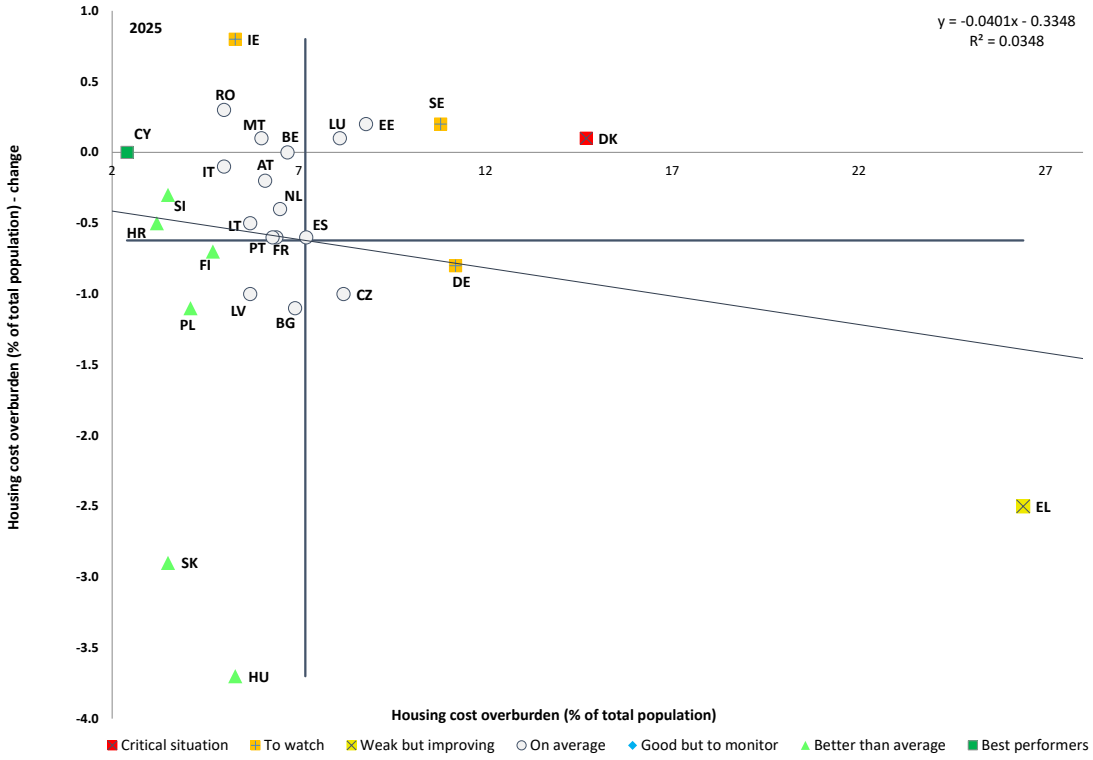
Despite a modest improvement in 2025, the housing cost overburden rate remained significantly higher for vulnerable households while not showing signs of convergence. In 2025 the share of the EU population facing a housing cost overburden decreased to 7.6%, from 8.2% in 2024; however, disparities persisted among Member States, partially also reflecting differences in tenure structure – see Figure 1.4.15. In 2025 Cyprus remained stable with the lowest level, as a 'best performer'. Two Member States saw substantial decreases to reach low rates, 'better than average' along with the rather stable group of those with low rates. Germany and Sweden had rates well above the average and saw small changes only, both 'to watch'. Ireland had a rate below the average and saw a large increase, also 'to watch'. Greece and Denmark registered the highest overburden rates by far. While the former is 'weak but improving' after one of the larges decreases, the latter is in a 'critical situation'. The lack of decreases at high rates points to the absence of upward convergence. The housing cost overburden rate for people at risk of poverty decreased by 2.1 pps in 2025, but remained

[275] These are BE, BG, CY, DK, HR, LU, MT and SK.
[276] These are HR, PL, NL, RO and EL.
[277] These are FI, BE, AT, DK, DE and EL, HR, SK, PL, NL, respectively.
[278] Eurostat: [tipsho60], Eurostat compilation based on data collection of Member States.
[279] Eurostat [ilc_mded01], EU SILC.

significantly higher, at 29.0% against 3.4% for those not at risk[280]. The European Affordable Housing Plan supports Member States, regions and cities in addressing the housing crisis.

Figure 1.4.15: The housing cost overburden rate continued to ease in the EU in 2025, though large differences across Member States persist

Share of persons living in households with housing cost overburden, 2025 levels and changes from previous year (%, Social Scoreboard headline indicator)



Note: Guidelines are centred on the unweighted EU average. Break in series for DK, LU and SK, provisional data for LT.
Source: Eurostat [*tespm140*], EU-SILC.

Housing affordability impacts young people, limiting their independence and participation in society and the economy. The average age of young people leaving the parental home is 26.3 years but this average masks differences among Member States. In 2025 this average was lower or slightly above 23 years in Denmark, Finland, Sweden, Estonia and Lithuania, while it was more than 30 years in Croatia, Greece, Italy, Spain and Slovakia[281]. A report by Eurofound[282] focusing on the housing challenges faced by young people found that in some countries (such as Bulgaria, Croatia, Cyprus, Greece, Hungary, Portugal and Slovakia) there was virtually no housing available that could be affordable with a typical salary earned by young people.

Overcrowded housing is a persisting challenge in the EU with low-income groups disproportionally affected. In 2025, 16.8% of people in the EU lived in overcrowded housing, with broad stability compared to 2024. Overcrowding rates remained particularly high in Romania, Latvia, Bulgaria, Croatia and Poland (above 30%), while the lowest rates were recorded in Cyprus, the Netherlands and Malta (below 5%). Overcrowding affected

[280] Eurostat [tessi163], EU-SILC.
[281] Eurostat [yth_demo_030], EU LFS.
[282] Eurofound (2025), Foundational challenges: The housing struggles of Europe's youth, Publications Office of the European Union, Luxembourg.

people living in households at risk of poverty twice as much as those who are not at risk of poverty (29.8% compared to 14.3%). Young people (16-29 years) faced a rate that was almost as high (26.6%)[283]. Among Roma, as many as 47% experienced housing deprivation[284]. This was much less than 61% in 2016, but still well above the EU average (18%). Their housing was overcrowded in 83% of the cases (vs 17% in the EU) and 17% lacked tap water inside their dwelling, while this was the case for only 2% of the total population.

Homelessness and housing exclusion are increasing social challenges, with over 1.4 million people affected in the EU[285]**.** Although differences in definition and data collection methods limit comparability at the EU level, the latest available data published by the OECD show a rising trend in 12 Member States in which comparable data exist[286]. In Ireland, 17 447 people were in emergency and temporary accommodation in May 2026, a 17% rise compared with December 2024. Finland recorded 4 579 homeless persons for 2025, an increase of 20% compared to the previous year. The latest data for Denmark also mark an increase in homelessness (6 028 people in 2026 vs 5 989 in 2025)[287].

The share of older people (65+) at risk of poverty or social exclusion decreased somewhat at EU level in 2025. In absolute terms, their number has decreased (by 0.4 million) to around 18.1 million since 2022 and after an upward trend in the last decade. The AROPE rate for both women and men improved but remained substantially higher for women than for men in the same age group (at 21.2% and 15.8%, respectively). The situation was also very diverse across Member States, with AROPE rates for older people ranging from close to 9% in Luxembourg and Czechia to 40.0% or over in Latvia, Lithuania and Croatia.[288] At the same time, in 2025 income inequality (as measured by the income quintile share ratio, S80/S20) remained at around 4.1 in the 65+ age group, against the decreasing trend for the working-age population. Still, it remained lower than for the population below 65, which stood at around 4.7[289], reflecting notably the redistributive impact of pension and taxation systems.

The decline in the AROPE rate for older people in the EU is due to a decrease in both monetary poverty and severe material and social deprivation. The at-risk-of-poverty (AROP) rate for the 65+ receded to 16.3% in 2025 in the EU (referring to 2024 incomes). Still, the AROP rate for older people remained slightly higher than for the working-age population (at 16.3% vs 15.4%). Across Member States, the situation was diverse – see Figure 1.4.16. While in several countries people aged 65+ were less exposed to monetary poverty than the younger cohorts, in others the poverty risk in old age was more than two times higher. The severe material and social deprivation rate for older people declined to 4.9% in the EU in 2025. Its range across Member States spanned from around 1% in Finland to around 19% in Romania and Bulgaria.

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[283] Eurostat [ilc_lvho05a], EU-SILC

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

[285] See OECD Affordable Housing Database indicators on homelessness and housing exclusion and country notes on homelessness. The EU total figure is based on national figures from different years, definitions and collection systems. Some people experiencing homelessness are not captured at all by the data.

[286] There is an increase in 12 Member States with comparable data over time: AT, BE (Brussels, Flanders), DK, FI, DE, IE, IT, LT, NL, PL, PT, SI.

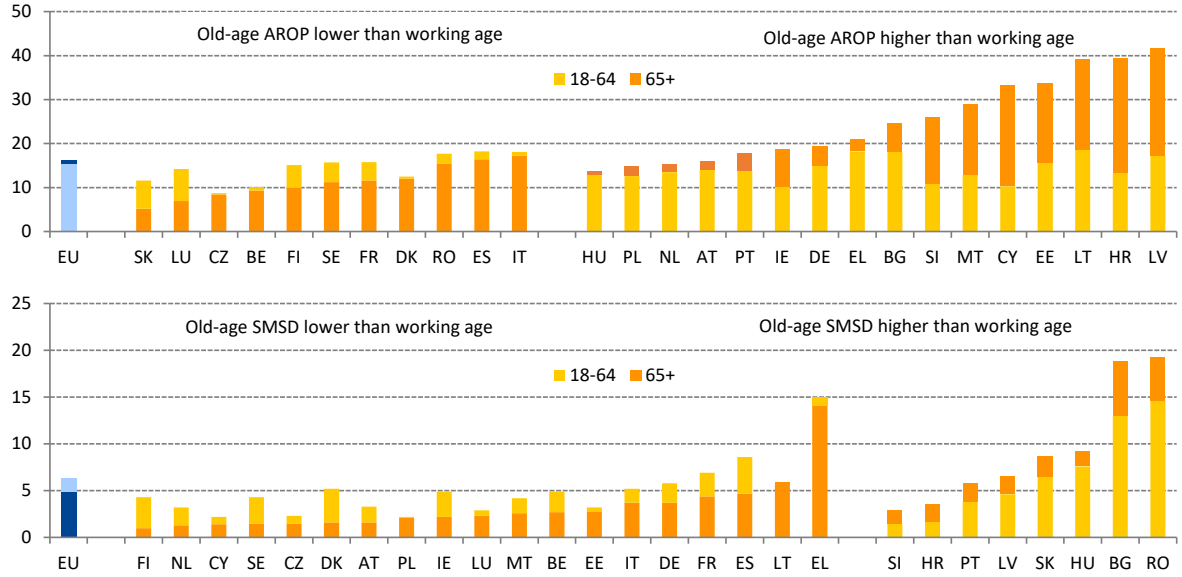
[287] Data from the Official Danish biannual homelessness census.

[288] Eurostat [ilc_peps01n], EU-SILC

[289] Eurostat [ilc_pns4], EU-SILC

Figure 1.4.16 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 (%, 2025)



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. Provisional data for LT. Break in AROP series for LU and SK and in SMSD series for LU.
Source: Eurostat [ilc_li02] and [ilc_mdsd11], EU-SILC

In 2025, the aggregate replacement ratio for pensions remained at 60% at EU level. This measure compares pension benefits of people aged 65-74 to the work income of those aged 55-64. It ranged from 37% in Croatia and Lithuania to 88% in Luxembourg. The ratio was slightly lower for women than for men, at 58% and 62%, respectively in the EU[290]. 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, yielding a 24.2% median gender pension gap at the EU level[291].

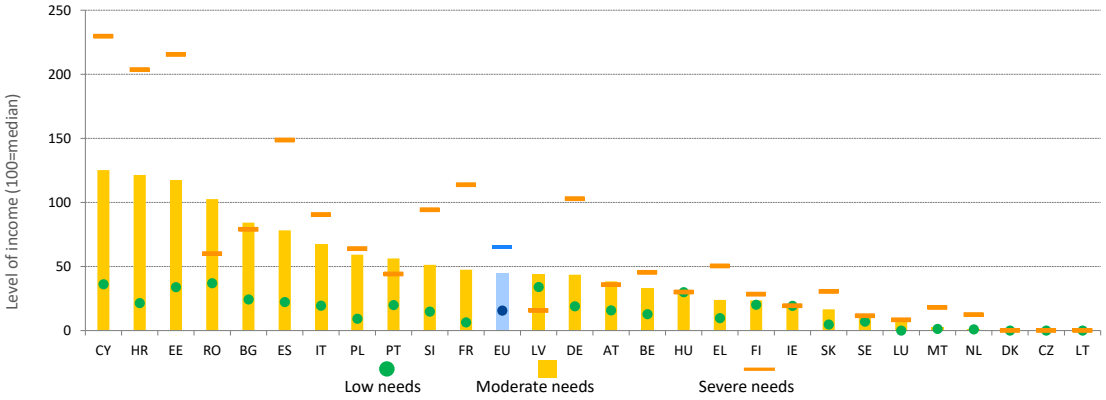
Population ageing keeps increasing the demand for long-term care (LTC), while the supply of informal care is under increasing strain and access to formal care is limited. As the EU's population ages and LTC services face increasing demand, informal care is under growing strain due to smaller households, greater geographical dispersion of families and rising labour market participation, notably among women. Effective access to affordable and high-quality LTC services is thus increasingly important to protect older people with care needs from poverty or social exclusion risks, as well as to ensure a dignified living in old age. In 2024, as many as 10.5% of people living in households with at least one person needing long-term care reported financial reasons as the main category for not receiving such care, or not receiving more of it. This was reported particularly often in Cyprus, Bulgaria, Greece, and Portugal (all above 25%)[292]. Limited availability of services was reported less often as a

[290] Eurostat, [ilc_pnp3] EU-SILC.
[291] Eurostat, [ilc_pnp13m] EU-SILC.
[292] Eurostat, [ilc_ats20] EU-SILC.

reason for lack of care at EU level (4.8%), but remained relatively high in Italy, Belgium, Portugal, Croatia and the Netherlands (all above 7%)[293].

Figure 1.4.17: Out-of-pocket LTC expenditures are often high also in presence of public LTC provision

Out-of-pocket costs of home care as a share of income after public support for care recipients (aged 65+) earning a median income and with no net wealth, by severity level, 2025 or latest available data.



Notes: Regional data used for AT (average between Vienna and Upper Austria), BE (average between Flanders and Wallonia), IT (average between Trentino and South Tyrol) and Estonia (Tallinn). 2024 data for AT, BG, DK, EL, FI, HR, IE, PL and SI, 2023 data for ES and SK.
Source: OECD analyses based on the OECD questionnaire on LTC social protection, the OECD income distribution database, and the OECD wealth distribution database.

Social protection plays a key role in ensuring affordable and comprehensive LTC services, but out-of-pocket payments remain high. For care recipients in the EU aged 65 and above with median income and no net wealth, public social protection covers 56.0% of homecare costs for low needs, 61.9% for moderate and 70.9% for severe needs, on average. Coverage for severe needs in residential care is lower, at 59.4%. Variation across Member States is nonetheless wide – see Figure 1.4.17. For moderate homecare needs, public coverage ranges from full coverage in Czechia, Denmark and Lithuania to no coverage for some care needs in Bulgaria and Cyprus. After public support, care recipients aged 65+ would still have to spend on homecare the equivalent of 15.5% of their individual disposable income for low needs, 44.7% for moderate needs and 64.9% for severe needs. Variation across Member States is remarkably wide. For people with moderate needs using homecare, out-of-pocket costs are zero or below 10% of income in six countries but exceed the full income of care recipients in four Member States[294]. Out-of-pocket expenses for severe needs in residential care represent 70.0% of income after public support on average across the EU.

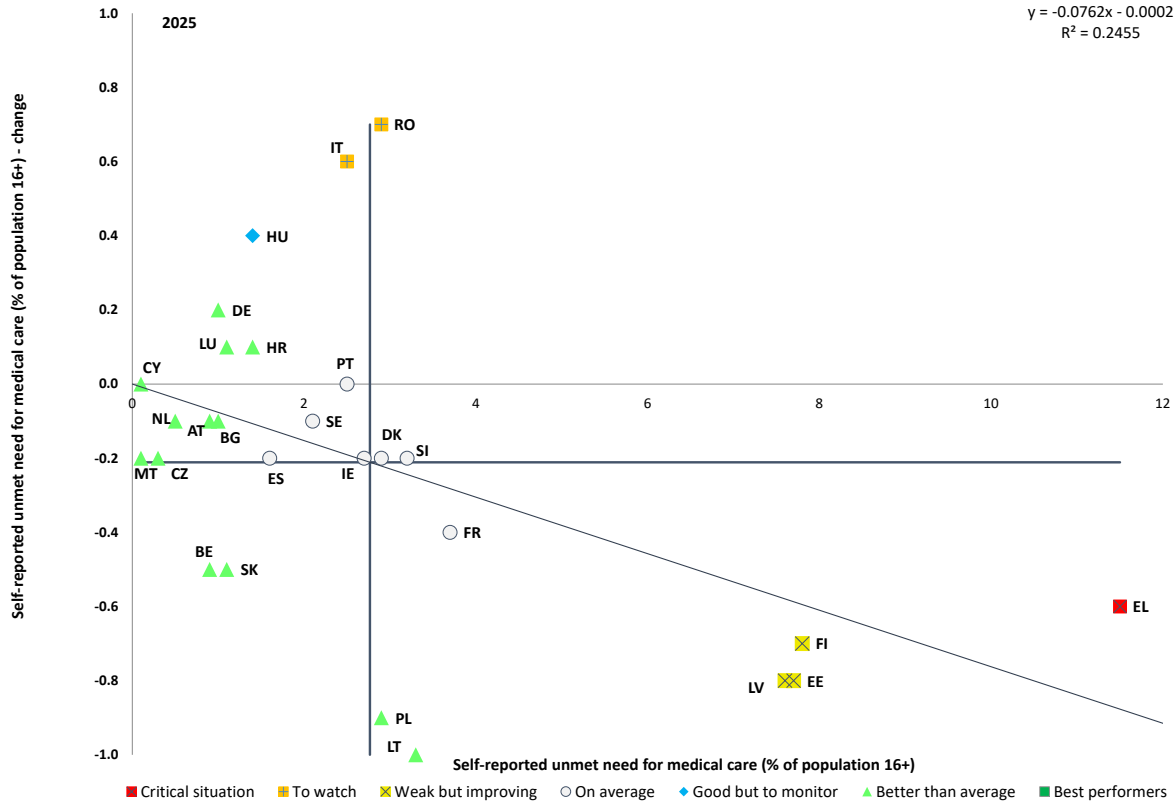
The long-term care (LTC) sector faces labour shortages and low attractiveness, limiting its job creation potential and capacity to provide high quality care. The sector employs 3.3 million workers in the EU. Most of them are women (86.8%), working as personal care workers (66%) and in residential care (62%)[295]. More than a quarter of them are aged 55+, indicating high replacement needs. Mobile workers give 15% of the LTC workforce, of

[293] Low shares reporting cost or availability as the main barrier are not necessarily evidence of full access, as non-use may also reflect lack of perceived need, reliance on informal care, quality concerns or other reasons. Low reliability data for IT and BE.
[294] In CZ, DK, LT, NL, MT and LU as well as in RO, EE, HR and CY, respectively.
[295] DG EMPL calculation based on a special extraction from Eurostat, EU Labour Force Survey, 2025 data. The LTC sector may in practice be bigger, as data do not fully reflect domestic workers, those in non-care related jobs (e.g. cooks, cleaning, managers of care facilities etc.) or engaged in undeclared work in the sector.

which 10% are third-country nationals[296]. There are 3.3 LTC workers per 100 people aged 65+ on average in the EU, but ratios range from 0.2 in Greece and 0.4 in Poland to 11.1 in Sweden and 8.6 in Denmark. LTC workers earn less than 90% of the average hourly wages, which, combined with involuntary part-time and temporary work, often puts them at risk of in-work poverty. The incidence of non-fatal accidents (per 100 000 workers) in the care sector is also high at 1989, compared with 1 392 overall[297]. Undeclared work, estimated at around 34%[298], and non-standard employment arrangements in the sector may lead to gaps in social security coverage.

