

**Brussels, 15 September 2025
(OR. en)**

12793/25

**EMPL 403
SOC 609
ECOFIN 1163
EDUC 356
GENDER 173**

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	9 September 2025
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2025) 264 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EMPLOYMENT AND SOCIAL DEVELOPMENETS IN EUROPE Executive summary

Delegations will find attached document SWD(2025) 264 final.

Encl.: SWD(2025) 264 final



Brussels, 9.9.2025
SWD(2025) 264 final

PART 1/4

COMMISSION STAFF WORKING DOCUMENT
EMPLOYMENT AND SOCIAL DEVELOPMENTS IN EUROPE

Executive summary

Executive Summary

UNLOCKING THE POTENTIAL OF PEOPLE:

PROMOTING HIGHER EMPLOYMENT IN THE EU

In a context of persistent labour and skills shortages, this edition of the *Employment and Social Developments in Europe* (ESDE) review highlights how including groups that are underrepresented in the labour market can help offset the impacts of demographic change on Europe's workforce. Fully unlocking their potential can help the EU maintain its competitiveness in today's global context while building a more inclusive workforce. This report also explores policies that can create job opportunities and incentives to work.

Chapter 1: Main economic, labour market and social developments

In 2024, the EU economy rebounded, driven by strong private consumption, which was reinforced by a robust labour market, lower inflation and, to some extent, rising wages. EU output grew by 1.1% in 2024, almost twice as much as in 2023. Economic growth was below that of the US and China and varied across Member States. While EU GDP is expected to stabilise at 1.1% in 2025 and rise to 1.5% in 2026, the economic outlook is marked by high geopolitical and trade instability. Despite the uncertainty, companies have been keeping or expanding their existing workforce, leading to higher employment and income, and lower risk of poverty and social exclusion.

Progress on employment shows the EU is on track to achieve its 2030 target of 78% employment rate among people aged 20 to

With a 75.8% employment rate, 2030 target is within reach

64. Increasing by 0.8% in 2024, the employment rate reached 75.8%, with older people aged 55-64, women, and migrants contributing the most to this increase. Seven countries have already met or exceeded their national 2030 targets. Meanwhile, employment growth is set to decelerate in the coming years, due to a decline in the job intensity of growth.

+1.7 million people in jobs in 2024

Closing gaps in the workforce requires sustained focus on vulnerable groups. The gender employment gap in 2024 improved slightly to 10 percentage points, making only modest progress towards the EU target to halve this gap by 2030. However, older people aged 55-64, migrants, and people with low education continue to have employment rates more than 10 percentage points below the EU average. The employment gap for persons with disabilities grew to 24%, particularly affecting persons with severe disabilities.

Unemployment drops to record low 5.9%

Unemployment in the EU is at a historic low, reflecting a resilient labour market. The EU average unemployment rate fell to 5.9%, ranging from 2.6% in Czechia to 11.4% in Spain. Long-term unemployment (longer than one year) dropped slightly to 1.9%.

Nonetheless, young people, migrants, and people with lower education still face higher unemployment rates of 14.9%, 11.8%, and 10.5%, respectively.

Labour shortages remained high, particularly in some sectors, despite a decline of the job vacancy rate to 2.4% (-0.4 pp), suggesting some easing in 2024. More people in the labour force have university degrees, a record of 44.1% in 2024 (49.9% for women), which can lead to a reduction in skill shortages. Yet, skill mismatches, as measured by the overqualification rate, remain elevated, and are particularly high in administrative and support services (45.8%), transportation and storage (50.5%), accommodation and food (66.5%) and agriculture (71.2%).

Lower inflation improved household incomes and reduced financial distress. Driven mostly by higher earnings and higher social benefits, household income grew robustly in 2024, culminating at 2.5% in Q4 but slowed down in 2025, with growth at 1% in Q1 of the same year. In addition, financial burdens on households decreased, as energy prices fell. Financial distress continued to decline, with 15.6% of individuals reporting distress in July 2025, a reduction of 1.9 pp from its peak in July 2023; although it remained disproportionately high (26.2%) among the lowest income group.

In 2024, income inequality in the EU remained broadly stable at levels lower than in other large economies. Social benefits, except pensions, mitigated income inequality, although their impact has weakened since 2021. The EU also performed better than other major economies as regards wealth inequality. In the euro area, the wealthiest 10% owned about 57% of net wealth in 2023 (compared to 70% in the US and China), while the bottom 50% held around 5%. During the 2010s, the EU saw a slight decline in wealth concentration among the top 10%, due mainly to rising housing prices which benefited low- and middle-wealth homeowners.

