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COMMISSION STAFF WORKING DOCUMENT

Second-stage country analysis on social convergence in line with the Social Convergence Framework (SCF)

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1 INTRODUCTION AND INSTITUTIONAL CONTEXT

This Staff Working Document (SWD) presents the second-stage country analysis on social convergence in line with the Social Convergence Framework (SCF)[1]. The analysis in this document responds to Article 3(3), point (b) of Regulation (EU) 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance. This 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 risks to social convergence.

The SCF entails a two-stage analysis to assess risks and challenges to upward social convergence in Member States. In the first-stage analysis, labour market, skills and social policies are analysed for all 27 Member States. This allows identifying potential risks to upward social convergence that would require deeper analysis in a second stage. In this sense, the country-specific analysis reinforces the monitoring of the employment, skills and social policy domains in the European Semester of economic and employment policy coordination, in line with Art. 148 of the TFEU. A more detailed second-stage analysis has now been conducted by the Commission services of the countries for which potential risks to upward social convergence were identified in the first stage.

In November 2025, the first-stage country analysis of the SCF was presented in the proposal for the Joint Employment Report (JER) 2026, which was adopted by the Commission as part of the Semester Autumn Package and endorsed by the EPSCO Council in March 2026. This first-stage analysis is notably based on the headline indicators of the Social Scoreboard (see Annex 1) and the JER "traffic-light" methodology applied to them[2]. In terms of horizontal key findings, the first stage indicated continued overall upward convergence in the labour market in 2024, while employment outcomes of under-represented groups still needed to improve and did not show clear upward convergence trends. At the same time, despite some slight improvements at EU level regarding skills, potential risks to upward social convergence were found to persist in this domain. This constrains the potential of human capital development, posing bottlenecks to economic growth as well as risks to competitiveness and social and territorial cohesion. The analysis also indicated slight improvements in the at-risk-of poverty or social exclusion rate, income inequality and real disposable household income per capita at EU level, but no signs of upward convergence across Member States in this domain. Potential risks to upward social convergence were identified in the first-stage analysis of the JER for nine Member States: Bulgaria, Greece, Spain, Italy, Lithuania, Luxembourg, Romania, as well as Latvia and Finland for the first time this year.

The second-stage analysis relies on a wider set of quantitative and qualitative evidence to evaluate challenges to upward social convergence and the key factors driving them[3]**.** This more detailed second-stage analysis focuses exclusively on the policy areas (among labour market, education and skills, and social protection and social inclusion) that have been identified as presenting potential risks to upward social convergence in the first stage via the headline indicators of the Social Scoreboard (see Annex 1). The policy areas are examined for each country (in Section 2) starting from the one where the largest number of criticalities were identified in the first

[1] This is the third year of implementation of the framework, after the discussion in the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council of June 2023, on the basis of Key Messages by the Employment Committee (EMCO) and the Social Protection Committee (SPC). See the EMCO-SPC Key Messages and the related Report of the EMCO-SPC Working Group, based on the work conducted from October 2022 until May 2023 by a dedicated joint EMCO-SPC Working Group. A review on the implementation of the first-year pilot was also conducted in EMCO and SPC in autumn 2024, in view of the December 2024 EPSCO.

[2] Such second-stage analysis is considered warranted if six or more Social Scoreboard headline indicators are flagging red ('critical situation') or orange ('to watch'). An additional reason for this occurs when an indicator flagging red or orange presents two consecutive deteriorations in its JER categorisation. This is the case for example if there is a change from 'on average' to 'weak but improving' in the 2025 JER edition, followed by a further deterioration to 'critical situation' in the 2026 edition. This would be counted as an additional 'flag' towards the minimum threshold of six flags overall. For more technical details see box in Chapter 3, as well as Annexes 6 and 9 of the JER 2026.

[3] Qualitative evidence is particularly important on dimensions where quantitative evidence is not available, and also to complement and qualify the findings from the indicators. This second-stage analysis is based on a cut-off date of 25 March 2026, to which all data used in this SWD have been last updated.

stage[4], followed by the other policy areas in descending order in a country-tailored approach.