Figure 1.4.18: The share of people reporting unmet medical needs decreased for most Member States, often relatively substantially, showing strong signs of convergence

Self-reported unmet needs for medical care, 2025 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. Guidelines are centred on the unweighted EU average. Break in series for LU. Data are provisional for LT.
Source: Eurostat [tespm110], EU-SILC.

After increases since 2019, the share of people who reported unmet needs for medical care decreased in the EU in 2025. From 2.5% in 2024, the share decreased to a small extent, by 0.1 pps, breaking the trend over the past six years. Most Member States witnessed a decrease, eight of which exceeded 0.5 pps. Most of them, along with some others, are 'better than average' due to very low rates – see Figure 2.4.18. Decreases were larger for countries

[296] See: European Labour Authority, The long-term care sector: Labour mobility and enforcement challenges' ELA Strategic Analysis, Publications Office of the European Union, Luxembourg, 2026.
[297] Special extraction, Eurostat, European statistics on accidents at work (ESAW), 2023 data. NACE codes 87 (Residential care activities) and 88 (Social work activities without accommodation).
[298] See: Eurofound, Undeclared care work in the EU: Policy approaches to a complex socioeconomic challenge, Eurofound research paper, Publications Office of the European Union, Luxembourg, 2025.

with higher prevalence in 2025 in a strong sign of convergence. On the other hand, six Member States registered an increase. Some of these had values around the average in 2025, such as Italy and Romania (after a large improvement last year for the latter) and are thus 'to watch'. Greece, despite a relatively large improvement, remained in a 'critical situation' due to a still very high prevalence. Regional differences in unmet needs for medical care were still the strongest in Italy and Romania (see Figure 10 in Annex 5). Looking at the EU overall, as in 2024, women reported unmet needs more often than men (2.8% vs 2.0%). At the same time, there was practically no difference among people at risk or not at risk of poverty or social exclusion.

1.4.2 Measures taken by Member States

A few Member States enacted reforms to improve the adequacy of minimum income benefits, especially in the face of cost-of-living increases. Lithuania introduced a new indexation methodology linking benefit levels to price and wage growth, increasing benefits for 2026. In April 2026, **Romania** passed ad-hoc measures to provide top-ups to social benefits, as well as increases in minimum income support for vulnerable groups. Similarly, **Spain** adopted response measures to cost of living increases targeted at vulnerable households in April 2026.

Some Member States made efforts to simplify income support schemes, aiming at reducing administrative barriers and streamlining delivery and to ultimately increase take-up. The Netherlands simplified application and eligibility determination processes in January 2026. The May 2026 reform in **Finland** merged basic income support, housing support and additional income support into one scheme with the aim of simplification. **Estonia**, in December 2025, introduced amendments to the Social Welfare Act to reduce the administrative burden on applicants, including a mechanism to facilitate automatic data retrieval from national registries.

Ensuring a more effective transition from social assistance into work has been a priority in several Member States. Portugal's new single social benefit reform also introduced a mechanism to prevent an abrupt loss of benefits upon entry into employment, with the amount being gradually reduced as income from work increases, financial incentives to combine benefits with work. **Lithuania**, in December 2025, improved financial incentives to enter the labour market by allowing income support to be combined with earnings from work for a longer period, thus easing the transition into work.

Member States continued making efforts to improve access to affordable and quality social services. Bulgaria's 2025–2026 Action Plan for the implementation of the National Strategy for Poverty Reduction and Promotion of Social Inclusion focuses on modernising the social services network, continuing deinstitutionalisation and expanding community-based and integrated health and social services. **Spain** continued work on the draft Law on Basic Conditions for Equality in Access to and Enjoyment of Social Services, with a view to establishing a common framework for social service benefits and services across the country. **Italy** took steps to guarantee minimum standards in social assistance services. **Latvia** adopted a minimum basket of social services, requiring municipalities to provide a core set of services (including home care, crisis centres, long-term social care and day-care services), in force as from 2025.

Some Member States adopted measures to support access to affordable energy. **Bulgaria** established in November 2025 a Coordination Mechanism on Energy Poverty to oversee policy development in this area. The mechanism is also expected to develop a long-term strategy to address energy poverty. In 2026, an information system on energy poor

households and vulnerable customers was developed as part of the RRP to facilitate the roll-out of targeted measures supporting households and customers. **Romania** updated mid-2025 a support mechanism for more than 2 million households through vouchers for people at risk of energy poverty.

In 2025-26, some Member States adapted their social protection systems, granting new rights for non-standard workers or the self-employed, and strengthening access to certain benefits. T**he Netherlands** in March 2026 approved a draft law introducing compulsory disability insurance for self-employed set to enter into force in 2030. **Ireland** introduced a Basic Income for the Arts Scheme (2026–2029) in February 2026, providing income support to eligible artists and creative arts workers. **Poland** adopted in May 2026 a law introducing a social security scheme for professional artists. **Slovakia** reformed social insurance rules by introducing a new legal definition of self-employment, revising the conditions for compulsory insurance, among others, in January 2026. **Spain** improved access to flexible retirement for self-employed workers in May 2026 by clarifying the social protection arrangements applicable when combining work and pension receipt. **Belgium** extended maternity leave for self-employed women from 12 to 15 weeks. In January 2026, **Denmark** strengthened social protection for the self-employed in relation to unemployment benefit entitlements and parental benefits as of July 2026. In **Austria**, **Belgium**, **Czechia**, **Estonia**, **Finland**, **Lithuania**, **Malta** and **Sweden**, reforms of the unemployment benefit systems were put in place, revising entitlement conditions, benefit duration and eligibility. **Estonia** consolidated unemployment protection into a single insurance-based system, effective from January 2026, improving access through revised eligibility conditions and a baseline benefit. As of July 2026, **Lithuania** shortened the qualifying insurance period and introduced a statutory minimum unemployment benefit. As of January 2026, **Czechia** increased the adequacy of unemployment and retraining benefits for insured unemployed people, including the self-employed and eligible non-standard workers.

Member States continued to make social protection schemes simpler and more transparent. Romania made operational a new digital platform for the public health insurance system. **Slovenia** adopted in December 2026 legislation on the digitalisation of healthcare. In 2025-26, the **Netherlands** simplified the administration of disability benefits. **France** simplified the social contribution system for self-employed workers unifying the contribution base in 2025-26. **Spain** strengthened coordination between the health and social security systems to simplify the management of sickness benefits.

Several measures aimed to address child poverty and break the transmission of disadvantage across generations. Spain has introduced a State Pact on child poverty, as a cross-party initiative under parliamentary review to establish a long-term national framework for eradicating child poverty through coordinated actions. To foster mothers' employment, **Greece** launched a business grant programme to hire 10 000 unemployed women, prioritising mothers of children under 15, with subsidies covering 70-80% of the costs. **Ireland** updated its Child Support Payment, increasing weekly rates to EUR 58 for children under 12 and EUR 78 for those aged 12 or more. New initiatives have also focused on the provision of in-kind support for children. **Spain** is creating 45 611 new publicly owned ECEC places as part of its Recovery and Resilience Plan (RRP). **Poland** implements new quality standards for childcare facilities (0–3 years) to improve service quality. **Germany** expanded its legal entitlement to all-day primary school care, effective from August 2026. **Malta**'s Family-Community-School Link (FCSL) programme provides integrated support to socio-economically disadvantaged families, delivering over 11 000 interventions since its 2024 pilot implemented in 28 schools. **Italy** allocated funds for summer communities and sports activities for children and youth from low-income households. In the area of healthcare,

Romania equipped or renovated 2 000 family doctor practices in marginalised regions. **Bulgaria** reinforced the European Child Guarantee through the 'For Every Child' operation (EUR 21.5 million), targeting 11 000 children with early risk identification, prevention, and individualised support services, including health support. **Cyprus** introduced a bill on alternative care in 2025, prioritising family-based care, child participation in decisions, and smooth transitions to adulthood, with safeguards against discrimination.

Several Member States adopted measures to strengthen the adequacy and coverage of disability benefits and improve social services and accessibility. Disability-related benefits and care allowances were increased in **Czechia, Ireland, Latvia, Malta, Portugal and Romania**. **Cyprus** removed income-based eligibility criteria for disability benefits for persons with severe disabilities. **Ireland and the Netherlands** updated and simplified the wage subsidy schemes for employers hiring persons with disabilities. **Bulgaria**, **Croatia**, **Cyprus**, **Malta**, **Romania** took measures to improve access to social and community-based services in support of independent living. **Spain** adopted a plan to promote the rights of women and girls with disabilities. **Luxembourg** adopted a National Digital Inclusion Action Plan to improve access to digital services and assistive technologies. **Malta** launched an AI literacy programme with accessibility and independent living components. With support from the RRF, **Greece** strengthened digital literacy of persons with disabilities, expanded accessibility infrastructures in private and public buildings, and tested a new personal assistance scheme.

Several Member States continued their efforts to prevent and tackle housing exclusion and homelessness, including through strategic frameworks and comprehensive policy measures. The European Affordable Housing Plan and the revised SGEI Decision adopted in December 2025 give Member States a clearer framework for supporting affordable housing provision. In **Belgium**, the Flemish Government approved in February 2026 an action plan to address homelessness, focusing on prevention, adequate shelter provision and sustainable housing, among others. In May 2025, **Czechia** introduced the Housing Support Act aiming to reduce unmet housing needs, prioritising vulnerable groups like families with children and older people. **Austria** extended until the end of 2029 its 'WOHNSCHIRM' housing emergency programme. Based on the National Housing Policy Plan until 2030, **Croatia** enacted in April 2026 a new Affordable Housing Act aiming to boost the supply of affordable housing through publicly supported housing construction and the activation of vacant apartments. **Spain,** as part of the RRP, presented a multi-annual state housing plan (2026-2030) with a total budget of EUR 7 billion, with at least 40% of the funds earmarked for construction and acquisition of homes, 30% for rehabilitation and 30% for vulnerable groups and stressed areas. **Romania** is using over EUR 150 million in EU cohesion funding to develop housing for Roma and other marginalised communities. **Finland** is implementing a national programme aiming to end long-term homelessness by 2027, strengthening the coordination between the state, wellbeing services counties and cities, with particular focus on young people.

Pension reforms to strengthen long-term sustainability and preserve adequacy for future generations were high on the policy agenda. A major reform was passed in **Belgium** in May 2026, better linking contribution history to pension rights, increasing the statutory retirement age, incentivising deferred retirement and aligning the schemes for civil servants, employees and the self-employed. The retirement age, pension contribution rates and required insurance periods were also increased in **Luxembourg** in 2026. **Slovenia**'s comprehensive pension reform, adopted in 2025, will raise the retirement age, extend the pension calculation period, adjust the pension indexation formula, increase survivor pensions and accrual rates for full-career, among others. **Finland** introduced in 2026 uniform pension

contributions and accrual rates for all age groups, aligned private and public sector contributions and extended the pension accrual age to 69 for people born in 1958 or later. Comprehensive reform proposals were put forward in **Germany** in July 2026.

Reforms were passed in several EU countries to support the development of supplementary pensions. In **Germany**, occupational pension coverage was expanded for low-income workers and employees of small and medium-sized firms, the supplementary pension system was simplified and made more investment-oriented, and a capital-funded savings mechanism was established. In **Italy**, the severance pay of newly-hired private sector employees is now automatically transferred to a supplementary pension fund with the possibility to opt out within 60 days, portability was improved, and default investment options were adjusted. Measures to enhance flexibility and tackle risk aversion were passed in **Bulgaria,** and tax deductions increased in **Luxembourg**.

Measures to promote longer working lives and discourage early retirement were widespread. This included the introduction of incentives to keep working after retirement in **Germany**, deferred retirement in **Austria, Luxembourg, Slovenia** and **Spain**, where access to flexible retirement was also expanded and the compatibility of pension with work extended to part-time and self-employment. In **Croatia** cumulating pension receipt and full-time work after retirement age is now possible. Early retirement schemes were reviewed in the **Netherlands** and discontinued or disincentivised in **Austria** and **Italy.** In Austria, workers eligible for early retirement can now also cumulate part-time work and a partial pension. In **Latvia**, the eligibility age to service pensions was raised.

Member States introduced measures to strengthen healthcare coverage, and improve equitable access, quality and governance. Denmark reached a broad parliamentary agreement on adult dental care in December 2025, introducing an annual allowance for everyone aged 21+ and free dental care for selected groups. In **Poland**, legal acts adopted under the RRP entered into force in December 2025, aiming to rationalise healthcare provision by reshaping hospital service profiles, strengthening ambulatory care and linking funding to quality indicators. **Cyprus** adopted two legal acts in spring 2026 establishing national institutes to reinforce governance, quality assurance and evidence-based care. **Malta** adopted a National Patient Safety Strategy for 2026–2035 in May 2026 to strengthen care quality and safety, with a focus on patient involvement, digital technologies and health data.

Member States introduced measures to strengthen the management of healthcare providers, enhance their operational productivity and effectiveness of service delivery. Croatia, under its RRP, is finalising a targeted system to manage medicine stockpile data, improve procurement, monitor selected medicines more precisely, and develop tools to predict and prevent shortages. In **Luxembourg**, a National Central Purchasing and Logistics Agency was established as of 1 February 2026 to streamline procurement and reduce administrative burden. In **Slovakia**, a central hospital management system is being rolled out across 19 state-owned hospitals, covering budgeting, performance management, central procurement, support services and human resources.

Steps were also taken to strengthen primary care, enhance service integration, and advance digitalisation, including support for data exchange. In September 2025, **Czechia** adopted a primary care reform to reinforce prevention and General Practitioners' (GPs) cooperation. **Estonia** prioritised stronger primary care in its 2025–2029 insurance development plan approved in May 2026. **Belgium** adopted the Interfederal eHealth Action Plan 2026–2029 in February 2026, aiming to improve patient access to health information, interoperable data sharing and collaboration across the care pathway. In mid-2026, **Lithuania**

adopted an action plan and related projects under its RRP for the development of the digital health system.

Member States also took measures to address healthcare workforce shortages. Bulgaria abolished nursing tuition fees in June 2025. **Sweden** allocated additional funds in 2026 for education, continuous professional development and clinical placements for newly graduated professionals. **France** introduced measures in its 2026 Social Security Financing Act to improve doctors' distribution.

Measures to improve public health have also focused on prevention and health promotion, including mental health and cardiovascular diseases. As part of its RRP, **Portugal** finalised measures to promote physical activity in the population in June 2025. **France** introduced new smoking prevention measures from July 2025. In July 2025, **Italy** approved the new National Mental Health Plan 2025-2030 promoting an integrated approach to mental health.

Member States continued to shift towards more integrated, person-centred, home- and community-based care, with support from EU funding to strengthen the community-based health and social care, and upgrade residential and social service provision. In February 2026, **Portugal** adopted the Statute of the Elderly Person, creating a unified framework for coordinated, home-based care and ageing in place. Since January 2026, **Luxembourg** applies a new financial complement to support older persons in assisted living arrangements. Being phased in gradually from January 2026, **Slovakia** pays a personal a personal allowance directly to individuals, allowing them to choose between informal care or formal social care services. **Belgium (Flanders)** is expanding the BelRAI digital assessment platform to improve multidisciplinary cooperation and data exchange. In November 2025, **Cyprus** set up a digital platform to simplify access to care services. Measures to support the long-term care workforce and informal carers are highly prominent. In January 2026, the first national collective agreement for social care workers concluded in **Cyprus** aims to standardise pay, enhance working conditions, and increase employment stability across the sector. Since July 2026, the weekly income disregard for carer's allowance has increased in **Ireland**. In December 2025, **Italy** established a dedicated fund to recognise and support family caregivers. Since July 2025, pensioners can act as family caregivers with financial support under certain conditions in **Slovenia**. In March 2026, **Cyprus** adopted a Palliative Care Bill and **France** adopted the law on palliative care in May 2026 to expand and improve palliative care.

CHAPTER 2. 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[299]. 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 2027. 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 2.1 presents the key horizontal findings based on the first-stage analysis of the SCF. The country analysis follows in section 2.2, indicating which countries require further analysis in the second stage.

2.1 Key horizontal findings

In 2025 employment rates further converged upwards, accompanied by stagnating 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[300]. 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 2.1.1 and Figure 2.1.1).