Fewer people faced poverty or social exclusion, but challenges persist for children. Since 2019, the number of people at risk of poverty or social exclusion (AROPE) has decreased by 2.2 million, reaching

2.2 million lifted out of poverty or social exclusion since 2019

93.3 million. However, the number of children at risk has increased by 446,000, calling for more efforts to meet the 2030 EU target of lifting 15 million people, including 5 million children, out of poverty. The AROPE decline in 2024 reflects fewer people in severe material and social deprivation as well as fewer people living in households with low work intensity. AROPE rates vary widely across Member

States - from 11.3% in Czechia to 30.3% in Bulgaria – and regions. Migrants, those with lower education and persons with disabilities continue to face higher AROPE rates of 38.2%, 33.9% and 28.7%, respectively. Employment remains a key factor for escaping poverty, increasing the likelihood of exiting at-risk of poverty by 33 percentage points for men and 30 percentage points for women. While monetary poverty remained stable in 2024, material and social deprivation decreased to 12.1%, with severe deprivation affecting 6.4% of the population. People with low education, the unemployed and those outside of the labour force are the most vulnerable to chronic monetary poverty.

Energy poverty, or the inability to keep homes warm, declined from 10.6% in 2023 to 9.2% in 2024, reflecting lower energy prices. However, nearly one-fifth of people at risk of poverty still faced energy

Energy poverty falls to 9.2%

poverty. Lower inflation, higher incomes, and lower interest rates eased housing costs in 2024. The share of income spent on housing costs fell to 19.2%, and the housing cost overburden rate, measuring housing affordability, fell to 8.2%, but challenges remain, particularly for women,

migrants, and persons with disabilities.

Chapter 2: Untapped Labour Potential In the EU

Approximately 80% of working-age people participated in the labour market in 2024, leaving one fifth outside of it. Women, older people and migrants make up over four fifths of the approximately 51 million people outside the labour market, with around 32 million women, nearly 20 million older people and over 7 million migrants. In addition, young people also face their own challenges with 6.8 million aged 20-29 neither in employment, education nor training (NEET), representing 14% of that age group. Although this number has decreased from 10.3 million in 2011, integrating young people in the labour market remains challenging. Other groups, not examined in this report, such as the Roma, also face barriers to labour market participation.

Roughly 40% of people outside the labour force have never worked

Among those outside the labour force, about 10 million would like to work. However, personal preferences, external obligations, such as caregiving, health issues, discrimination and financial incentives (e.g. joint taxation and benefit traps) limit the ability

and motivation to join or return to the labour market. In addition, only 13 million individuals outside the labour force have some recent work experience, while around 20 million have never worked, making entry into employment more difficult.

Women's lower labour market participation is primarily due to the disproportionate volume of unpaid household and care work they undertake. About 75% of mothers of young children list family and care responsibilities as reasons for their non-participation in the labour force, compared to about 13% of fathers. Unequal distribution of unpaid work reflects traditional attitudes toward the roles of men (breadwinners) and women (caregivers) in the society. It is reinforced by factors, such as lower female earnings from work, joint household taxation, low availability of childcare for young children and low take-up of parental leave by fathers. In addition, gender segregation in education limits women's access to male-dominated sectors, further hindering participation.

Older people aged 55-64 often leave the workforce due to retirement (43%) and health issues (27%). Pension systems significantly affect the decision to go on working. Limited availability of long-term care services intensifies unpaid caregiving, particularly by older women. Health issues, poor working conditions, low workplace flexibility and discrimination also deter participation in the labour market. Older people's education level, skills, family situation and gender (with women participating less) influence their labour market engagement.

Migrants face multiple obstacles to labour market participation, including language barriers, lower educational attainment, difficulties with qualification recognition and discrimination. In 2021, only 24.5% of migrants, defined as EU residents born outside the EU, were fluent in the host-country's language upon arrival. Nearly half of migrants outside the labour force have only lower secondary education, compared to less than one in five domestic-born people. While the share of migrants with tertiary education is also higher than among the domestic-born people outside the labour force, recognition of qualifications is lengthy, complex, and costly. Many non-working migrants are women, with caring responsibilities as barriers. Discrimination in the labour market, legal residency hurdles, poor health, lack of social networks, and job quality concerns also hinder their integration.

Addressing misconceptions and accessibility can improve employment for persons with disabilities. Only 56% of persons with disabilities aged 20-64 participate in the labour market, compared to 84% of those without disabilities, underscoring the extent of the barriers they face. While some health issues may limit their work opportunities, stereotypes, lack of employer support, and inadequate hiring processes add to the barriers. Furthermore, only 30% of persons with disabilities aged 25-34 have completed tertiary education compared to 45.9% of those without disabilities, and NEET rates are significantly higher for them. Employers often overestimate the cost-benefit of hiring persons with disabilities, while the potential loss of disability benefits upon employment discourages participation. Additionally, persons with disabilities must navigate accessibility challenges in transport systems and workplaces.

Underemployed people represent a considerable additional untapped labour potential in the EU.

**6.5 million
workers
want to work
more hours**

In the EU, 6.5 million part-time workers are underemployed, i.e. working fewer hours than they want to, representing 3.3% of the total workforce or about 20% of all part-time workers. If underemployed people worked their additional desired hours, 2.3 million full-time equivalents jobs (FTEs), including 1.5 million for women, could be added. France and Spain show the greatest potential, each adding around half a million FTEs. In terms of sectors, hospitality and cleaning services hold the greatest potential for additional labour but conversion to full-time jobs is hindered by business models that favour part-time work, due for example to scheduling practices (e.g. in the cleaning and hospitality industries) and the weak bargaining position of workers.