Within each of these policy areas, the second-stage analysis examines first of all relevant developments and determinants. It does so, for instance, by looking at how different population groups and/or regions fare, also by enlarging the scope of the analysis to the *full* set of relevant indicators available in the labour market, skills and social domains. The latter includes in particular all the indicators that have been agreed so far with Member States as part of the Joint Assessment Framework (JAF) developed by EMCO and SPC (see Annex 2 for more details)[5]. Progress on the 2030 national targets on employment, skills and poverty reduction is also factored in the second stage analysis (see Annex 3 for a synthetic graphical overview). National data are also used in the second-stage analysis where relevant in order to qualify risks identified in the first stage (which is based exclusively on EU harmonised statistics). Longer term developments are presented too in the second stage analysis, on top of the last year changes used in the first-stage analysis (all of these additional considerations may also lead to concluding that a 'risk' identified in the first stage for a certain country and indicator is in fact downgraded to a 'no risk' in the second stage – see Annexes 4 to 6).

Secondly, for each policy area examined, the second-stage analysis describes the relevant policy responses undertaken or planned by the Member State to address the identified risks. For each country an indication is given as to whether, overall, risks that may affect upward social convergence are confirmed by the analysis or not. This depends on i) the extent of individual challenges revealed by the quantitative and qualitative evidence examined for each of the policy dimensions identified by the Social Scoreboard headline indicators as presenting potential risks in the first stage; and ii) the assessment of the undertaken and planned policy responses by the Member State, and whether it is considered that they are sufficient to fully address the individual challenges identified. This second step is particularly important in acknowledging efforts made or planned by the Member State in addressing the relevant challenges to tailor the final evaluations on whether further measures may be needed or not. Based on the practice of the previous years, a 'de facto' threshold is then applied to identify Member States that face a relatively large number of challenges confirmed in the second stage analysis (in relation to the dimensions presenting potential risks in the first stage), which are at the same time not addressed by *substantial* measures[6]. In this light, countries are identified as having overall challenges to upward social convergence if, within the broader context of their performance on the Social Scoreboard indicators, they have at least 6, or more, dimensions presenting a confirmation of 'risks' accompanied by 'insufficient or some measures' taken or planned (see overview table in Annexes 4 to 6).

This second-stage analysis by the Commission services will feed into the traditional multilateral reviews in EMCO and SPC[7] to build a shared understanding of risks and challenges to upward social convergence. Before its publication, the Commission services' second-stage analysis was shared bilaterally with the national delegates to gather their written comments. Bilateral meetings were also offered to discuss with the concerned Member States the findings of the analysis. Furthermore, consultations were organised with the EU and national social partners to gather their views on the country-specific challenges before the publication of the analysis. For the nine Member States for which the second-stage analysis has been carried out, multilateral reviews in EMCO and SPC will take place after publication and focus on the Commission services' findings from this second-stage analysis. The conclusions from the multilateral discussions will feed into the reporting to the June EPSCO Council in the context of the traditional Semester debate.

The Commission services' analysis and the multilateral discussions on social convergence are also meant to inform the European Semester's Spring Package[8]. In particular, key

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4 In terms of number of "red" or "orange" flags from the headline Scoreboard indicators, plus any two consecutive deteriorations in such JER categorisation.

5 While the analysis is predominantly based on harmonized EU statistics that allow comparisons between countries, national data are brought into the picture, where relevant, on elements for which harmonised statistics are not available at EU level, or when they provide further important insights to qualify and/or complement the evidence from EU statistics.

6 The evaluation of 'substantial measures' is given when the Member State has adopted measures that go a long way in addressing the challenge at stake and most of which have been implemented.

7 Conducted on a yearly basis as mandated by Art. 148 TFEU.

8 The package will present the Commission proposals for country-specific recommendations and the country reports for all 27 Member States.

findings from the second-stage analysis will be reflected, where relevant, in the country reports and inform the Commission's reflection on proposals for country-specific recommendations (CSRs) in the employment, skills and social domains, as appropriate, but without any automaticity in triggering CSRs[9].