- **Some upward convergence was recorded in 2025 on the employment rate and the labour market integration of young people, while labour market outcomes for persons with disabilities diverged.** Employment rates increased further in a large majority (16) of Member States, while they stagnated or decreased notably in some countries with already high rates. Overall, some upward convergence was observed in

[299] 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'.

[300] The EU is approaching its employment rate target of 78% until 2030, with a gap of 1.9 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 46.6% in 2022 (as measured including guided on-the-job training, following agreement with the Indicators Group of the Employment Committee, EMCO IG), vs a target of 60%. Poverty reduction efforts had only yielded a reduction of 2.8 million by 2025, vs a target of 15 million.

2025, while there remained a relatively high number (eight) of 'critical' and 'to watch' situations. Performance was more mixed on the unemployment rate, which remained at its 2024 all-time low of 6.0%, and showed no signs of upward convergence among Member States. The EU long-term unemployment rate also remained stable. While the worst-performers continued to converge towards it, there was no clear sign of overall upward convergence in 2025. At the same time, significant regional and territorial disparities persist. Most Member States were able to make some progress in integrating women in the labour market, while the rate of young people neither in employment, nor in education and training (NEETs) registered a marginal improvement in 2025. Both indicators showed some signs of upward convergence in 2025. Finally, Member States diverged significantly regarding the disability employment gap, with nine countries being 'to watch' or in a 'critical situation'.

- **Some progress on education and skills at EU level hides significant and persistent disparities among Member States, which pose risks to competitiveness as well as 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[301]. Nevertheless, Member States' performances diverged, as most gains were made in the better-performing countries, while most of those with lower participation rates deteriorated further. More recent data, from the Labour Force Survey, suggest a possible increase in participation levels between 2022 and 2024[302]. The share of adults with at least basic digital skills improved more significantly over the period 2023-25 in the EU and among almost all Member States. It does not show signs of upward convergence though, as some lower-performing countries struggle to catch up, while many of those with higher performance improved further. A relatively high number of countries (eight and nine, respectively) are 'to watch' or in a 'critical situation' for these two indicators. Some signs of upward convergence were registered regarding the share of early leavers from education and training (ELET) in 2025. At the same time, eight countries were still 'to watch' or in 'critical situations' for this indicator. Meanwhile, the increase of participation in early childhood education and care (ECEC) in the EU did not bring convergence among Member States, as demonstrated by the high number (ten) of 'critical' and 'to watch' situations. For all these indicators, there are substantial differences across Member States. Also, low and declining levels of basic skills pose serious challenges across the EU. Despite some improvements, significant policy efforts are still needed in this policy area to improve labour market prospects and enhance the EU's competitiveness, in line with the Council Recommendation on Human Capital in the Union[303].
- **While some social indicators improved at EU level, poverty and social exclusion levels stagnated and most indicators show persistent disparities or divergence among Member States.** The share of the total population and of children at risk of poverty or social exclusion (AROPE) largely stagnated in the EU in 2025. Performance varied significantly among Member States, with no signs of convergence for the total population nor for children. The number of countries 'to watch' or in a

[301] 2022 is the latest date for which comprehensive data on adults' participation in learning is available through the Adult Education Survey.
[302] See Eurostat [trng_lfs_17] EU LFS.
[303] Council Recommendation of 9 March 2026 on human capital in the European Union, OJ C, C/2026/1687, 13.3.2026.

'critical situation' increased from seven to nine for the total population and from eight to eleven for children. These developments underline the urgent need for policy action in line with the EU's Anti-Poverty Strategy adopted in May 2026. Disparities in AROPE rates partly relate to differences in the impact of social transfers (excluding pensions) on poverty reduction. This indicator deteriorated further in 2025 in the EU, and displayed the largest number of 'critical' and 'to watch' situations (twelve). Income inequality (as measured by the S80/S20 indicator, or income quintile share ratio) continued to improve in 2025, albeit with a growing number (eight) of 'critical' and 'to watch' situations and no signs of convergence. Significant regional disparities are observed for these indicators, including high rates of poverty or social exclusion in the EU's outermost regions. Real gross disposable household income per capita rose further in 2025. While most countries improved, almost all of the largest increases were registered among those Member States that were already performing well, implying divergence, with 9 'critical' or 'to watch' situations. Self-reported unmet needs for medical care improved somewhat and exhibited strong upward convergence in 2025. The housing cost overburden rate also improved in two-thirds of the Member States, but with no visible upward convergence.

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. The latter 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, Latvia, Lithuania, Romania, Finland and Austria. These Member States were in the second-stage analysis also in the previous year (though improvements were observed in some, as discussed in this Chapter) with the only exception of Austria that is included for the first time this year[304]. Luxembourg, that was in the second-stage analysis last year, is not included this year[305]. 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. The indicators signalling potential risks to upward social convergence for most of the aforementioned countries include the AROPE rate for the total population and for children as well as the impact of social transfers (other than pensions) on poverty reduction, followed by early leavers from education and training, the share of the population with at least basic digital skills, the share of young NEETs, income inequality, the long-term unemployment rate and real gross disposable household income growth per capita. For the nine Member States, a deeper second-stage analysis will be conducted by the Commission services in Spring 2027.

[304] For Austria, the second stage analysis is run in light of 5 indicators flagging as 'to watch' and 1 indicator as 'critical'. This is related to indicators on the shares of early school leavers and young NEETs and the AROPE rates of children and the total population, as well as the impact of social transfers (excluding pensions) on poverty reduction.

[305] This is due to Luxembourg's improved performance related to early leavers from education and training, digital skills levels, youth NEET rate, unemployment rate, GDHI per capita index, impact of social transfers on poverty reduction (excluding pensions), despite deteriorations related to the gender employment gap and long-term unemployment rate.

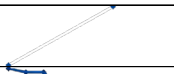
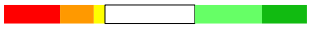
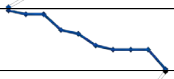
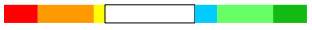
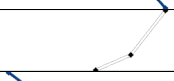
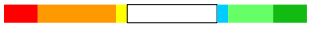
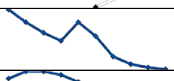
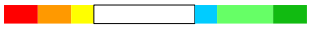
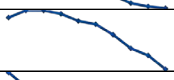
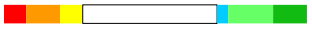
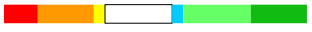
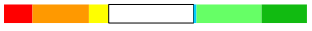
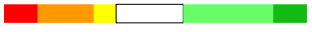
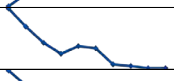
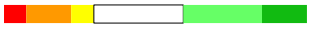
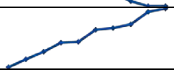
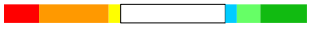
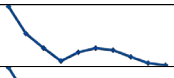
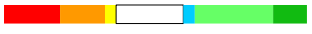
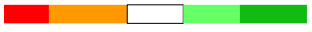
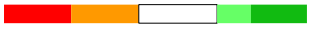
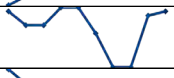
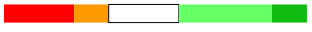
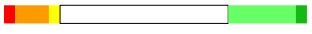
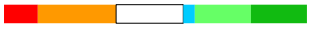
Table 2.1.1: Social Scoreboard: overview of challenges across Member States by headline indicator

			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 % of the population aged 25-64)	2022	DE, HU, NL, SE	AT, DK, FI, IE, MT, SK		CY, CZ, EE, ES, FR, LU, LV, PT	RO	BE, IT, SI	BG, EL, HR, LT, PL
	Early leavers from education and training (% of population aged 18-24)	2025	EL, HR, PL	IT, LT, LU, PT, SI	CZ, IE	BE, BG, FR, HU, MT, NL, SE, SK	CY	AT, DK, EE, FI, LV	DE, ES, RO
	Share of individuals who have basic or above basic overall digital skills (% of population aged 16-74)	2025	DK, IE, NL	AT, CZ, DE, SE	FI	BE, CY, ES, FR, HR, LU, MT, PT	IT	EE, EL, HU, LT, LV, PL, SK	BG, RO, SI
	Youth NEET rate (% of total population aged 15-29)	2025	NL, SE, SI	CY, CZ, IE, LU, PT	DK, MT	BE, DE, EE, ES, HR, HU, LV, PL, SK	IT, LT	AT, FI, FR	BG, EL, RO
	Gender employment gap (percentage points)	2025	EE, LT, LV	HR, PT, SE, SI	FI	AT, BE, BG, CY, DE, DK, ES, FR, HU, IE, NL, SK	CZ, EL	LU, MT, PL	IT, RO
	Income quintile ratio (S80/S20)	2025	BE, CZ, PL, SI, SK	DK, IE, MT, NL, PT, RO	FI	AT, DE, EE, FR, HR, LU	IT	CY, EL, ES, HU, SE	BG, LT, LV
Fair working conditions	Employment rate (% of population aged 20-64)	2025	CZ, MT, NL	CY, DE, EE, HU, IE, LT, PT, SE		AT, BG, LV, PL, SI, SK	EL, ES	DK, FI, FR, HR, LU	BE, IT, RO
	Unemployment rate (% of labour force aged 15-74)	2025	BG, CZ, DE, MT, PL	CY, HU, IE, NL, PT, SI		AT, BE, DK, HR, IT, LU, SK	EL, ES	EE, FR, LT, LV, RO	FI, SE
	Long-term unemployment rate (% labour force aged 15-74)	2025	CZ, MT, NL, PL	AT, BG, CY, DE, DK, IE, SI		BE, EE, FR, HR, HU, LV, PT, SE	EL, ES	FI, LT, LU, RO	IT, SK
	Gross disposable household income (GDHI) per capita growth (index, 2008=100)	2025	HU, LT, MT, PL	HR, LU	RO	CZ, DE, DK, EE, IE, LV, PT, SE, SI	CY	BE, ES, FI, FR, NL, SK	AT, EL, IT
Social protection and inclusion	At risk of poverty or social exclusion rate (% of total population)	2025	CZ, NL, PL	BE, CY, DK, FI, LU, PT, SK	SI	DE, EE, FR, HR, HU, MT	BG	AT, IE, IT, SE	EL, ES, LT, LV, RO
	At risk of poverty or social exclusion rate for children (% of population aged 0-17)	2025	CY, CZ, DK, NL, PL, SI	FI, HR, LT, LV, MT		BE, DE, HU, PT, SK		AT, EE, FR, IE, IT, LU, SE	BG, EL, ES, RO
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP)	2025	BE, DK, FI, IE, LU	CZ, PL, SK		CY, DE, EE, FR, IT, SE, SI		AT, BG, LT, MT, NL, PT	EL, ES, HR, HU, LV, RO
	Disability employment gap (percentage points)	2025	AT, EE, SI	ES, FI, FR, HU, IE, LV, SE, SK		CY, CZ, DE, DK, IT, PT		BG, MT, NL	BE, EL, HR, LT, PL, RO
	Housing cost overburden (% of total population)	2025	CY	FI, HR, HU, PL, SI, SK		AT, BE, BG, CZ, EE, ES, FR, IT, LT, LU, LV, MT, NL, PT, RO	EL	DE, IE, SE	DK
	Children aged less than 3 years in formal childcare (% of population under 3-years-old)	2025	DK, FR, PT, SE, SI	ES, LT, LU, LV, MT	NL	AT, BE, CY, EE, HR, IT		BG, DE, EL, FI, HU, IE, PL	CZ, RO, SK
	Self-reported unmet need for medical care (% of population 16+)	2025		AT, BE, BG, CY, CZ, DE, HR, LT, LU, MT, NL, PL, SK	HU	DK, ES, FR, IE, PT, SE, SI	EE, FI, LV	IT, RO	EL

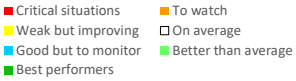
Note: Update of 30 October 2026. The penultimate value for the indicator on adult participation in learning refers to 2016 and the categorisation relies on the change from that to 2022, both including guided on the job training. As data for the indicator on the share of individuals who have at least basic overall digital skills are collected every other year, the categorisation relies on the change from 2023 to 2025. 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 2.1.1: 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 OPPPORTUNITIES				
Adult participation in learning	2022	46.6		
Early leavers from education and training	2025	9.1		
Share of individuals who have basic or above basic overall digital skills	2025	60.4		
Youth NEET rate	2025	11.0		
Gender employment gap	2025	9.6		
Income quintile ratio (S80/S20)	2025	4.62		
FAIR WORKING CONDITIONS				
Employment rate	2025	76.1		
Unemployment rate	2025	6.0		
Long-term unemployment rate	2025	1.9		
GDHI per capita growth	2025	116.5		
SOCIAL PROTECTION AND INCLUSION				
At risk of poverty or social exclusion rate	2025	20.9		
At risk of poverty or social exclusion rate for children	2025	24.3		
Impact of social transfers (other than pensions) on poverty reduction	2025	33.2		
Disability employment gap	2025	24.2		
Housing cost overburden	2025	7.6		
Children aged less than 3 years in formal childcare	2025	40.5		
Self-reported unmet need for medical care	2025	2.4		

Notes: Data is missing for some countries in some indicators - see Note for Table 2.1.1.



Box 2.1.1: 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[306]**.** 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 2026 JER edition, followed by a further deterioration to 'critical situation' in the 2027 JER edition. This would be counted as an additional 'flag' towards the minimum threshold of six flags overall. For example, if in the 2027 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 2026 and 2027 JER editions, the country is considered as having overall 6 flags in the 2027 JER edition (5 red/orange signals from the indicators in the 2027 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[307]**.** 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.

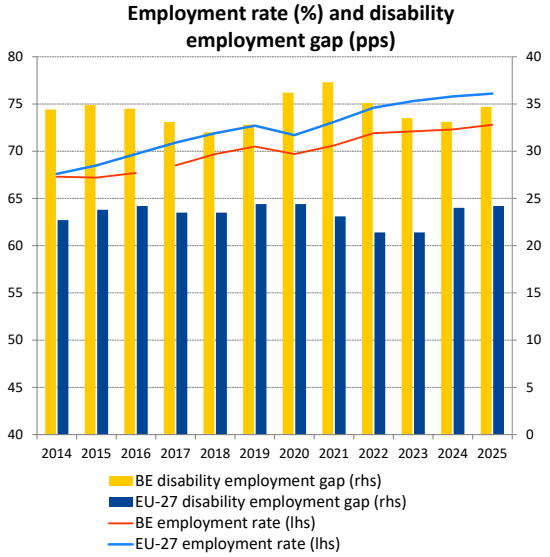
[306] See EMCO-SPC Key Messages, based on the Report of the EMCO-SPC Working Group on the introduction of a Social Convergence Framework in the European Semester.

[307] The data cutoff date is 30 October 2026 for the 2027 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.

2.2 Country-specific first-stage analysis

Belgium

Despite a modest increase, the employment rate remained low in 2025. On the back of weak real GDP growth, the employment rate increased by 0.5 pps in 2025, to 72.8%, which is below the EU average of 76.1% and indicates again a 'critical situation'. Regional differences remain pronounced, with an employment rate of 77.3% in Flanders, while Wallonia (67.9%) and Brussels (63.9%) lag behind. Moreover, the employment rate of some groups remains low, such as non-EU nationals (51.6%), people with low education levels (46.7%) and older people (55-64, 61.5%). The employment situation is also closely linked to the low labour force participation rate (77.4% vs 80.8% in the EU). The disability employment gap widened by 1.6 pps compared to 2024, to 34.7 pps (vs 24.2 pps in the EU), and now indicates a 'critical situation'. By contrast, the gender employment gap was 'on average' (7.1 pps), as were the unemployment and long-term unemployment rates (6.2% and 2.0%, respectively). The gross disposable household income (GDHI) per capita index (2008=100) was low (107.5), stable in 2025, and is 'to watch'.



Note: Break in the ER (BE) time series in 2017.
Source: Eurostat [lfsi_emp_a], EU LFS and [tepsr_sp200], EU-SILC.

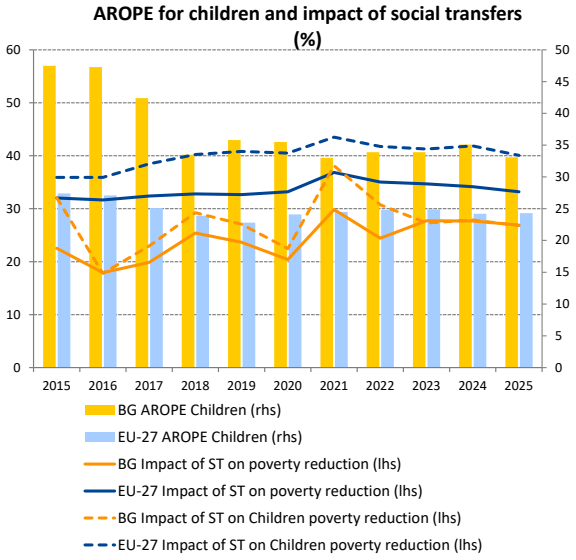
Education and skills outcomes are broadly in line with the EU average, but participation in adult learning is limited. The share of adults participating in learning was 41.6% in 2022 (vs 46.6% in the EU), following a 3.6 pps decrease from 2016, a situation 'to watch'. Both the share of young people neither in employment nor in education and training (NEETs, 9.8%) and the share of early leavers from education and training (7.3%) remain well below their EU averages (11.0% and 9.1%, respectively). Moreover, the share of the population with at least basic digital skills was 61.2% in 2025, 'on average'. As concerns children in formal childcare below the age of 3, 48.0% attended, which represents a downward trend since 2023. Children at risk of poverty or social exclusion (AROPE) have significantly lower attendance rates.

Social policies helped mitigate poverty and social exclusion risks as well as income inequalities. Belgium was among the 'best performers' in 2025 regarding the impact of social transfers (other than pensions) on poverty reduction (52.6% vs 33.2% in the EU) and income inequality, as measured by the income quintile share ratio (3.25 vs 4.62 in the EU). The overall AROPE rate (16.5%) was 'better than average', while the rate for children (18.9%) was 'on average'. Yet, AROPE rates are particularly high in Brussels (33.6%) and the Hainaut Province (24.8%). Self-reported unmet needs for medical care were rare (0.9%), while the housing cost overburden rate was 'on average' at 6.7%.

In light of the findings from the above first-stage analysis, and notably 4 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 2.1.1).