Chapter 3: Unlocking Europe's Talent

The EU is driving action to make the labour market more inclusive and tackle labour shortages. Key EU initiatives include the 2023 Council Recommendation on adequate minimum income; the 2024 EU Action Plan on labour and skills shortages; the 2023 Communication on Harnessing Talent in Europe's Regions and the forthcoming Fair Labour Mobility Package aiming to ensure fair, transparent, and effective labour mobility. These contain measures to boost participation among underrepresented groups, improve skill levels and matches, promote labour mobility, attract talent from abroad, and create better working conditions. The upcoming action plan for the European Pillar of Social Rights and the Quality Jobs Roadmap will strengthen this work and contribute to EU competitiveness. The 2025 Union of Skills will further support these goals using EU funds such as the European Social Fund Plus, the European Regional Development Fund, the Recovery and Resilience Facility and the Technical Support Instrument.

Effective policies to help more people get into employment provide both incentives and opportunities for inclusion into the workforce. This can include adjusting tax-benefit systems, for instance, by reducing income taxes or social security contributions so that people have more disposable income. On the employer side, it is important to address hiring biases and offer flexible work such as telework. It is also essential to tackle discrimination, set hiring quotas for underrepresented groups, and improve working conditions. In addition, public employment services, skills training, and active labour market policies help people become more adaptable to changes in the job market including in the context of the green and digital transitions.

Tax and benefit systems can be designed to encourage work, reducing inactivity and low-wage

**Well designed in-work
benefits can increase
employment while
reducing poverty**

traps. Benefit design is crucial to ensure that the phase out of benefits does not create benefit traps, leading to little financial incentive to join the labour force. In-work benefits are one example of fiscal incentives that can be provided to low-income workers. They can incentivise employment, though their impact and cost-effectiveness vary depending on household type and national systems. Simulations

suggest that these benefits could be more effective in increasing participation among migrants and younger people, in particular. Well-designed tax-benefit systems also encourage part-time workers to increase hours. For example, Bulgaria, Estonia, and Cyprus have strong financial incentives for increasing working hours.

Education is a powerful tool to maintain a strong workforce. Based on current population projections and assuming constant educational attainment levels, the EU workforce is expected to shrink by up to 18.8 million by 2050. However, boosting the share of university graduates by 10 percentage points could limit that drop by approximately 5 million workers. This would also lessen the impact of a reduced workforce on GDP, which would only decline by 1.2% instead of 9% by 2050.

Better care policies can bring more women into the workforce. Increasing participation in early childhood education and care from current levels (lower than 40%) to 50% for children under 3 could raise mothers' employment rate up to 30%, depending on the country. Part-time work is common among women, and some tax-benefit systems can disincentivize full-time work. Flexible work, family leave, and

equal sharing of unpaid work within households also play a role. These factors are also considered in the EU's 2020-2025 Gender Equality Strategy to support greater labour market participation for women.

Up to 1.7% higher GDP if more women participate in the labour force

Increasing women's employment boosts equality and the economy. Raising women's labour market participation by just 5-6% could expand GDP by up to 1.7%. However, this might lead to a short-term increase in unemployment, as not everyone entering the workforce finds a job right away. Despite this, the long-term economic and social gains are clear.

Pension reforms, workplace measures, and anti-ageism campaigns are crucial for higher labour force participation of older workers.

Most Member States are increasing the retirement age, expected to average 67 by 2070. Phased retirement, flexible work, ergonomic workplace adjustments, skills training, and targeted career guidance have proven effective in encouraging older workers to keep working. Campaigns that challenge ageism and policies to make labour markets more adaptive, like those considered in the Commission's Demography Toolbox and the European Innovation Partnership on Active and Healthy Ageing, support longer, healthier working lives.

78.2% of pensioners have retired at the statutory pension age

Migrants' labour market participation is improved with comprehensive approaches.

Comprehensive migrant support improves integration

Migrants benefit most from integrated services that combine language training, civil orientation, together with skill enhancement and qualification recognition. Subsidised employment and job search assistance are also effective, though access can be limited by visa requirements or lack of awareness. Simplifying work permits, for instance, by implementing the Single-Permit Directive at national

level, and ensuring access to education, adequate housing and healthcare support labour market integration. The EU Action Plan on Integration and Inclusion 2021-2027 promotes a holistic approach to integration and the upcoming Skills Portability Initiative will explore whether to propose common rules for simpler procedures for handling the recognition and validation of qualifications and skills acquired in third countries.

Supporting persons with disabilities into work requires personalised approaches. Tailored support — like job placement, educational and vocational rehabilitation, and skills training— are vital for persons with disabilities. The Union of Skills can build inclusive skills development pathways that could help tap the potential of persons with disabilities, contributing to a more competitive EU. Digital tools and telework can help reduce mobility barriers but may also create social isolation and add further obstacles if digital accessibility is not ensured. Financial incentives for employers, like subsidies, have a limited effect, whereas well-designed employment quota schemes and anti-discrimination measures, for instance, through awareness campaigns, have a greater impact. The EU Strategy for the Rights of Persons with Disabilities 2021-2030 promotes inclusive work environments and supports better transition into jobs.