This SWD presents the analysis country by country, where criticalities identified in the first-stage analysis are further substantiated by the wider set of evidence examined. This allows assessing whether potential challenges to upward social convergence exist and how these are addressed. Overall, for the nine Member States under assessment, this further analysis points to the following:

- The area of **social inclusion** requires particular policy attention as possibly leading to challenges for upward social convergence. This is notably the case with regard to the impact of social transfers (other than pensions) on poverty reduction and the share of the population that experiences poverty or social exclusion in the nine countries concerned[10]. As shown in the overview tables in Annexes 4 to 6, the poverty-reducing impact of social transfers indicates challenges for seven out of the nine countries concerned, followed by the at-risk-of-poverty or social exclusion rate (AROPE), for both the overall population (in six out of nine countries) and children, as well as the income quintile share ratio (in five countries for the last two indicators). All these dimensions require very close policy attention, also against the background of supporting fair green and digital transitions and facing the demographic challenge while ensuring adequate and sustainable social protection and inclusion systems and intergenerational fairness.

- In the area of **skills and education**, criticalities possibly leading to challenges for upward social convergence are identified. This is the case in relation to adults' participation in learning (during the past 12 months), the share of people with at least basic digital skills and early leaving from education and training, for four out of the nine countries. The analysis, including 2022 PISA (Programme for International Student Assessment) and 2023 PIAAC (Survey of Adult Skills) results, clearly points to the fact that skills acquisition in line with the labour market needs, for both young people and adults, requires careful and continuous consideration in policy design going forward. This is also important to continue addressing skills and labour shortages, to accompany the digital and green transformations and support competitiveness and the Union's strategic independence, in line with the Union of Skills and the new Recommendation on Human Capital (adopted by the Employment, Social Policy, Health and Consumer Affairs, EPSCO, Council in March 2026).

- While in the area of **labour markets** the indicators remain strong overall, challenges are identified for five out of the nine countries in terms of the share of young people neither in employment nor in education and training, and for four countries regarding their employment and unemployment rates. Overall, the analysis of labour market outcomes shows the need to more effectively integrate groups that are still under-represented in the labour market. These may include, depending on the country-specific circumstances, young people, older workers, the low-skilled (also via up- and re-skilling them for quality jobs), women, migrants, Roma, persons with disabilities, as well as people in other vulnerable situations. This emerges as a key priority for ensuring a strong and resilient social market economy, which fosters quality job creation and transitions.

9 At the same time, Member States that are not concerned by the second-stage analysis based on the SCF are not automatically exempted from possible CSR proposals in the labour market, skills and social domains. Though Member States may not face potential risks and challenges to social convergence which justify a more detailed examination in a second-stage analysis, they may still face challenges in specific policy areas. The Commission may therefore still deem it appropriate to propose CSRs in the labour market, skills or social domains for any such Member State, based on an overall assessment of economic, employment and social challenges.

10 For all the social indicators that depend on income in EU-SILC, the income reference period is defined as a 12-month period. Therefore, income variables involved for instance in the computation of the at-risk-of-poverty indicator refer to the calendar year prior to the survey year.

This year's second stage analysis shows that, in line with the de-facto threshold detailed above, six out of the nine Member States concerned face overall challenges to upward social convergence. These are: Bulgaria, Greece, Italy, Latvia, Lithuania and Romania.

The analysis of the policy responses undertaken or planned by the national authorities shows, in general, policy action in addressing the challenges at stake, though the policy actions devised are not always found to be sufficient to address in full the criticalities identified on a country- and policy area- specific basis. There is an overall very small number of policy dimensions where no adequate policy action has been taken or planned, and a small number of areas where substantial policy action has been already taken or planned (see overview tables in Annexes 4 to 6).

Most policy actions planned or undertaken by Member States are found to contribute positively to addressing existing challenges across the different policy areas. At the same time, these policy actions are deemed as either not yet sufficient to address in full the challenge, or are at an early stage of implementation that makes it, at present, difficult to precisely assess their full impact.