Bulgaria

Despite some decline in poverty rate, challenges in the social domain persist. In 2025, despite decreasing markedly from 2024 (-2.0 pps), the share of children at risk of poverty or social exclusion (AROPE) continues to indicate a 'critical situation' (33.1% vs 24.3% in the EU). The overall AROPE rate, at 29.0%, remains well above the EU average (20.9%), although it is now 'weak but improving'. Vulnerable groups such as persons with disabilities (42.3%), older people (65+) (35.3%), people living in rural areas (40.8%) and the Roma (77.8%) are disproportionally exposed to poverty or social exclusion risks[308]. Social transfers (other than pensions) only reduce poverty to a limited extent, by 26.9% (vs 33.2% in the EU), leaving the indicator 'to watch'. The impact is even smaller for children, at 26.8% (vs 40.1% in the EU). Furthermore, income inequality, as measured by the income quintile share ratio, has stagnated and, at 6.94, continues to be among the highest in the EU (4.62 in the EU), indicating a 'critical situation'.



Note: The impact of social transfer on child poverty reduction is calculated using pre-transfer and post-transfer AROP rates. Break in the AROPE and AROP pre-transfer (BG) time series in 2016 and the impact and AROP post-transfer (BG) in 2016 and 2022.
Source: Eurostat [ilc_li10], [ilc_li02], [ilc_peps01n], [tespm050], EU-SILC.

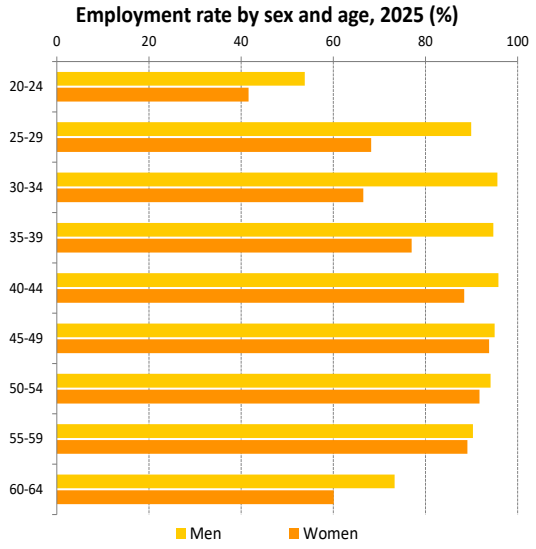
The country faces persistent challenges related to skills development. In 2025, despite increasing by 0.9 pps from 2024, the participation rate of children below 3 in early childhood education and care remained well below the EU average (22.1% vs 40.5%) and is 'to watch'. This is partly due to limited provision and parental leave arrangements and poses challenges for children's learning prospects. More than half of 15-year-old students lack basic reading, mathematics and science skills (58.4%, 57.2% and 47.5%, respectively, PISA 2025). In 2022, only 20.6% of adults participated in learning (vs 46.6% in the EU), among the lowest rates in the EU and a 4.0 pps decrease compared to 2016. The share of adults with at least basic digital skills, despite modest growth, was 38.3% in 2025, well below the EU average of 60.4%. Both indicators point to a 'critical situation'.

The labour market maintained its strong performance. On the back of robust economic growth, the employment rate reached a new high of 77.0%, slightly above the EU average (76.1%), while the unemployment rate fell to 3.5% (vs 6.0% in the EU). Long-term unemployment marked a noticeable improvement, falling below the EU average. The share of young people neither in employment nor in education and training (NEETs) increased after four years of continuous decline and stands at 13.8% (2.8 pps above the EU average), pointing to a 'critical situation'. Although the disability employment gap decreased further, to 33.2 pps, it remains well above the EU average (24.2 pps) and now indicates a situation 'to watch'.

In light of the findings from the above first-stage analysis, and notably 8 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 2.1.1).

[308] National Statistical Institute (2025): Poverty and social inclusion indicators – 2025, Figure 6.

Czechia



Source: Eurostat [lfsa_ergan], EU LFS.

Positive labour market outcomes overall are coupled with challenges for certain population groups. Against the background of moderate economic growth, in 2025 Czechia was among the 'best performers' in the EU concerning its high employment rate (82.9%), low unemployment rate (2.8%) and low long-term unemployment (0.8%). The share of young people neither in employment nor in education and training (NEETs) fell by 0.6 pps to 8.0% and is 'better than average'. The gender employment gap also improved (by 1.9 pps), reaching 10.7 pps, slightly above the EU average of 9.6 pps. It is therefore 'weak but improving'. The participation rate of children under the age of 3 in formal childcare continued to increase slowly but remained, at just 7.9% in 2025, significantly below the EU average of 40.5%, indicating a 'critical situation'. The disability employment gap widened by 2.1 pps to 23.8 pps (vs 24.2 pps in the EU) and is now 'on average'. Specific groups, such as women, displaced Ukrainian citizens and Roma, continue to face disadvantages in the labour market.

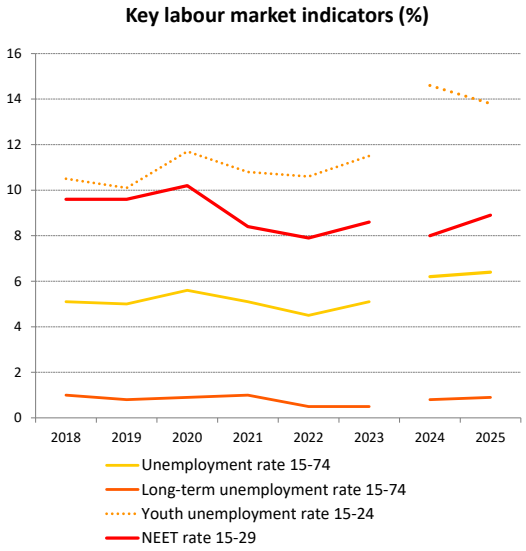
Czechia performs well in the area of skills development. The share of early leavers from education and training was, after a relatively large increase, 6.1% in 2025 (vs 9.1% in the EU), and is 'good but to monitor'. The share of individuals with at least basic digital skills, at 70.5% (vs 60.4% in the EU), is 'better than average'. In 2022, 45.7% of adults aged 25-64 participated in learning in the previous 12 months (vs 46.6% in the EU). More recent data suggests a possible increase in participation rates between 2022 and 2024.

The country also records good social outcomes. In 2025, the share of people at risk of poverty or social exclusion (AROPE) remained low and stable, at 11.5% overall and 15.4% among children (vs 20.9% and 24.3%, respectively, in the EU). The country is a 'best performer' on both indicators, as well as on income inequality, as measured by the income quintile share ratio. The impact of social transfers (other than pensions) on poverty reduction, at 40.0% (vs 33.2% in the EU), is 'better than average', as are self-reported unmet needs for medical care. The gross disposable household income (GDHI) per capita index (2008=100) improved slightly in 2025, to 126.6 from 125.0 in 2024, remaining 'on average'. The housing cost overburden decreased by 1.0 pp in 2025 and remains, at 8.2%, 'on average'.

In light of the findings from the above first-stage analysis, and notably 1 indicator 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 2.1.1).

Denmark

After peaking in 2024, Denmark's employment performance weakened somewhat. Against the background of still robust, albeit slower, economic growth in 2025, the employment rate declined by -0.4 pps to 79.8% and, although still above the EU average (76.1%), is now 'to watch'. Rising labour demand in recent years has kept older workers in employment beyond retirement age and boosted employment among foreign workers. At the same time, the unemployment rate remained relatively stable at 6.4% in 2025 (vs 6.0% in the EU), as did the long-term unemployment rate at 0.9% (vs 1.9% in the EU). The share of young people neither in employment nor in education and training (NEETs) increased by 0.9 pps to 8.9% in 2025 and is now 'good but to monitor'. Persistent labour and skills shortages emphasise the need to unlock the potential of this group. The gender employment gap narrowed by 0.3 pps to 6.2 pps, well below the EU average (9.6 pps), improving from 'to watch' to 'on average'.



Note: Break in the time series in 2023.
Source: Eurostat [une_rt_a], [une_ltu_a], [lfsi_neet_a], EU LFS.

The country continues to perform relatively well on skills, although declining education and training outcomes, particularly among disadvantaged groups, may put this at risk. Denmark has one of the highest shares of children under 3 in formal childcare in the EU, at 67.2% (vs 40.5% in the EU), and is a 'best performer' following a 4.3 pps increase since 2024. Despite decreasing by 0.4 pps to 10.0% (vs 9.1% in the EU), the share of early leavers from education and training remains 'to watch'[309]. The participation rate of adults in learning was 53.0% in 2022 (vs 46.6% in the EU), 'better than average'. More recent data suggests a possible increase in participation rates between 2022 and 2024. The share of people with at least basic digital skills reached 81.5% in 2025 (vs 60.4% in the EU), following one of the largest increases in the EU (+11.8 pps), making Denmark a 'best performer'.

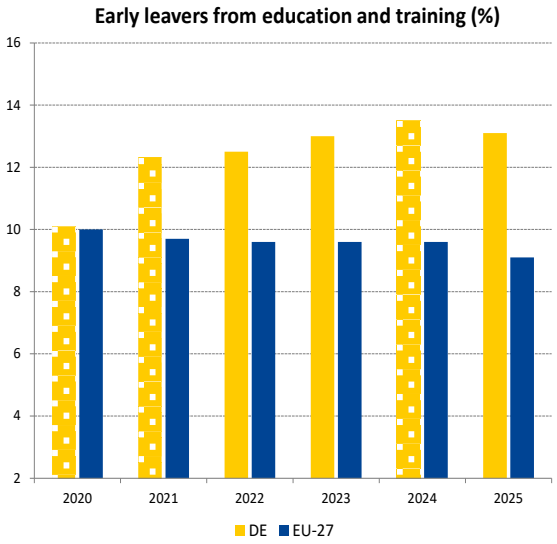
Social outcomes are strong overall, but housing costs continue to weigh on vulnerable groups. The overall risk of poverty or social exclusion (AROPE) rate and income inequality, as measured by the income quintile share ratio, are 'better than average'. Denmark is a 'best performer' on the AROPE rate for children and the impact of social transfers (other than pensions) on poverty reduction. The share of people living in households overburdened by housing costs is still one of the highest in the EU at 14.7% (vs 7.6% in the EU), indicating a 'critical situation'[310].

In light of the findings from the above first-stage analysis, and notably 3 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 2.1.1).

[309] There is a break in the time series in 2025.
[310] There is a break in the time series in 2025.

Germany

In the context of a stable social situation but with emerging risks, housing affordability challenges persist. In 2025, despite a 0.8 pps decrease from the previous year, 11.2% of the population (vs 7.6% in the EU) faced housing costs exceeding 40% of their disposable income, a situation 'to watch'. Some groups, such as older people (65+) and those at risk of poverty, were particularly affected, with rates of 13.8% and 35.0%, respectively (vs 8.3% and 29.0% in the EU). The share of people at risk of poverty or social exclusion (AROPE) was relatively stable at 21.2% (vs 20.9% in the EU), while the rate for children increased by 0.6 pps to 23.5% (vs 24.3 in the EU). The impact of social transfers (other than pensions) on poverty reduction continued to decline, albeit at a slower pace, from 35.7% in 2024 to 34.0% in 2025 (vs 33.2% in the EU). The share of people with self-reported unmet needs for medical care is 'better than average', at 1.0% (vs 2.4% in the EU).



Notes: Break in the (DE) time series in 2020, 2021 and 2024.
Source: Eurostat [sdg_04_10], EU LFS

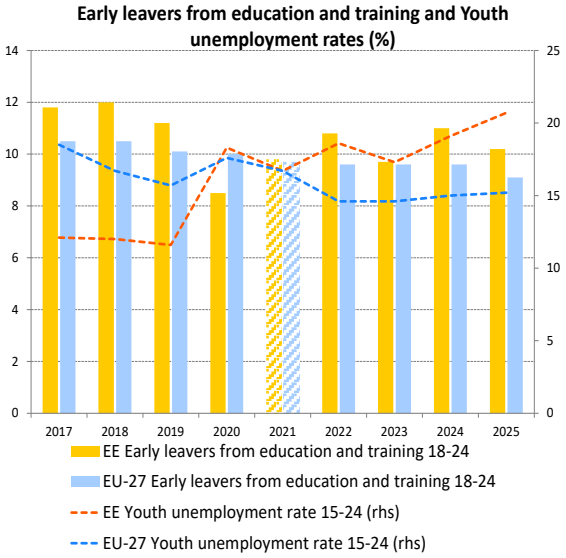
In the area of education and skills, Germany performs well on adult learning, while challenges remain regarding early school leavers. The share of early leavers from education and training was among the largest, at 13.1% in 2025 (vs 9.1% in the EU), and a 'critical situation'. This requires attention also in light of the faster-than-average deterioration in reading, mathematics and science skills. By 2025, a quarter of 15-year-olds underachieved in science, while around a third in reading and mathematics (PISA 2025). In this context, the share of young people neither in employment nor in education and training (NEETs) also deteriorated, from 8.9% in 2024 to 9.5% in 2025 (vs 11.0% in the EU). On the other hand, the share of adults with at least basic digital skills was, at 59.5% (vs 60.4% in the EU), 'better than average' in terms of the increase from 2023, but with significant differences across population groups. Adult participation in learning was high, at 60.4% in 2022 (vs 46.6% in the EU), making Germany a 'best performer'.

The labour market remains robust overall, despite weakness in some sectors, while labour shortages persist and women remain underrepresented. Following two years of recession and weak growth in 2025, the employment rate was stable at 81.1% in 2025 ('better than average'). The unemployment and long-term unemployment rates increased but remain very low (3.8% and 1.1%, respectively), in a context of labour shortages. While the gender employment gap was 'on average', at 6.8 pps in 2025, the gender gap in part-time employment remains one of the widest in the EU (37.1 pps vs 19.7 pps). This partly reflects the design of the tax system, which provides limited incentives to increase working hours, especially for low-wage and second earners. The share of children under 3 in formal childcare was well below the EU average, at 26.2% in 2025 (vs 40.5% in the EU), and thus 'to watch'.

In light of the findings from the above first-stage analysis, and notably 3 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 2.1.1).

Estonia

Despite overall positive outcomes, structural challenges in the education system remain. Estonia is struggling to reduce the share of early leavers from education and training, which limits the opportunities for employment and social inclusion. Although this share decreased by 0.8 pps to 10.2% in 2025, it is still above the EU average of 9.1% and is therefore 'to watch'. The share of young people neither in employment nor in education and training (NEETs) remained broadly stable at 11.2% in 2025 (vs 11.0% in the EU) and is now 'on average'. At 62.5%, the share of people with at least basic digital skills remains above the EU average (60.4%). However, as progress has stalled while most Member States have made significant progress, the indicator is now 'to watch'. Although adult participation in learning reached 48.1% in 2022 (vs 46.6% in the EU) and more recent data suggests a possible further increase between 2022 and 2024, significant disparities still persist across age groups and regions.



Note: Break in the ELET time series in 2021.
Source: Eurostat [sdg_04_10], [une_rt_a], EU LFS.

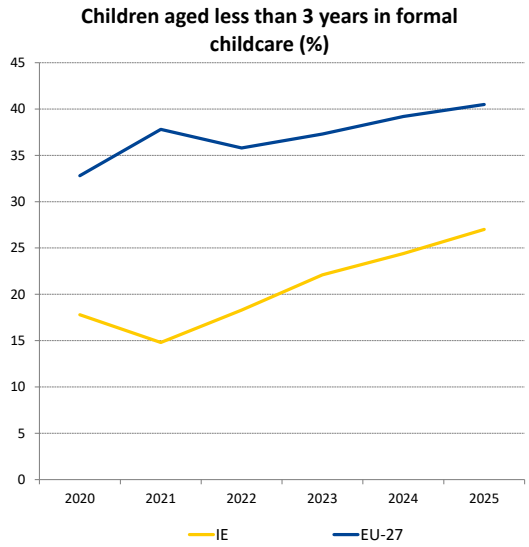
With the economy returning to moderate growth in 2025, the labour market stabilised. The unemployment rate remained relatively high at 7.5% in 2025 (vs 6.0% in the EU), a situation 'to watch' pointing to insufficient labour demand. Unemployment was significantly higher among young people, at 20.7% (vs 15.2% in the EU), and almost twice as high in the North-East, at 12.7%. The long-term unemployment rate remained at 1.8%. The employment rate stayed high at 81.7% (vs 76.1% in the EU) and is now 'better than average'. The disability employment gap is 16.0 pps (vs 24.2 pps in the EU), making the country a 'best performer'.

Poverty and social exclusion risks decreased overall but remain relatively high among some vulnerable groups. In 2025, the at-risk-of-poverty or social exclusion (AROPE) rate was 21.8% (vs 20.9% in the EU), while the impact of social transfers (other than pensions) on poverty reduction was 29.6% (vs 33.2% in the EU), both 'on average'. However, the share of children at risk of poverty or social exclusion increased by 2.9 pps to 19.4% (vs 24.3% in the EU), a situation 'to watch'. The rise mainly reflects growing poverty risks among vulnerable families, especially lone-parent households. The AROPE rate for persons with disabilities remains relatively high, although decreasing, and despite the narrow disability employment gap. Self-reported unmet needs for medical care, despite a decline, remain high at 7.7% (vs 2.4% in the EU), with marked disparities across regions and income groups.

In light of the findings from the above first-stage analysis, and notably 4 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 2.1.1).

Ireland

The risk of poverty or social exclusion has worsened. The share of people at risk of poverty or social exclusion (AROPE), both overall and for children, increased significantly in 2025, by 1.7 pps and 2.8 pps, to 18.8% (vs 20.9% in the EU) and 23.7% (vs 24.3% in the EU), respectively. Both indicators are now 'to watch'. Poverty and social exclusion risks disproportionally affect disadvantaged groups, in particular single parents, Travellers and Roma, and persons with disabilities. On the upside, the impact of social transfers (other than pensions) on poverty reduction is still high at 51.5%, well above the EU average of 33.2%, making the country one of the 'best performers'. Regarding housing cost overburden the situation is now 'to watch', as it increased significantly by 0.8 pps to 5.3% (vs 7.6% in the EU). Housing affordability itself has been deteriorating at a rapid pace, as supply continues to grow at a much slower pace than demand. Social housing waiting lists remain long, and homelessness has increased[311].



Source: Eurostat [tepsr_sp210], EU-SILC.

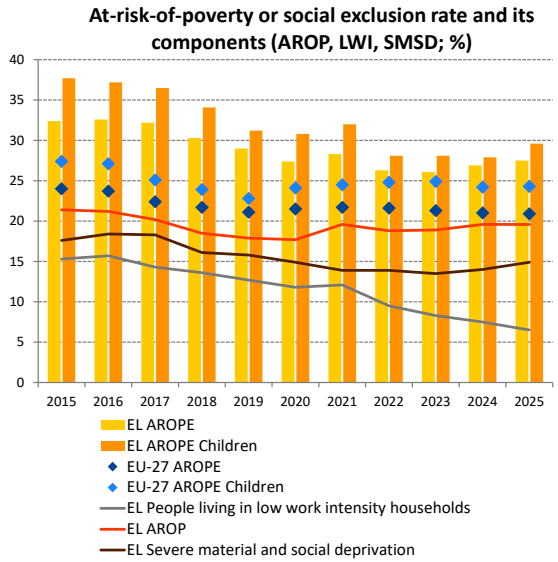
Employment continued to grow in 2025, while disadvantaged groups still faced challenges. Against a background of robust economic growth, the employment rate reached another record high of 80.2%, driven mainly by net inward migration translating into greater employment. Higher labour force participation, particularly among women, also contributed to this, with the gender employment gap decreasing to 9.0 pps. Still, many women remain outside the labour force due to caring responsibilities. At the same time, the participation of children under 3 in formal childcare, at 27.0%, is significantly below the EU average of 40.5%, a situation that remains 'to watch'. Despite considerable investments in recent years and some progress, financial and non-financial barriers continue to limit access, compounded by persistent regional disparities. The disability employment gap remained, at 30.5 pps, notably wider than the EU average (24.2 pps), despite a strong decrease from 2024 (-7.7 pps). Strengthening the employability of underrepresented groups, such as persons with disabilities, single parents, Travellers and Roma, can help improve labour market integration as well as address existing and future labour and skills shortages.

The country performs well on education and skills. Irish adults were among the 'best performers' regarding basic digital skills in 2025. They were also much more likely to participate in learning (54.8% vs 46.6% in the EU in 2022). However, the share of early leavers from education or training, despite being one of the lowest in the EU at 3.6%, increased by 0.8 pps in 2025. The indicator is now assessed as 'good but to monitor'.

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as '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 2.1.1).

[311] See: Delivering Homes, building communities 2025-2030 and Monthly Homelessness Report May 2026

Greece



Source: Eurostat [ilc_peps01n], [tepsr_lm430], [ilc_li02], [tespm030], EU-SILC.

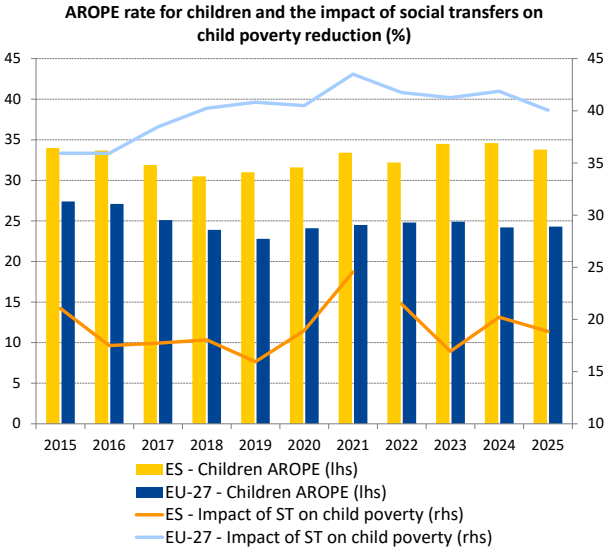
Poverty rates are increasing, and the low effectiveness of the social protection system remains a source of concern. The share of people at risk of poverty or social exclusion (AROPE) rose further to 27.5% in 2025 (vs 20.9% in the EU), indicating a 'critical situation', alongside the AROPE rate for children, which reached 29.6% (vs 24.3% in the EU). High AROPE rates are explained by high at-risk of poverty (AROP) and severe material and social deprivation rates. The poverty-reducing impact of social transfers (other than pensions) remains, at 15.5%, significantly below the EU average of 33.2%, a 'critical situation'. Inequality, as measured by the income quintile share ratio, remains relatively stable at 5.17 in 2025, above the EU average (4.62) and 'to watch'. In addition, self-reported unmet needs for medical care are still very high at 11.5% (vs 2.4% in the EU) and remain a 'critical situation'. Lastly, the housing cost overburden dropped from 28.9% to 26.4%, still significantly higher than the EU average (7.6%), but now 'weak but improving'.

The labour market continues to improve, but challenges related to activation and job quality remain. In 2025, the employment rate rose to 71% (1.7 pps higher than in 2024) as the economy maintained its growth momentum. However, it remains below the EU average (76.1%) and is assessed as 'weak but improving', as is the unemployment rate. The disability employment gap is high at 35.9 pps (vs 24.2 pps in the EU). The share of young people neither in employment nor in education and training (NEETs) at 13.5% is higher than the EU average (11.0%). Both cases indicate a 'critical situation'. The gross disposable household income (GDHI) per capita index (2008=100) remains among the lowest in the EU at 85.6 in 2025, (vs 116.5 in the EU), still pointing to a 'critical situation'. Meanwhile, the employment rate of women was 62.3% (down 2.4 pps from 2024), resulting in a gender employment gap that is, at 17.4 pps (vs 18.8 pps in 2024), 'weak but improving'. The share of children below 3 in formal childcare is low and can hamper women's employment. It now stands at 23.7% (vs 40.5% in the EU), having recorded one of the largest decreases in the EU, in a situation that is 'to watch'.

Limited progress in the area of skills constrains lifelong human capital development. The share of adults in learning over the previous 12 months, at 16.6% in 2022 (vs 46.6% in the EU), was among the lowest in the EU and represented a 'critical situation'. At the same time, the share of adults with at least basic digital skills declined by 1.4 pps between 2023 and 2025, to 51.0% (vs 60.4% in the EU), and is now 'to watch'. The rates of underachievement of 15-year-olds in mathematics, reading and science remain among the highest in the EU (at 49.6%, 43.9% and 41.0%, respectively, PISA 2025). Besides, the share of early leavers from education and training is steady at 3.0% in 2025 (vs 9.1% 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 11 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 2.1.1).

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 continues to face challenges related to poverty, social protection and inclusion. In 2025, the share of the population at risk of poverty or social exclusion (AROPE) slightly declined to 25.7% for the total population and to 33.8% for children, remaining well above the EU average and a 'critical situation'. The impact of social transfers (other than pensions) on poverty reduction decreased further (by 0.7 pps) to 23.2% (vs 33.2% in the EU), leading to a 'critical situation'. This is partly due to coverage gaps, including in the minimum income scheme and the child complement. For children, social transfers reduced poverty risks by only 18.9%, well below the EU average of 40.1%. Income inequality, as measured by the income quintile share ratio, declined slightly but remained high at 5.24 (vs 4.62 in the EU) and 'to watch'. The gross disposable household income (GDHI) per capita index (2008=100) was also 'to watch' in 2025, due to its still low level despite an increase. These challenges are compounded by wide regional disparities and high in-work poverty.

Despite improvements, persisting challenges remain in education and skills, such as the high share of early school leavers (ELET). The ELET rate decreased slightly to 12.8% in 2025 (vs 9.1% in the EU) but remained a 'critical situation'. Shares are especially high and increasing for men (15.9% vs 9.5% for women), people born outside Spain (27.4% vs 9.6%) and in some regions. The share of adults participating in learning was 49.2% in 2022 (vs 46.6% in the EU), 'on average'. More recent data suggests a possible increase between 2022 and 2024. Challenges remain in medium VET enrolment, attractiveness, labour market outcomes and dual system rollout. Spain performs 'on average' on digital skills and 'better than average' on participation in early childhood education and care.

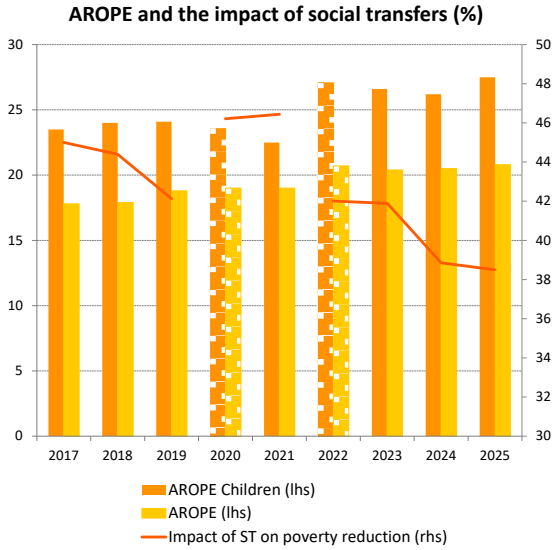
The labour market continued to improve but still presents challenges. The employment rate improved from a 'critical situation' to 'weak but improving' in 2025 following an increase of 1.0 pp, supported by moderate economic growth[312]. However, it remains low at 72.4% (vs 76.1% in the EU), and employment growth has been somewhat concentrated in relatively low-productivity sectors. The unemployment rate (10.5% vs 6.0% in the EU) and the long-term unemployment rate (3.4% vs 1.9% in the EU) are both 'weak but improving'. The share of young people neither in employment nor in education and training (NEETs) and the gender employment gap remained 'on average'. The disability employment gap narrowed to 22.6 pps and improved from 'to watch' to 'better than average'.

In light of the findings from the above first-stage analysis, and notably 6 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 2.1.1).

[312] The definition of Spain's labour market indicators differs from the usual ones since 2021 (see Eurostat).

France

Poverty risks persist. The share of the population at risk of poverty or social exclusion (AROPE) increased slightly in 2025, to 20.8% (20.5% in 2024), 'on average'. The AROPE rate for children further deteriorated by 1.3 pps and reached 27.5% (vs 24.3% in the EU), remaining 'to watch'. Children face a high risk of inequality of opportunities. The impact of social transfers (other than pensions) on poverty reduction decreased by 0.4 pps from 2024 to 38.5% (vs 33.2% in the EU) and is 'on average'. Income inequality, as measured by the income quintile share ratio, increased further but is still 'on average'. The outermost regions fare considerably worse than metropolitan France across all areas of the social protection and inclusion domain.



Note: Break in the time series in 2020 and 2022.
Source: Eurostat [ilc_peps01n], [tespm050], EU-SILC.

Challenges remain in the labour market. In 2025, in a context of weak economic growth, the employment rate rose to 75.4% (vs 76.1% in the EU), while the unemployment rate stayed above the EU average, at 7.7% (vs 6.0% in the EU). The outermost regions perform considerably worse. Both indicators remain 'to watch'[313]. A deterioration was recorded for the labour market situation of young people. The share of young people neither in employment nor in education and training (NEETs) reached 12.9% (vs 11.0% in the EU), remaining 'to watch', while the youth unemployment rate also increased (by 1.0 pps to 19.8%). The long-term unemployment rate was 'on average' overall. Yet, some vulnerable groups continued to face greater obstacles to labour market integration, in particular older workers, those born outside the EU and people with low educational attainment. The gender employment gap slightly decreased in 2025 (by 0.4 pps to 5.7 pps) and remains 'on average'. The disability employment gap also decreased slightly, to 21.6 pps in 2025 (vs 24.2 pps in the EU), therefore remaining 'better than average'. The gross disposable household income (GDHI) per capita index (2008=100) decreased to 112.3 from 113.2 in 2024 and remains 'to watch'.

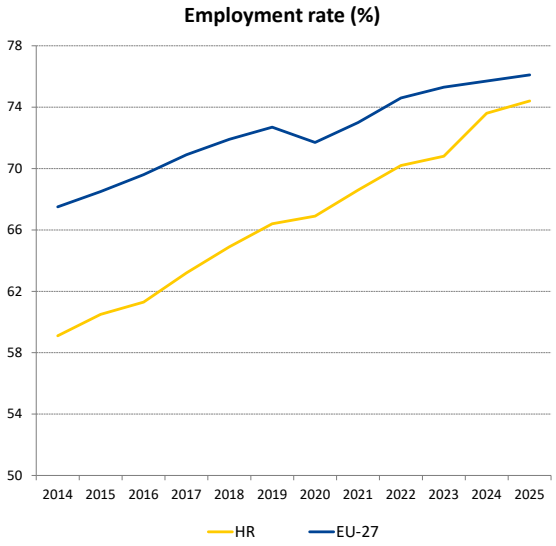
France performs relatively well overall regarding skills development, but latest PISA results call for caution. Adult participation in learning was, after a slight decrease from 2016, at 50.8% in 2022, also 'on average'. France is a 'best performer' regarding the share of children below 3 in formal childcare, at 59.7% in 2025, far above the EU average of 40.5%. Yet, the childcare participation gap between children at risk of poverty or social exclusion and those not at risk stands at 37.4 pps (vs 19.7 pps in the EU). In addition, in 2025, one in four 15-year-olds in France underachieved in science, while one in three in mathematics and reading, with persisting high levels of inequality (PISA 2025). The share of early leavers from education and training (7.2% in 2025) is 'on average'. Shortages of skilled workers persist and could affect competitiveness.

In light of the findings from the above first-stage analysis, and notably 5 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 2.1.1).

[313] The definition of France's labour market indicators differs from the usual ones since 2021 (see Eurostat).

Croatia

The employment rate continues to increase but remains relatively low, and structural challenges persist for vulnerable groups, in particular persons with disabilities. On the back of robust economic growth, the employment rate increased further in 2025, to 74.4%, but remained below the EU average (76.1%) and is 'to watch'. At the same time, the unemployment and long-term unemployment rates were 'on average' (4.9% and 1.8%, respectively). The gender employment gap remained 'better than average' in 2025, and the share of young people neither in employment nor in education and training (NEETs) was 'on average'. Persons with disabilities continued to face important obstacles. The disability employment gap (39.7 pps vs 24.2 pps in the EU) still indicates a 'critical situation', despite some improvement. The gross disposable household income (GDHI) per capita index (2008=100) at 146.5 in 2025 was 'better than average'.



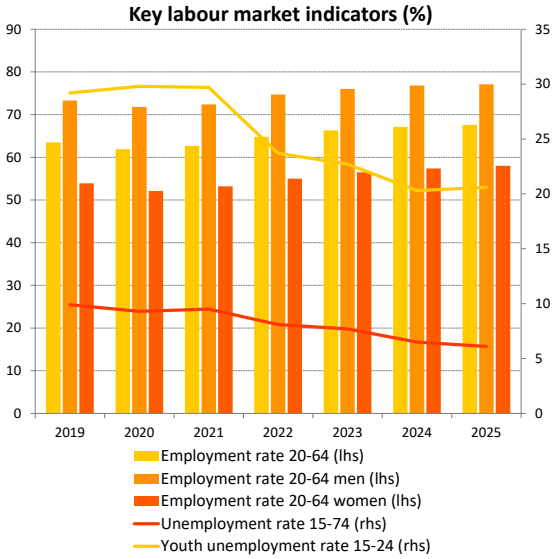
Source: Eurostat [lfsi_emp_a], EU LFS.

Social protection and inclusion has improved, but some challenges remain. The impact of social transfers (other than pensions) on poverty reduction was still among the lowest in the EU in 2025 (23.5% vs 33.2%), showing a 'critical situation' for the fourth year in a row. At the same time, the at-risk-of-poverty or social exclusion (AROPE) rate was 1.0 pp lower in 2025 and, as a result, is now 'on average' (20.7% vs 20.9% in the EU). Similarly, the AROPE rate for children was 3.6 pps lower in 2025 and therefore 'better than average', at 15.7%. Inequality, as measured by the income quintile share ratio, is 'on average' (4.78 vs 4.62 in the EU). The housing cost overburden rate and self-reported unmet needs for medical care are 'better than average'.

The country has scope to increase participation in adult learning. The share of children aged less than 3 in formal childcare continued to increase in 2025, to 32.5% (from 30.2% in 2024). The country remained a 'best performer' on the share of early leavers from education and training, standing at 2.1% in 2025 (vs 9.1% in the EU). Only 27.3% of adults participated in learning in 2022 (vs 46.6% in the EU), compared to 31.8% in 2016, pointing to a 'critical situation'. More recent data, however, suggests a possible increase in participation rates between 2022 and 2024. The share of adults with at least basic digital skills increased to 63.4% in 2025 (vs 60.4% in the EU), 4.4 pps higher than in 2023. Underachievement in reading, mathematics and science among 15-year-olds is in line with the EU average but has increased over time (PISA 2025).

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'critical' or 'to watch', **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 2.1.1).

Italy



Source: Eurostat [lfsi_emp_a], [une_rt_a], EU LFS.

Despite continued improvements, Italy's labour market still faces significant challenges. Notwithstanding weak economic growth, the employment rate increased further in 2025, reaching 67.6%. Yet, it remains one of the lowest in the EU, indicating a 'critical situation'. Both the South and the islands recorded marked employment growth, but the gap in employment levels with the North-West remains wide, at around 21 pps. The unemployment rate decreased further, to 6.1%, and is now aligned with the EU average (6.0%). Nonetheless, having improved only slightly, the long-term unemployment rate, at 3.1% (vs 1.9% in the EU), indicates a 'critical situation'. In a context of improvement at EU level, the country's gender employment gap is still one of the largest (19.1 pps vs 9.6 pps for the EU), also representing a 'critical situation'. The disability employment gap remained stable at 25.1 pps and is thus 'on average', having previously been 'to watch'. At 13.3%, the share of young people neither in employment nor in education and training (NEETs) remains above the EU average (11.0%) but improved from a 'critical situation' to 'weak but improving'. The gross disposable household income (GDHI) per capita index (2008=100) remains a 'critical situation' (at 96.9 in 2025 vs 116.5 in the EU), driven by structurally low wages, partly linked to low productivity growth, constraining wage growth, and low work intensity negatively contributing to annual earnings.