A detailed assessment by policy measures that reflects the specificities of the country context and of the policy area examined is provided in the country analysis of Section 2.

2.1 Bulgaria

In the first-stage analysis in the JER 2026, Bulgaria was identified as facing potential risks to upward social convergence based on 7 headline indicators of the Social Scoreboard flagging. The risks identified concern the area of social protection and inclusion, notably in relation to the still high **at-risk-of-poverty or social exclusion rate, including for children**, as well as the low **impact of social transfers on poverty reduction** and increased **income inequalities**. In the area of education and skills, risks notably concern the low **share of adults participating in learning**, the low **share of people with at least basic digital skills** and **participation of children under the age of 3 in formal childcare**.

2.1.1 Social protection and social inclusion

a) State of play and developments on social convergence risks

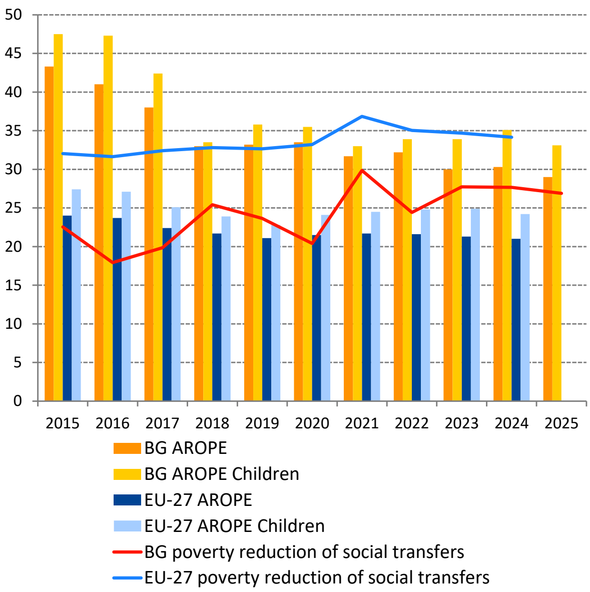
Bulgaria continues to face high at-risk of poverty or social exclusion risks (AROPE). Notwithstanding the overall positive trend of a decreasing share since 2015, there was a slight uptick in the AROPE rate (of 0.3 pps). In 2024 Bulgaria remained among the worst performers in the EU on this dimension, with an AROPE rate of 30.3% in 2024 vs an EU average of 21.0%. The rate decreased to 29% in 2025. Unlike previous years, the significant inflationary pressures in 2023 could not be fully compensated by more modest increases in minimum wages and especially pensions in the same year (while the rise in minimum wages for the two following years was marked, both in nominal and real terms, as explained in the policy response section). The loss in purchasing power for minimum wage earners in 2023 is also reflected in the increase in the at risk of poverty (AROP) rate by 1.1 pps in that same year. In absolute terms, the total number of people at risk of poverty or social exclusion (AROPE) increased by about 20 000 in 2024. Nonetheless, the overall reduction compared to the 2019 reference year was 371 000 in 2024, and 455 000 in 2025. The country therefore appears to remain on its path to reach its national poverty reduction target of 787 000 fewer people at risk of poverty or social exclusion by 2030. Still, the higher incidence of monetary poverty and severe material and social deprivation, especially among certain groups, leaves scope for further policy action.

Children faced significant poverty risks in 2024 and 2025. The AROPE rate for children increased by 1.2 pps to 35.1% in 2024 (vs 24.2% in the EU). The latest figures show a rate of 33.1% in 2025. More than 4 in 5 children with parents who had at most lower secondary education were affected by AROPE, compared to around 1 in 9 children with at least one parent who attained tertiary education level. The severe material and social deprivation rate for children decreased at a lower rate compared to that for the general population (0.8 pps vs 1.4 pps between 2023 and 2024). This is likely linked to the fact that a greater number of households with dependent children experienced payment arrears and faced unexpected financial expenses. Disadvantaged groups such as the Roma exhibit significantly higher levels of deprivation. While there has been overall a positive development, with a reduction of Roma children at risk of poverty in Bulgaria in 2024 (61% compared to 90% in 2016)[11], as many as 10.5% of Roma children are still unable to secure any of the 13 measured items that define material deprivation[12], vs 0.7%. for Bulgarian ethnic kids. Compared to the progress towards the overall national poverty reduction target, progress on reducing child poverty has been more uneven. The number of children in poverty has decreased by 40,000 compared to 2019, but the gap to the reduction target (of 196,750 by 2030) has widened relative to 2023. Latest data for 2025 suggest that Bulgaria is back on track to reach its target, with 62 000 fewer children at risk of poverty or social exclusion compared to 2019.

[11] European Union Agency for Fundamental Rights (2024), Rights of Roma and Travellers in 13 European countries: Perspectives from the Roma Survey 2024

[12] Source: National Statistical Institute https://www.nsi.bg/en/file/28602/SILC2024_en_98M6P1Q.pdf.

Figure 1:At-risk-of-poverty or social exclusion rate, for the total population and for children (0-17), impact of social transfers on % poverty reduction



Source: Eurostat online database [ilc_peps01n], [tespm050], EU SILC.

Various factors including age, residence, disability status and ethnicity, as well as employment status, impact the probability of being at risk of poverty or social exclusion. In addition to children, older people are considerably more at risk (36.6% in 2024 and 35.3% in 2025), especially older women (65 and over). This is related to the low aggregate replacement ratio of pensions (0.44 in 2024, and 0.46 in 2025, vs 0.6 EU average in 2024). Challenges related to pension adequacy are also expected to increase over the long term, as replacement rates are projected to decline. People residing in rural areas are close to twice as likely to face poverty or social exclusion risks (40.8% in 2024 and 2025) than those residing in cities (22.1% in 2024 and 20.9% in 2025). Persons with disabilities, as well as the Roma population, showed the highest AROPE rates. Persons with disabilities faced rates of 43.8% in 2024 and 42.3% in 2025, while the AROPE rate among the Roma population was 78.3%[13] in 2024. However, according to the FRA survey, AROP for Roma has decreased strongly, from 86% in 2016 to 53% in 2024. The unemployed in Bulgaria also face a risk of poverty that is higher than the EU average (58.7% in 2024, and 55.1% in 2025, vs 48.8% for the EU in 2024) and they are much less likely to receive any social benefits when at risk at poverty than on average in the EU (22.8% vs 52.8%). Despite strong wage growth, in-work poverty affected 11.8% of the Bulgarian population in employment in 2024 (vs 8.2% in the EU), up from 11.4% in 2023, and with only a marginal decrease to 11.5% in 2025. Part-timers and temporary contract employees were also more likely to experience in-work poverty (29.2% and 36.9%, respectively, in 2024). In 17 out of the 28 districts, a significant number of people fell below the national poverty threshold, due to, among others, large discrepancies in incomes at the regional (NUTS 3) level[14].

Income inequality rose again in 2024, and remained broadly stable at the new level in 2025, after five consecutive years of decrease, while the impact of social transfers (other than pensions) on poverty reduction and inequality did not improve further. Based on the income quintile share ratio (S80/S20), the income of the richest 20% of the population was nearly 7 times (6.96 in 2024 and 6.94 in 2025) higher than that of the poorest 20%, reversing the downward trend since 2019. Bulgaria ranks among the worst performers Member States on this dimension (EU average is 4.66 in 2024). The bottom 40% of the income distribution secured 17.5% of total income in 2024 (17.7% in 2025), which is among the lowest shares in the EU (21.8%). At the same time, social transfers (excluding pensions) reduced poverty by only 27.7% in 2024, significantly below the EU average of 34.2%. This remained almost unchanged from 2023, following an increase from 24.4% in 2022, mainly due to improvements in multiple social assistance schemes, and declined to 26.9% in 2025. The poverty reducing effect of social benefits is lower for children, at 27.9%, compared to 30.7% for the working-age population (vs the respective EU averages of 41.9% and 36.3%). In 2025, the poverty reducing impact declined for children to 26.8%, while it only marginally increased for the working-age population to 30.9%. At the same time, it should be noted that these figures still only partially reflect the wider reform, implemented by Bulgaria in June 2023, overhauling the method for benefit calculation and the eligibility criteria. The Agency for Social Assistance indicates, for instance, that the number of monthly assistance recipients was roughly 50% higher in 2024 compared to 2023. Moreover, the available statistics do not fully take into account policy action in 2024, which improved the generosity and coverage of child and child disability benefits. In 2024, the inequality reducing effect of taxes and social transfers (excluding pensions) was one of the lowest in the EU (27.3%