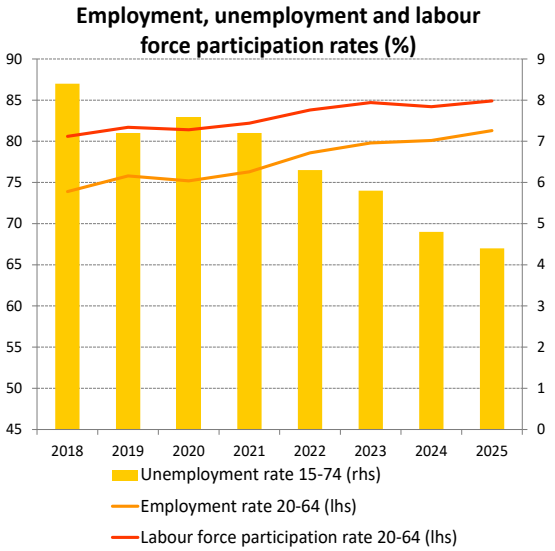
Poverty and inequality are improving but remain high, and access to healthcare is deteriorating. The share of people at risk of poverty or social exclusion (AROPE) fell to 22.6% overall (from 23.1% in 2024), in line with the EU trend, but remained stable at 27.1% for children (vs 20.9% and 24.3% in the EU, respectively). Poverty risks therefore remain relatively high, and both indicators are 'to watch'. Progress stems from fewer quasi-jobless households, but material and social deprivation has risen, especially for children, and the impact of social transfers (other than pensions) on poverty reduction, at 30.6%, is still 'on average'. Following a notable increase in 2025, the share of people with self-reported unmet needs for medical care now exceeds the EU average (2.5% vs 2.4% in the EU) and is 'to watch'. Income inequality, as measured by the income quintile share ratio, is 'weak but improving' at 5.13, decreasing faster than the EU average (4.62).

There has been recent progress in skills development. The share of early leavers from education and training declined further in 2025, to 8.2% (vs 9.1% in the EU), and is now 'better than average'. The share of adults participating in learning was low at 35.7% in 2022 (vs 46.6% in the EU), after a decrease from 2016, and is 'to watch'[314]. The share of people with at least basic digital skills has significantly increased, from 45.8% in 2023 to 54.3% in 2025 (vs 60.4% in the EU), and is 'weak but improving', having previously been 'to watch'.

In light of the findings from the above first-stage analysis, and notably 8 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 2.1.1).

[314] There is a break in the time series in 2022.

Cyprus



Source: Eurostat [lfsi_emp_a, une_rt_a], EU LFS.

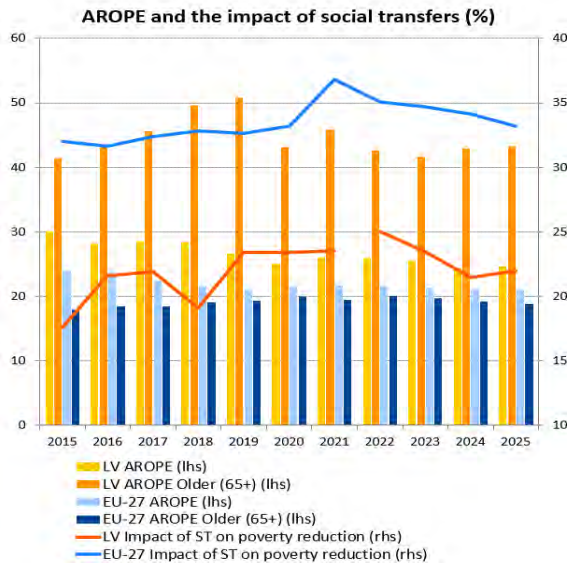
The labour market is performing well overall. On the back of robust economic growth, the employment rate increased further to 81.3% in 2025, one of the highest in the EU (vs 76.1% in the EU). The unemployment and long-term unemployment rates also fell to 4.4% and 0.9%, respectively. However, there is some degree of labour market segmentation: 13.8% of employees were involuntarily on temporary contracts, one of the highest shares in the EU. Broadly unchanged from 2024, the gender employment gap, at 10.1 pps, is 'on average', as is the disability employment gap. The share of young people neither in employment nor in education and training (NEETs) was 10.6% (vs 11.0% in the EU), following a decrease of 2.1 pps, 'better than average'. At the same time, the gross disposable household income (GDHI) per capita index (2008=100) remained low at 114.2, but after an improvement from 109.0 in 2024, it is now 'weak but improving'. This is also related to the high share of low-wage earners (20.0% vs 14.7% in the EU in 2022).

Cyprus has good social outcomes, but income inequality is rising. The share of people at risk of poverty or social exclusion (AROPE) was below the EU average in 2025, at 17.1% overall and 14.0% for children. This reflects, among others, the gradually increasing impact of social transfers (other than pensions) on poverty reduction (31.3% vs 33.2% in the EU) and a low housing cost overburden rate (2.4% vs 7.6% in the EU), as a 'best performer'. Nevertheless, AROPE rates for people over 65 (33.7%) and for persons with disabilities (33.8%) are higher, also compared to the EU (18.8% and 28.8%, respectively). Notably, following two consecutive deteriorations, income inequality, as measured by the income quintile ratio, increased sharply to 4.60 in 2025 (vs 4.62 in the EU), now 'to watch'. Self-reported unmet needs for medical care, at 0.1%, are among the lowest in the EU.

Skills development shows improvements. The share of early leavers from education and training decreased from 11.4% in 2024 to 9.8% in 2025 (vs 9.1% in the EU) and is 'weak but improving'. However, more than half of 15-year-olds underachieved in reading, mathematics and science in 2025 (62.1%, 55.6% and 51.9% respectively, PISA 2025), with strong deteriorations since 2015. As concerns digital literacy, some improvements took place: 55.8% of adults had at least basic digital skills in 2025 (vs 60.4% in the EU), which is now 'on average'. While young people (aged 16-29) generally fare better, at 67.4%, a decrease of 3.4 pps was recorded from 2023. This may sustain students' low enrolment rate in STEM fields (14.9% vs 26.9% in the EU in 2023). The share of adults participating in learning was 44.9% in 2022 (vs 46.6% in the EU) and is 'on average'. More recent data suggests a possible increase in participation rates between 2022 and 2024. The share of children under 3 in formal childcare increased further to 42.4% in 2025 (vs 40.5% in the EU) and is 'on average'.

In light of the findings from the above first-stage analysis, and notably 1 indicator flagging as 'to watch', that deteriorated over time, **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 2.1.1).

Latvia



Note: Break in the impact (LV) time series in 2022.
Source: Eurostat [ilc_peps01n], [tespm050], EU-SILC.

Challenges in the social domain have deepened. In the context of moderate economic growth, inequality and poverty risks deteriorated further in 2025. Income inequality, as measured by the income quintile share ratio, remains among the highest in the EU, rising further to 6.68 in 2025 (vs 4.62 in the EU). This is also contrary to the declining trend in the EU and indicates a 'critical situation'. The share of people at risk of poverty or social exclusion (AROPE) returned to a 'critical situation', following a deterioration to 24.7% (vs 20.9% in the EU). The situation is aggravated by the low impact of social transfers (other than pensions) on poverty reduction, which remains a 'critical situation' (22.0% vs 33.2% in the EU). The already high AROPE rate for older people (65+) continued to rise, reaching 43.3% in 2025 (vs 42.9% in 2024), pointing to the low adequacy of pensions. The AROPE rate for persons with disabilities also remains very high, at 42.6%, well above the EU average of 28.8%. Poverty is closely associated with poor health outcomes and related healthcare costs. Self-reported unmet needs for medical care are 'weak but improving', declining to 7.6% in 2025, yet still significantly above the EU average of 2.4%. Conversely, the AROPE rate for children remains 'better than average', at 17.6% (vs 24.3% in the EU), reflecting the relative effectiveness of child and family support.

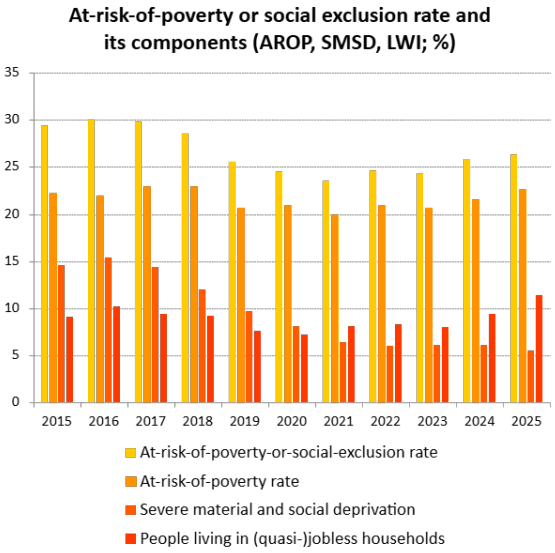
The education and skills system faces increasing challenges. The share of early leavers from education and training has increased for three consecutive years, reaching 8.8% in 2025, still below the EU average (9.1%) but now 'to watch'. Regional and rural-urban disparities are pronounced, with urban schools performing significantly better than those in rural areas. Underachievement in reading, science and mathematics has increased sharply since 2022 (+18.5 pps, +11.4 pps, and +10.6 pps respectively, PISA 2025), while socio-economic background continues to shape outcomes. The share of adults with at least basic digital skills rose from 45.3% in 2023 to 48.4% in 2025, but it remains significantly below the EU average of 60.4% and 'to watch'.

Despite a relatively strong labour market, unemployment remains above the EU average. The employment rate reached a high of 78.2% in 2025 (vs 76.1% in the EU), but the unemployment rate at 6.9% (vs 6.0% in the EU) remains 'to watch', pointing to the need for continued support for the unemployed. The long-term unemployment rate is 2.3%, slightly above the EU average of 1.9%, following a 0.1 pps increase from 2024. The share of young people neither in employment nor in education and training (NEETs) continued to increase to 11.0%, now on a par with the EU average. Both the long-term unemployment and the NEET rates are no longer 'to watch', due to an improved position relative to other Member States. On the upside, Latvia has one of the narrowest gender employment gaps in the EU, a 'best performer', and the disability employment gap remains 'better than average'.

In light of the findings from the above first-stage analysis, and notably 6 indicators flagging as 'critical' or 'to watch', **Latvia is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 2.1.1).

Lithuania

Long-standing challenges in social protection and inclusion have become more acute. Income inequality, as measured by the income quintile share ratio, remains a 'critical situation' and among the highest in the EU, reaching 6.54 in 2025 (vs 4.62 in the EU). The high share of people at risk of poverty or social exclusion (AROPE) is also a 'critical situation', having increased (by 0.5 pps) to 26.3% in 2025 (vs 20.9% in the EU)[315]. People in rural areas and vulnerable groups such as the unemployed, older people and persons with disabilities were particularly exposed, the latter facing the highest AROPE rate in the EU for the third consecutive year. The adequacy and coverage of social benefits continue to be a challenge, as the impact of social transfers (other than pensions) on poverty reduction remains 'to watch' at 27.3% (33.2% in the EU), despite a rebound compared to 2024. In addition, the replacement ratio of pensions is low. On the positive side, the AROPE rate among children improved in 2025 to 'better than average' (19.9% vs 24.3% in the EU), as a result of targeted child and family policies.



Note: Provisional data for 2024 and 2025.
Source: Eurostat [ilc_peps01n], [tepsr_lm430], [ilc_li02], [tespm030], EU-SILC.

New challenges related to skills development are emerging. Both the share of young people neither in employment nor in education and training (NEETs) and the share of early leavers from education and training improved in 2025 (to 'weak but improving' and 'better than average', respectively). However, regional and rural-urban disparities in education remain pronounced, with urban schools performing significantly better. An emerging challenge concerns the share of people with at least basic digital skills, which is now 'to watch' after increasing only marginally by 0.9 pps to 53.8% in 2025 (vs +4.9 pps to 60.4% in the EU). Adult participation in learning was 31.4% in 2022 (vs 46.6% in the EU), also pointing to a 'critical situation'. However, more recent data suggests a possible increase in participation rates between 2022 and 2024.

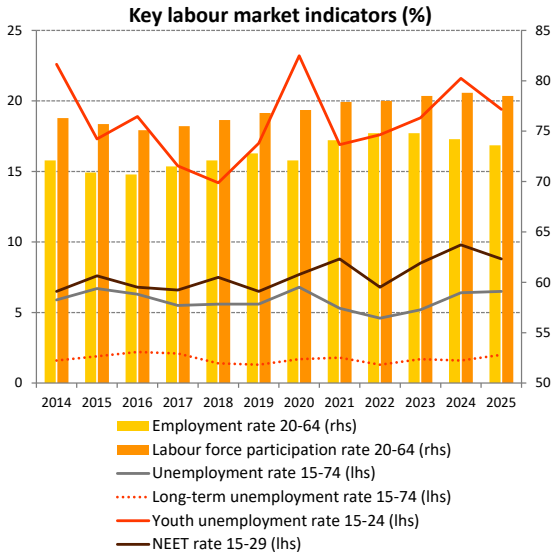
The labour market situation continued to improve in 2025, although the labour market situation of the unemployed remains weak. Supported by robust economic growth and a rising activity rate, the employment rate continued to increase, reaching 80.0% in 2025 (vs 76.1% in the EU). However, the unemployment rate stood at 6.9% (vs 6.0% in the EU) and was particularly high outside the capital region and in remote municipalities. Furthermore, the long-term unemployment rate increased to 2.5% (vs 1.9% in the EU), partly reflecting the effect of low and decreasing coverage of active labour market policy measures. Both indicators are now 'to watch'. The disability employment gap increased to 42.8 pps in 2025, against 24.2 pps in the EU, continuing to indicate a 'critical situation' and among the highest in the EU, based on the headline indicator of the Social Scoreboard.

In light of the findings from the above first-stage analysis, and notably 8 indicators flagging as 'critical' or 'to watch', **Lithuania is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 2.1.1).

[315] Eurostat 2024 and 2025 data for all social indicators for Lithuania are provisional.

Luxembourg

Recent trends point to a further weakening in labour market performance. In a context of economic activity decelerating and persisting skills mismatches, the employment rate fell slightly to 73.6% in 2025, further decoupling from the overall EU upward trend (to 76.1% in 2025), and remains 'to watch'. The long-term unemployment rate increased (by 0.4 pps) to 2.0% and is now slightly above the EU average (1.9%), 'to watch'. While it remains well below the EU average, the gender employment gap widened between 2024 (5.5 pps) and 2025 (6.8 pps) and is now also 'to watch'. On the positive side, the share of young people neither in employment nor in education and training (NEETs), having climbed for two consecutive years, fell from 9.8% to 8.8% in 2025 and is now 'better than average'. The gross disposable household income (GDHI) per capita index (2008=100) at 117.9 (vs 116.5 in the EU), up significantly from 112.0 in 2024, is now 'better than average'.



Note: Unreliable data for LTUR in 2025.
Source: Eurostat [fsi_emp_a], [une_rt_a], [une_ltu_a], [lfsi_neet_a], EU LFS.

Luxembourg performs reasonably well on many education and skills indicators, but important challenges remain. Adult participation in learning was 50.0% in 2022 (vs 46.6% in the EU). More recent data suggests a possible increase between 2022 and 2024. The share of the adult population with at least basic digital skills increased since 2023 (62.4% vs 60.4% in the EU in 2025). The share of early leavers from education and training decreased significantly to 5.2% in 2025 (vs 9.1% in the EU) and is now 'better than average'. Reading, mathematics and science skills among 15-year-olds declined further (PISA 2025). Finally, the share of children below 3 in formal childcare was 'better than average'.

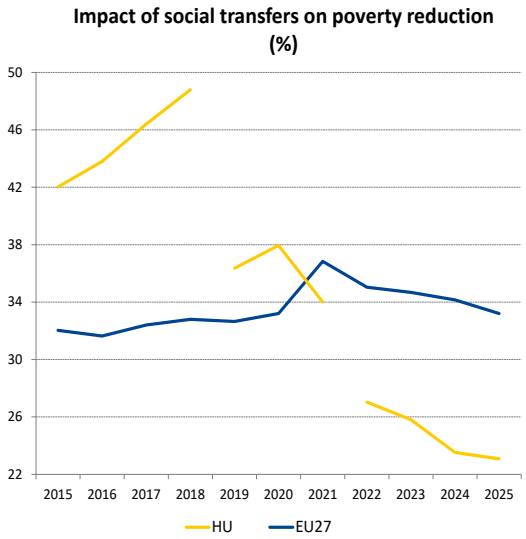
Recorded levels of poverty risks were lower in 2025, although child poverty is still a challenge. The share of people at risk of poverty or social exclusion (AROPE) is now, at 18.2% (vs 20.9% in the EU and 21.0% in 2024), 'better than average'[316]. This was driven by a much lower AROP rate being recorded, at 14.8% in 2025 compared to 18.1% in 2024. The impact of social transfers (other than pensions) on poverty reduction is substantial, standing at 44.2% (27.0% in 2024) vs 33.2% in the EU. This makes Luxembourg one of the 'best performers'. However, the AROPE rate for children remained above the EU average, at 25.2% (vs 24.3% in the EU), and is therefore 'to watch'.

In light of the findings from the above first-stage analysis, and notably 4 indicators flagging as 'to watch', **Luxembourg does not appear to face potential risks to upward social convergence and thus will not require further analysis in a second stage** (see box 2.1.1).

[316] There is a break in the series in 2025 for all social indicators, due to a change in data collection methodology.

Hungary

Social transfers are not effective in reducing poverty risks, and inequalities are increasing. Both the overall at-risk-of-poverty or social exclusion (AROPE) rate and that for children remained 'on average' in 2025, at 19.5% and 23.0%, respectively. Nevertheless, the severe material and social deprivation rate remained high at 8.5% (vs 6.3% in the EU). The impact of social transfers (other than pensions) on poverty reduction is now one of the lowest in the EU (23.1% vs 33.2% in the EU), a 'critical situation'. Driven by increasing wages coupled with the limited redistributive effect of taxes and social transfers, income inequality, as measured by the income quintile ratio, is 'to watch' after increasing from 4.39 in 2024 to 4.68 in 2025 and surpassing the EU average (4.62). Self-reported unmet needs for medical care are 'good but to monitor' following an increase from 1.0% in 2024 to 1.4% in 2025.



Note: Break in the time series (HU) in 2019 and 2022.
Source: Eurostat [tespm050], EU-SILC.

Hungary's performance on skills development is uneven, with low childcare participation and digital skills remaining key challenges. The share of early leavers from education and training continued to decrease in 2025 (by 1.0 pp to 9.3% vs 9.1% in the EU). However, for Roma, persons with disabilities and those living in rural areas this rate is higher[317]. Hungary remains a 'best performer' on adult learning, with a 62.4% participation rate in 2022 (vs 46.6% in the EU). However, the share of people with at least basic digital skills decreased to 57.3% (vs 60.4% in the EU) in 2025 and is now 'to watch'. Persons with low education levels, the unemployed and those above 55 participate less in adult learning and have weaker digital skills. Participation of children under 3 in formal childcare increased from 16.6% in 2024 to 21.1% in 2025 (vs 40.5% in the EU) but remains low and therefore 'to watch'[318].