[13] Source: National Statistical Institute.

[14] Source: National Statistical Institute

vs a EU average of 48.3%), and stable from the previous year[15].

Energy poverty and housing overcrowding remain persistent challenges for Bulgarian households, notwithstanding improvements. In 2024, the share of households unable to keep their homes adequately warm declined to 19% (vs 20.7% in 2023), still remaining more than twice the EU average of 9.2%. This figure further dropped to 16.1% in 2025. Being at risk of poverty increased this share to 37.2% vs 19.7% on average in the EU in 2024, while a decline to 33.1% was observed in 2025. Household composition plays a key role as well, with almost 1 in 4 single person households (both with and without dependent children) unable to keep their homes adequately warm in 2025 (vs 27.8 in 2024). In addition, 33.8% of people lived in an overcrowded house in 2024 (32.5% in 2025), vs 16.9% in the EU. For those at risk of poverty this share was 42.9% (40.3% in 2025) vs 28.9% in the EU.

The rapidly ageing population underscores the importance of challenges related to the availability and affordability of healthcare and long-term care (LTC), alongside existing regional disparities and differences in access for vulnerable groups. Spending on LTC in Bulgaria was among the lowest in the EU in 2022 (0.5% of GDP vs 1.7% on average in the EU)[16]. This translated into a very low proportion of people aged 65+ receiving public home care or residential care (0.7% and 1.1% respectively in 2022 vs 5.5% and 3.3% on average in the EU). Affordability of LTC is a significant barrier to access. Public social protection for homecare is limited, with out-of-pocket costs higher than the EU average. In 2024, 29.4% of people in need of LTC and not using professional homecare reported financial reasons as the cause of this (vs 10.6% in the EU). On the other hand, Bulgaria has progressively improved access and coverage of community and family-based social services. The mechanism for personal assistance under the Personal Assistance Act and the social service assistance support under the Social Services Act reached around 86 000 monthly users on average in 2024 (a 19% increase from 2023). The number of social services provided has also steadily increased reaching a total of 2 252 in 2024 (4% up from the 2 169 in 2023), covering above 130 000 users throughout the year. Nonetheless, 82% of these services are based in urban centres, and only 18% in rural areas. While the self-reported unmet need for medical care in Bulgaria is low (1.1% in 2024, and 1.0% in 2025, compared to the EU average of 2.5% in 2024), it is more prevalent among people in the lowest income quintile (2.7% compared to 0.3% for the highest). Bulgaria has one of the highest shares of out-of-pocket payments for healthcare in the EU (35.5% vs 14.9% in 2023), which contributes to socio-economic inequalities in access. With 2 out of 5 reported as not having health insurance, access barriers remain pronounced for the Roma. Residents in rural areas often face limited access to both healthcare and LTC services, including specialised and emergency care, partly due to shortages of health and LTC professionals. Bulgaria ranks below the EU average on the number of LTC workers in employment per 100 individuals above 65 (2.4 vs 3.2 in the EU), partially due to the difficult working conditions and low pay.

b) Relevant planned and ongoing policy responses

Bulgaria has further developed and strengthened actions to tackle poverty among vulnerable groups, with a particular focus on children, including through the implementation of the Child Guarantee. The main framework has been established under the National Strategy for Poverty Reduction and Promotion of Social Inclusion 2030 and is implemented through 2-year action plans. In August 2025, the Ministry of Labour and Social Policy (MLSP) published the 2025-26 action plan, which recognised drawbacks and insufficient progress in policy coordination, (social) housing and focus on labour market integration, inclusion of persons with disabilities, among others. It maintained a strong social protection and the expansion of social services, but also introduced novelties such as the development of national standards for early childhood education and care (ECEC), the hiring of housing mediators and the expansion of mental health provision.