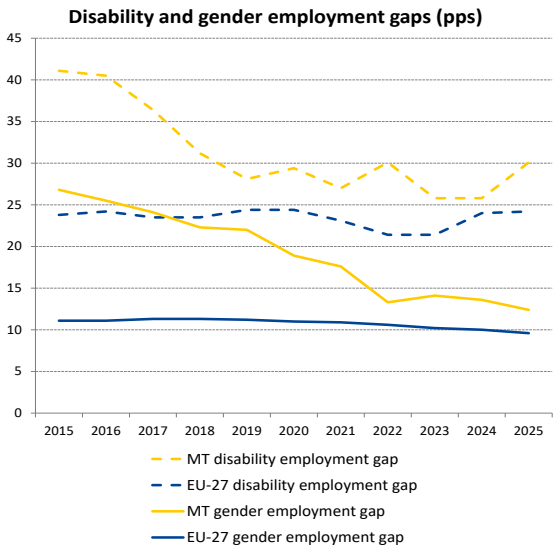
The labour market continues to perform well overall. Despite weak economic growth, the employment rate (81.1% vs 76.1% in the EU) and the unemployment rate (4.4% vs 6.0% in the EU) were 'better than average' in 2025. Yet, employment rates for those with low educational attainment (59.9%) and Roma (15-64, 48.7% in 2023) were respectively 21 pps and 33 pps below the country average[319].

In light of the findings from the above first-stage analysis, and notably 4 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 2.1.1).

[317] Persons with disabilities: data refers to 2024 [edat_lfse_40]; Roma: data refers to 2023; Source: Government of Hungary: *Hungarian National Social Inclusion Strategy 2030* [*Magyar Nemzeti Társadalmi Felzárkózási Stratégia 2030*].
[318] National administrative data indicate a participation rate of 24.7% among 0-2-year-olds in 2025.
[319] For Roma, see the source above.

Malta

The labour market is strong, although specific challenges remain. On the back of robust economic growth, Malta had the highest employment rate in the EU in 2025 (86.3%), as well as the second lowest unemployment (3.1%) and long-term unemployment (0.6%) rates, making the country a 'best performer' on all three indicators. While the labour market remains tight and substantial shortages prevail, concerns about job quality persist. These include a high share of workers with atypical working hours (39.1% vs 32.6% in the EU) and a high in-work poverty rate among single-person households (28.8% vs 11.9% in the EU). The disability employment gap widened to 30.1 pps from 25.8 pps in 2024 (vs 24.2 pps in the EU) and now indicates a situation 'to watch', following two consecutive deteriorations. At the same time, while the gender employment gap narrowed to 12.4 pps, it remains among the widest in the EU and is therefore also 'to watch'.



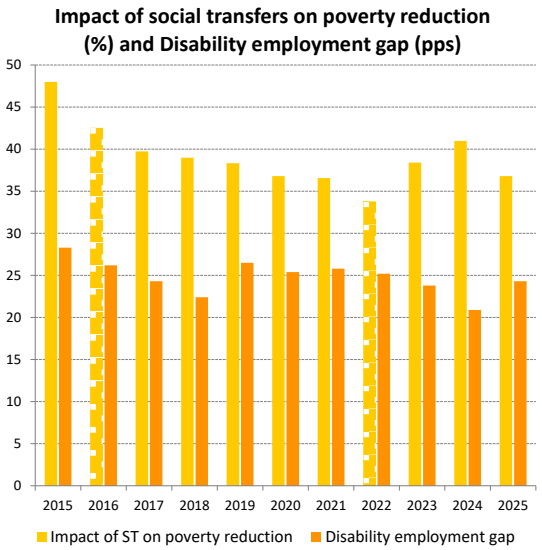
Source: Eurostat [tesem060], [tepsr_sp200], EU-SILC.

Social outcomes improved in 2025. The at-risk-of-poverty or social exclusion (AROPE) rate is 'on average', and the rate for children is now 'better than average', following a decrease to 23.3%. The share of children under 3 in formal childcare reached 55.9% (vs 40.5% in the EU), also 'better than average', but participation among those at risk of poverty or social exclusion remains limited. The gross disposable household income (GDHI) per capita index (2008=100) rising further to 170.8 (vs 116.5 in the EU), a 'best performer'. Moreover, income inequality, as measured by the income quintile share ratio, decreased, now 'better than average', and self-reported unmet needs for medical care were the lowest in the EU. Nonetheless, the impact of social transfers (other than pensions) on poverty reduction remained low, at 24.9% (vs 33.2% in the EU), and is still 'to watch'.

Progress continues in the area of education and skills, yet some challenges persist. The share of early leavers from education and training declined further in 2025, to 8.6%, 'on average'. However, the share of low achievers in reading, mathematics and science remains particularly high (47.9%, 44.0% and 36.6%, respectively, PISA 2025). The share of young people neither in employment nor in education and training (NEETs) increased to 8.5% from 7.2% in 2024 (below the EU average of 11.0%), now 'good but to monitor'. Adult participation in learning is 'better than average' with 46.4% of adults participating in 2022, following a 10.1 pps increase from 2016. Similarly, 66.8% of adults had at least basic digital skills in 2025 (vs 60.4% in the EU), 'on average'.

In light of the findings from the above first-stage analysis, and notably 3 indicators flagging as 'to watch', including one that deteriorated over time, **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 2.1.1).

The Netherlands



Note: Break in the impact time series in 2016 and 2022.
Source: Eurostat [tepsr_sp200], [tespm050], EU-SILC.

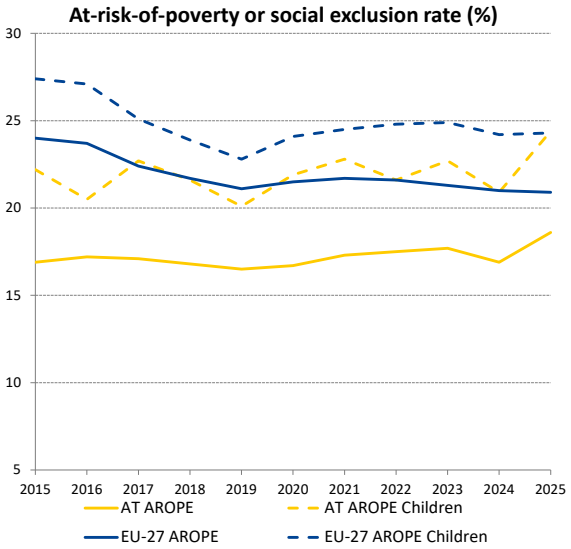
The labour market continues to perform relatively well. Against the backdrop of moderate economic growth, the employment rate remained stable at 83.4% in 2025, one of the highest in the EU, while the unemployment rate remained low despite a slight increase to 3.9%. The share of young people neither in employment nor in education and training (NEETs) remained among the lowest in the EU, despite having increased further (by 0.4 pps to 5.3%). The risk of a highly segmented labour market remains a significant structural challenge. Although the gender employment gap was 7.6 pps in 2025 (vs 9.6 pps in the EU, therefore 'on average'), part-time employment was widespread, in particular for women. This resulted in one of the largest gender gaps in part-time employment in the EU (41.3 pps vs 19.7 pps in the EU) and a substantial gender pension gap (29.5% vs 23.9% in the EU), although down by 6.8 pps from 2024. Moreover, the disability employment gap widened to 24.3 pps and now indicates a situation 'to watch'. Finally, based on 2025 data, the gross disposable household income (GDHI) per capita index (2008=100) has not kept pace with the EU average (114.3 and 116.5, respectively) and remains 'to watch'.

The social situation is good overall. The shares of the overall population and of children at risk of poverty or social exclusion (AROPE) remained stable and among the lowest in the EU in 2025, at 15.8% and 12.7%, respectively. Yet, challenges persist for specific groups, such as persons with disabilities and people with a migrant background, especially children. The housing cost overburden rate declined slightly and stood at 6.5% (vs 7.6% in the EU). While poverty and social exclusion rates remain low, the impact of social transfers on poverty reduction deteriorated in 2025 and is now 'to watch', suggesting a reduced effectiveness of transfers in mitigating poverty risks.

The Netherlands continues to perform strongly overall in relation to skills formation. In 2022, 65.2% of adults participated in learning. More recent data suggests that participation rates may have remained stable between 2022 and 2024. In addition, 83.6% of adults had at least basic digital skills in 2025. Both shares are among the highest in the EU. Effective outreach to support the upskilling and reskilling of those in an unfavourable labour market situation, such as the low-skilled, people on flexible or temporary contracts, people with a migrant background and persons with disabilities, remains important. Underachievement in reading, mathematics and science among young people has continued to increase and socio-economic background remains the strongest predictor of educational outcomes (PISA 2025).

In light of the findings from the above first-stage analysis, and notably 3 indicators 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 2.1.1).

Austria



Source: Eurostat [ilc_peps01n], EU-SILC.

In the context of weak economic growth, the labour market remains relatively strong. The employment rate increased by 0.2 pps to 77.6% (vs 76.1% in the EU), while the unemployment rate, at 5.7%, as well as the long-term unemployment rate, at 1.3%, remained below the respective EU averages. The employment rate for women was high (74.2%) and increasing, with the gender employment gap remaining broadly stable at 6.8 pps (vs 9.6 pps in the EU). However, Austria has one of the widest and growing gender gaps in part-time employment (37.1 pps vs 19.7 pps in the EU), often linked to care responsibilities. The share of children under 3 in formal childcare increased to 30.9% (vs 40.5% in the EU). The share of young people neither in employment nor in education and training (NEETs) increased, from 9.2% to 10.3% (vs 11.0% in the EU), and is now 'to watch'. The disability employment gap continued to decrease from 20.7 pps in 2024 to 18.8 pps in 2025 and is now 'better than average'. The gross disposable household income (GDHI) per capita index (2008=100) was still low at 101.7 in 2025 with a deterioration from 103.7 in 2024, pointing to a 'critical situation'.

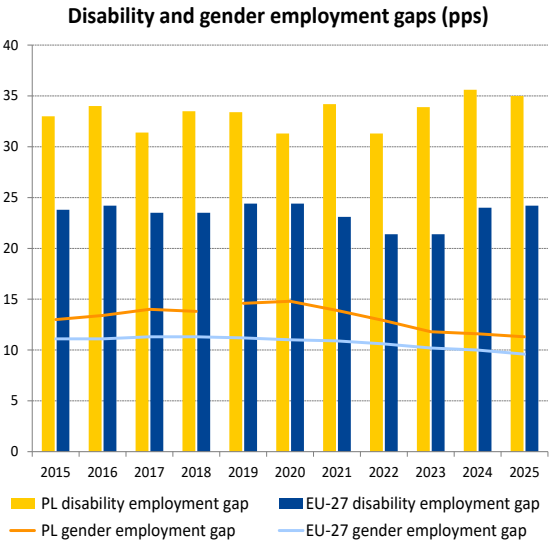
Austria is facing some emerging challenges in social protection and inclusion. The share of people at risk of poverty or social exclusion (AROPE) increased significantly in 2025, to 18.6% from 16.9% in 2024 (still below the EU average of 20.9%), and is now 'to watch'. This was driven by an increase in the at-risk-of-poverty rate and the share of people in (quasi-) jobless households. At the same time, the severe material and social deprivation rate improved. Among other groups, people born outside the EU face significantly higher risks of poverty or social exclusion (42.4%) and in-work poverty 22.5%) than people born in Austria (11.7% and 6.1%, respectively) and the respective EU averages, partly reflecting gaps in employment rates. Similarly, the AROPE rate for children increased markedly compared to 2024, to 24.4%, and is therefore now also 'to watch'. Also 'to watch' is the impact of social transfers (other than pensions) on poverty reduction, which fell from 40.7% in 2024 to 34.8%, although still above the EU average (33.2%). The share of people with self-reported unmet needs for medical care is 'better than average' at 0.9% in 2025 (vs 2.4% in the EU).

While the country performs well in adult learning participation and digital skills, challenges are emerging for younger generations. The share of early leavers from education and training increased from 8.1% in 2024 to 10.0% in 2025, above the EU average of 9.1%, a situation 'to watch'. The share of adults participating in learning declined somewhat from 2016, to 58.0% in 2022, but remained well above the EU average of 46.6%. More recent data suggests a possible increase in participation rates between 2022 and 2024. The share of adults with at least basic digital skills increased further in 2025, to 69.8% (vs 60.4% in the EU). Both indicators are 'better than average'.

In light of the findings from the above first-stage analysis, and notably 6 indicators flagging as 'critical' or 'to watch', Austria **is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 2.1.1).

Poland

The labour market remains robust overall, but women and persons with disabilities continue to face significant challenges. In a context of robust economic growth, the employment rate increased further to 78.8% in 2025 (vs 76.1% in the EU), and the unemployment rate was among the lowest in the EU, at 3.1%, making Poland a 'best performer' on the latter indicator. The gender employment gap dropped slightly but remained 'to watch', at 11.3 pps, above the EU average of 9.6 pps. Women tend to have more care responsibilities for children and people in need of long-term care, while also having a lower statutory retirement age and limited options for part-time work. The share of children below 3 in formal childcare increased by 5.9 pps to 21.0%. Nevertheless, it is only half the EU average of 40.5% and is now 'to watch'. This low rate may affect the labour market participation of women and children's long-term learning prospects At 35.0 pps, the disability employment gap remained among the widest in the EU (vs 24.2 pps in the EU), still pointing to a 'critical situation'[320].



Note: Low reliability data of DEG in 2023 and 2025 and break in the GEG series (PL) in 2019.
Source: Eurostat [tepsr_sp200], EU-SILC and [tesem060], EU LFS.

Digital skills levels and adult participation in learning are low. The share of adults participating in learning was 24.3% in 2022, following a decrease of 1.2 pps from 2016, far below the EU average of 46.6%, representing a 'critical situation', mainly reflecting low participation in non-formal education. More recent data suggests a possible increase in participation rates between 2022 and 2024. The share of individuals with at least basic digital skills increased from 44.3% in 2023 to 50.4% in 2025 (vs 60.4% in the EU) and is 'to watch'. Poland remains a 'best performer' on early leavers from education and training (4.0% vs 9.1% in the EU in 2025). The rate among early leavers with disabilities is, however, above the EU average (37.6% vs 24.8% in the EU in 2024). The share of tertiary students enrolled in STEM programmes remains below the EU average (21.2% vs 26.9% in the EU in 2023).

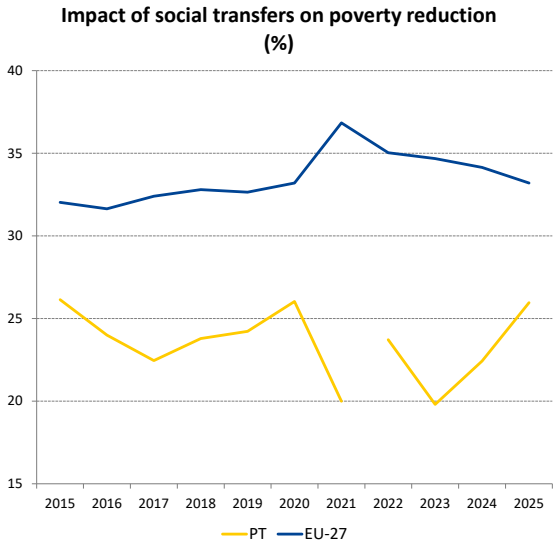
Social outcomes have improved. In 2025, the at-risk-of-poverty or social exclusion (AROPE) rate fell to 15.0% overall and 15.6% for children, placing Poland among the EU's best performers (20.9% and 24.3%, respectively, in the EU). Income inequality also improved, with the income quintile share ratio falling to 3.63, among the lowest in the EU (4.62 in the EU), also a 'best performer'.

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 2.1.1).

[320] Low reliability data for 2025.

Portugal

Social outcomes are improving, but the effectiveness of the social protection system remains a challenge. Income inequality decreased, with the income quintile share ratio falling from 5.20 in 2024 to 4.86 (vs 4.62 in the EU). The share of people at risk of poverty or social exclusion (AROPE) also fell, to 18.6%, below the EU average of 20.9%. The social situation of the outermost regions improved significantly, with the AROPE rate down by 6.8 pps to 21.6% in the Azores and by 2.4 pps to 20.5% in Madeira. These improvements were mainly driven by rising real wages, including the minimum wage, and high employment levels, as well as an increase in the impact of social transfers (other than pensions) on poverty reduction (by 3.6 pps to 26.0%). The latter remains, however, well below the EU average of 33.2% and is 'to watch'. The share of the population overburdened with housing costs declined slightly, by 0.6 pps, and was 6.3% (vs 7.6% in the EU).



Note: Break in the time series (PT) in 2022.
Source: Eurostat [tespm050], EU-SILC.

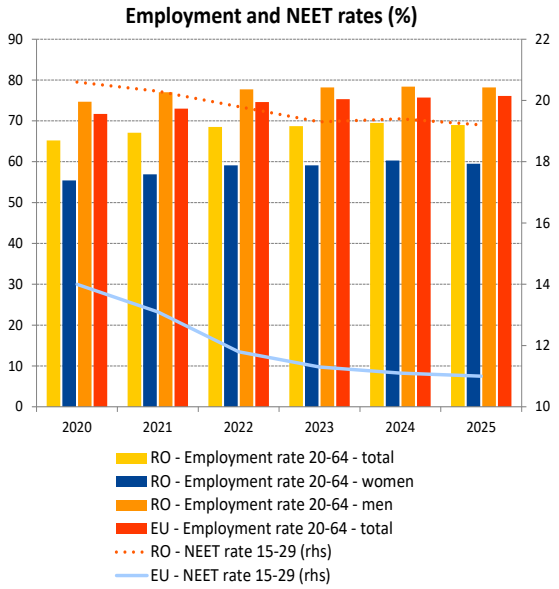
The overall labour market situation is favourable. In a context of moderate economic growth and following a positive trend since 2021, the employment rate improved by 1.1 pps to 79.6% in 2025 and is now 'better than average'. The unemployment rate decreased to 6.0% (equal to the EU average), while the long-term unemployment rate moved closer to the EU average. The country also performed 'better than average' on the share of young people neither in employment nor in education and training (NEETs). This was accompanied by a decrease in the youth unemployment rate from 21.6% in 2024 to 19.5%, still well above the EU average of 15.2%. Conversely, the disability employment gap widened by 1.3 pps to 24.5 pps (vs 24.2 pps in the EU).

While Portugal generally performs relatively well in the area of skills, some aspects deserve close monitoring. In 2025, 57.9% of children under 3 were in formal childcare (vs 40.5% in the EU), making the country a 'best performer'. The share of early leavers from education and training decreased by 0.5 pps to 6.1%, remaining 'better than average'. However, regional disparities persist, with this indicator ranging from 21.1% in the Azores to 4.0% in the Centro region. The share of adults participating in learning was 44.2% in 2022 (vs 46.6% in the EU), following a decrease from 46.1% in 2016, and 'on average'. More recent data suggests a possible increase in participation rates between 2022 and 2024.

In light of the findings from the above first-stage analysis, and notably 1 indicator flagging as '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 2.1.1).

Romania

The labour market situation is not improving and certain groups remain underrepresented. In 2025, in line with dwindling economic growth, the employment rate decreased (-0.5 pps) to 69.0%, remaining well below the increasing EU average (76.1%). Regional rates vary from 81.1% in București-Ilfov to 61.7% in Sud-Vest Oltenia. The gender employment gap remained among the largest in the EU, at 18.7 pps. The share of young people neither in employment nor in education and training (NEETs) stayed high (19.2% vs 11.0% in the EU). The disability employment gap was also wide at 45.4 pps (vs 24.2 pps in the EU). All these indicators point to a 'critical situation'. The unemployment rate increased (+0.7 pps) to 6.1% (vs 6.0% in the EU), and the long-term unemployment rate was 2.1% (vs 1.9% in the EU). Both indicators are 'to watch'.



Source: Eurostat [lfsi_emp_a], [lfsi_neet_a], EU LFS.

Despite some 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 slightly (-0.5 pps) to 27.4% in 2025 (vs 20.9% in the EU). The rate remains much higher in rural areas, at 39.8% (vs 21.4% in the EU). The AROPE rate for children also decreased to 32.4% (from 33.8% in 2024, vs 24.3% in the EU). Both indicators are among the highest in the EU and point to a 'critical situation'. Despite some improvement (+2.9 pps), the impact of social transfers (other than pensions) on poverty reduction remains limited (21.7% vs 33.2% in the EU), which is also a 'critical situation'. Income inequality, as measured by the income quintile share ratio, decreased further and, at 4.37, is now further below the EU average (4.62). Self-reported unmet needs for medical care slightly worsened and, at 2.9% (up from 2.2% in 2024, vs 2.4% in the EU), are now 'to watch'. People in rural areas and vulnerable groups like the Roma still face greater barriers to accessing essential and social services.

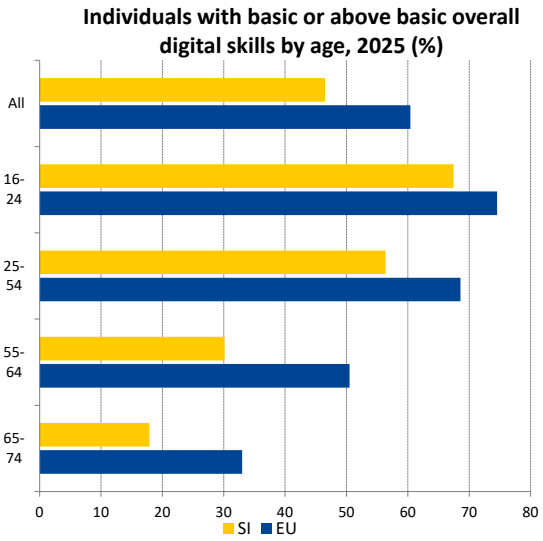
Increasing challenges in education and skills put competitiveness and convergence at risk. In 2025, the share of children below 3 in formal childcare decreased further, to 11.1% (from 11.4% in 2024, vs 40.5% in the EU), pointing to a 'critical situation'. The share of early leavers from education and training is also a 'critical situation, 15.5% in 2025 (vs 16.8% in 2024 and 9.1% in the EU). Underachievement in reading, mathematics and science is a major and growing structural issue in Romania, especially in rural areas and among disadvantaged pupils (PISA 2025). Furthermore, the share of people with at least basic digital skills was 31.8% in 2025 (vs 60.4% in the EU), a 'critical situation' against the need to support the digital transition. Adult participation in learning was low at 25.6% in 2022 (vs 46.6% in the EU)[321], even after an increase. However, more recent data suggests a possible increase between 2022 and 2024.

In light of the findings from the above first-stage analysis, and notably 13 indicators flagging as 'critical' or 'to watch', **Romania is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 2.1.1).

[321] There is a break in the time series in 2022.

Slovenia

Slovenia faces challenges related to adult participation in learning and digital skills. In 2022, 42.4% of adults participated in learning (vs 46.6% in the EU), following a significant decrease from 2016, and is 'to watch'. More recent data suggests a possible increase in participation rates between 2022 and 2024. At the same time, only 46.5% of adults had at least basic digital skills in 2025, well below the EU average (60.4%), representing a 'critical situation'. Moreover, more than one in three 15-year-old students in Slovenia does not have the minimum level of proficiency in mathematics and reading, and one in four in science (PISA 2025). Together, these elements negatively affect the current and future skills levels of the workforce. The share of early leavers from education and training remains lower than the EU average (9.1%) and is 'better than average', despite an increase by 0.5 pps to 5.5% in 2025. The share of young people neither in employment nor in education and training (NEETs) remained low at 7.6%, making the country a 'best performer'.



Source: Eurostat [isoc_sk_dskl_i21], ESS ICTS.

The labour market continues to perform well overall in a context of moderate economic growth. In 2025, the employment rate remained at 78.3% and above the EU average of 76.1%. The unemployment rate and its long-term component were both 'better than average' in 2025, at 3.9% and 1.1%, respectively. The gender employment gap narrowed further and was, at 4.9 pps, also 'better than average'. This was supported by the widespread participation of children below 3 in formal childcare, which further increased to 60.3% in 2025, well above the EU average (40.5%), placing Slovenia among the 'best performers'. However, structural factors such as rapid population ageing and skills mismatches risk exacerbating existing labour shortages and hamper competitiveness.

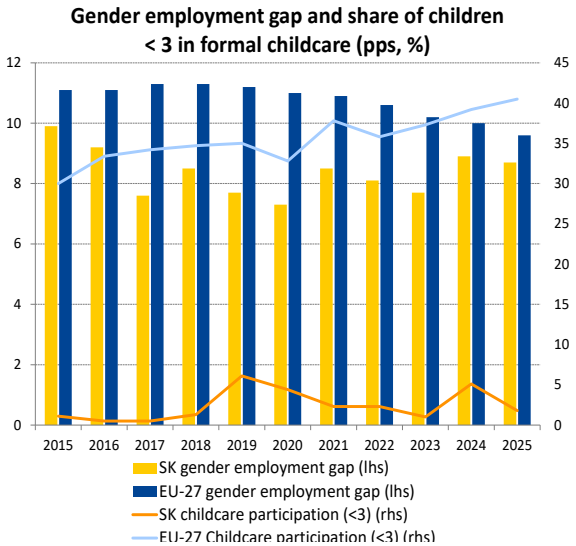
Slovenia continues to record good social outcomes overall. As in previous years, the share of the total population at risk of poverty or social exclusion (AROPE) was among the lowest in the EU in 2025, at 15.5%. However, due to a more marked deterioration than in the EU, the indicator is now assessed as 'good but to monitor'. At the same time, some vulnerable groups, including older people, those with low education levels, single-person households and migrants, experienced much higher poverty risks than the general population[322]. For older people this is linked, among other factors, to a low pension replacement rate. Positively, the share of children at risk of poverty or social exclusion, although increasing slightly, remained at 12.5%, one of the lowest in the EU. Income inequality, as measured by the income quintile share ratio, remains low at 3.55. Slovenia is a 'best performer' on both indicators.

In light of the findings from the above first-stage analysis, and notably 2 indicators flagging as 'critical' or '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 2.1.1).

[322] Quality of life in Slovenia – Development Report 2026, p39-40.

Slovakia

Slovakia continues to face challenges in skills development. The participation rate of children below 3 in formal childcare remained a 'critical situation' in 2025, at 1.8% and significantly below the EU average (40.5%). While the share of early leavers from education and training declined further to 6.8% (vs 9.1% in the EU), it remained relatively high in rural areas (8.1%). According to PISA 2025, still one in three 15-year-olds underperforms in mathematics and reading, and one in four in science. However, the share of low-achieving students has decreased since 2022 in all three domains. The share of adults with at least basic digital skills increased only slightly from its relatively low level in 2023, to 53.6% in 2025 (vs 60.4% in the EU), and remains 'to watch', posing risks to the digital transition. Adult participation in learning was 54.8% in 2022 (vs 46.6% in the EU). More recent data suggests a possible decrease between 2022 and 2024.



Source: Eurostat [tesem060], EU LFS and [tepsr_sp210], EU-SILC.

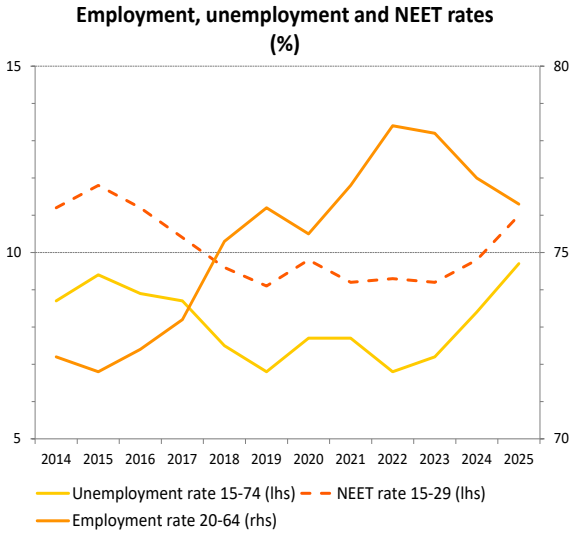
The labour market performs well overall, but some challenges remain. Amid weak economic growth, the employment rate remained stable at 78.1% in 2025, and the unemployment rate remained low at 5.4% (vs 76.1% and 6.0%, respectively, in the EU), both 'on average'. The long-term unemployment rate improved only marginally, to 3.4% (vs 1.9% in the EU), remaining a 'critical situation'. Regional disparities are large. The share of young people neither in employment nor in education and training (NEETs) increased by 0.4 pps to 11.1%, staying 'on average'. In parallel, the youth unemployment rate dropped significantly, from 19.2% in 2024 to 15.3%. The disability and gender employment gaps witnessed a large and a small improvement, respectively. The gross disposable household income (GDHI) per capita index (2008=100) decreased from 133.6 to 132.3 in 2025, hence it is now 'to watch'.

Slovakia has low overall poverty risks, although challenges remain for certain regions and groups. For income inequality, as measured by the income quintile share ratio, the country was a 'best performer' in 2025. The at-risk-of-poverty or social exclusion (AROPE) rate, at 16.7% (vs 20.9% in the EU), was 'better than average'. At the same time, the eastern and some central regions, as well as marginalised Roma communities, faced higher poverty risks. As concerns children, their AROPE rate increased slightly to 22.7% (vs 24.3% in the EU), 'on average'. The impact of social transfers (other than pensions) on poverty reduction reached 40.8%, 'better than average'. The share of people in households overburdened by housing costs dropped from 6.4% in 2024 to 3.5% in 2025. It is, along with self-reported unmet needs for medical care, also 'better than average'. However, thousands of Roma continue to live in isolated areas with limited access to essential services[323].

In light of the findings from the above first-stage analysis, and notably 4 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 2.1.1).

[323] EU SILC MRK, 2024/2025.

Finland



Source: Eurostat [lfsi_emp_a], [une_rt_a], [lfsi_neet_a], EU LFS.

The labour market situation has continued to deteriorate, with challenges becoming more pronounced. In the context of persistent geopolitical tensions and the related weak economic growth, the employment rate declined substantially in 2025, to 76.3%, close to the EU average of 76.1%, and is 'to watch'. The unemployment rate remains a 'critical situation', following one of the largest increases in the EU, to 9.7% in 2025 (vs 6.0% in the EU). At the same time, the long-term unemployment rate also rose significantly, to 2.4%, exceeding the EU average for the first time, and is 'to watch'. Youth unemployment continued to rise, increasing by 3.0 pps to 21.8% (vs 15.2% in the EU). Likewise, the share of young people neither in employment nor in education and training (NEETs) rose substantially, by 1.2 pps, to 11.0%. It is now on par with the EU average and 'to watch'. The gross disposable household income (GDHI) per capita index (2008=100) is also 'to watch', having fallen by 0.2 points to 109.0, while the EU average rose to 116.5.

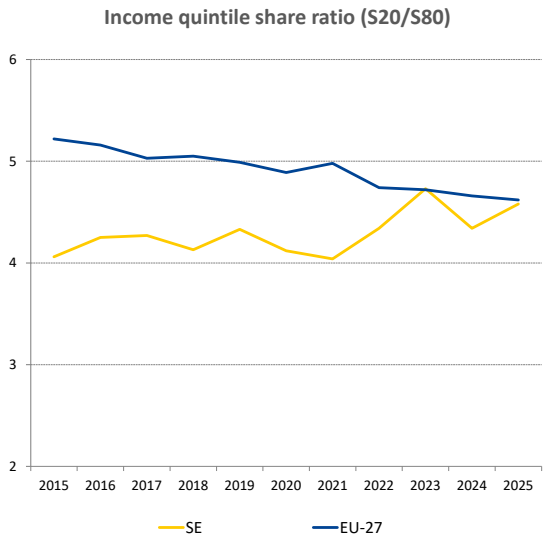
New education and skills related challenges are emerging for children and young people, while adult learning is strong. Following a decline of 5.0 pps in 2025, the share of children below 3 in formal childcare stands at 43.2% and is 'to watch' (vs 40.5% in the EU). Early leavers from education and training increased to 9.9%, a relatively high level (vs 9.1% in the EU), also 'to watch'. The share of adults with at least basic digital skills fell by 1.0 pp to 81.0%. Although the share remains among the highest in the EU and above the Europe's Digital Decade target of at least 80%, this decline, against improvements across the EU, means the indicator is now assessed as 'good but to monitor'. Adult participation in learning was, at 53.1% in 2022 (vs 46.6% in the EU), 'better than average'. More recent data suggests a possible increase in participation rates between 2022 and 2024.

Finland remains a strong performer in social protection, with some challenges arising. Self-reported unmet needs for medical care are 'weak but improving', having fallen by 0.7 pps to 7.8% in 2025. This, however, remains significantly above the EU average of 2.4%, while challenges in access to long-term care persist. Although the at-risk-of-poverty or social exclusion (AROPE) rate has increased in recent years across all sub-components, the country remains 'better than average', with a rate of 17.2% overall (vs 20.9% in the EU) and 17.1% for children (vs 24.3% in the EU). The impact of social transfers (other than pensions) on poverty reduction remains among the 'best performers', at 44.6% (vs 33.2% in the EU), despite several years of decline. Income inequality, as measured by the income quintile share ratio, followed a relatively large increase to 3.93 in 2025, despite remaining well below the EU average of 4.62, , is now 'good but to monitor'.

In light of the findings from the above first-stage analysis, and notably 7 indicators flagging as 'critical' or 'to watch', **Finland is identified as facing potential risks to upward social convergence that require further analysis in a second stage** (see box 2.1.1).

Sweden

The social situation has worsened. Most social indicators either deteriorated or remained stable in 2025. Income inequality, as measured by the income quintile share ratio, which had remained well below the EU average for the past 15 years, increased substantially in 2025 (to 4.58). It is now close to the EU average, a situation 'to watch'. The at-risk-of-poverty or social exclusion (AROPE) rate also increased, from 17.5% in 2024 to 18.6% in 2025, and is also 'to watch'. This risk for people born outside the EU is three times higher than that of persons born in Sweden (36.7% vs 12.3%). Similarly, people with low levels of education (ISCED 0-2) face a more elevated risk of poverty or social exclusion than those with high levels (ISCED 5-8) (28.5% vs 11.4%)[324]. The AROPE rate for children increased as well, from 20.9% in 2024 to 23.4% in 2025, and is also 'to watch'. The severe material and social deprivation rate increased significantly for both the general population (3.9% in 2025, up from 3.0% in 2024) and children (5.0% in 2025, up from 3.6% in 2024). Housing cost overburden, another driver of poverty, remained high in 2025, at 10.8% (vs 7.6% in the EU), and 'to watch'. Social transfers (other than pensions) reduced poverty risks by 38.3% in 2025 (a decrease from 40.6% in 2024).



Source: Eurostat [ilc_di11], EU-SILC.

Both employment and unemployment remain high, with large differences between groups. In the context of moderate economic growth, Sweden had one of the highest employment rates in the EU in 2025 (81.8% vs 76.1% in the EU), which is 'better than average'. However, the unemployment rate increased (by 0.4 pps) to 8.8% and is one of the highest in the EU (vs 6.0% in the EU), remaining a 'critical situation'. While the unemployment rate was 6.2% for people born in Sweden, it was 19.1% for those born outside the EU. The rate was 27.2% for people with low education levels vs 5.3% for those with high levels. The country remained a 'best performer' for the share of young people neither in employment nor in education and training (NEETs), at 5.9%. The gender employment gap was 'better than average' (3.9 pps vs 9.6 pps in the EU), also supported by a high share of children under 3 in formal childcare (59.6% vs 40.5% in the EU, 'best performer').

Sweden continues to perform well regarding skills. The country is a 'best performer' on adult participation in learning, at 73.9% in 2022 (vs 46.6% in the EU), with more recent data suggesting a possible increase between 2022 and 2024, and '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 2025 (to 6.7%). Still, this share is more than twice as high among people born outside the EU compared to those born in Sweden (13.3% vs 5.5%, respectively). Underachievement in reading, mathematics and science has increased, and it has reached its highest levels for the country (PISA 2025).

In light of the findings from the above first-stage analysis, and notably 5 indicators flagging as 'critical' or 'to watch', **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 2.1.1).

[324] Source: Eurostat [ilc_peps04n], EU-SILC.