The 2-year operational plan for the implementation of the Child Guarantee was presented in August 2025, underlining new priorities in addressing proper nutrition and housing. These include measures such as preparatory work for a housing strategy, the reinforcement of patronage care for children aged 0-3, the creation of a framework for healthy nutrition and the establishment of quality standards for ECEC. Yet, the policy response will have to be closely monitored to evaluate whether

[15] The impact of taxes in reducing inequality was only 4.7% in 2024, vs a EU average of 16.5%, while the impact of social transfers was at 21% vs 34.6% for the EU.

[16] European Commission, EPC, 2024 Ageing Report.

it is sufficient to address the significant child poverty challenge that the country is facing.

EU funding has been contributing to these efforts. The European Social Fund Plus (ESF+) has allocated more than EUR 632 million (over 25% of the total allocation) to social inclusion measures, including EUR 136 million to tackle child poverty (5.4% of the total ESF+ envelope). Many of these are already launched and/or under implementation, for example the new measure on the mapping of extreme child poverty, which started in 2026, for which the results are yet to be seen. In addition, a new operation under the European Child Guarantee will offer a broader range of activities and services to support the development and well-being of children. The Recovery and Resilience Facility (RRF) and the European Regional Development Fund (ERDF) have provided further financing in infrastructural development of kindergartens, schools and social services, although for the former the ambition was lowered. Bulgaria also benefits from the Technical Support Instrument (TSI) to improve the quality of ECEC services for children aged 0-6 by strengthening the governance, monitoring and evaluation of the sector. While Bulgaria has actively pursued multiple measures to combat poverty and social exclusion, the still high AROPE rates suggest further scope for action.

The adoption of a minimum wage mechanism in 2023 has led to a marked rise in the minimum wage in 2024 and 2025, in both nominal and real terms. The first minimum wage determined through the new methodology came into effect in 2024, representing a nearly 20% increase vis-à-vis 2023, far exceeding the 2024 inflation rate of 2.6%. These developments are nonetheless not yet captured by the social statistics (from EU-SILC) in 2024, as the latter are based on 2023 income data. Overall, statutory minimum wages increased by 30% between January 2024 and January 2026, corresponding to an increase of 22% in real terms. As of January 2026, the minimum wage is EUR 620, constituting a 12.6% nominal rise from 2025 levels. Despite the increases in recent years, in-work poverty has continued to rise, suggesting scope for additional policy measures beyond minimum wage adjustments. Bulgaria is still working on revising the minimum wage mechanism to better reflect employers' considerations, but the progress has stalled, resulting in employers' organisations withholding support for the 2026 minimum wage increase. Following the transposition of the Minimum Wage Directive (2022/2041/EU), and in accordance with legal obligations, the Ministry of Labour and Social Policy put a draft amendment of the Labour Code up for public consultation, aiming to encourage collective agreements with a dedicated national action plan to be adopted in 2026.

The 2023 minimum income reform has reinforced the Bulgarian social protection system, but adequacy issues have not yet been fully addressed. According to the Social Protection Committee benchmarking framework on minimum income (MI), in 2023 Bulgaria performed significantly worse than the EU average, with MI benefits at 19.1% of the AROP threshold, vs 56.3% in the EU. However, as the 2023 reform was implemented only halfway through the year, these figures should be interpreted with caution. Preliminary data for 2024 point to an increase in adequacy following the 2023 minimum income reform, now estimated at 38.1% of the AROP threshold, which is nevertheless still well below the EU average. According to a recent OECD report, while there have been improvements in minimum income coverage in Bulgaria, there is still scope for further steps to strengthen the system's effectiveness in addressing poverty[17]. On the other hand, Bulgaria intensified support for children by improving the adequacy of the one-time benefits for pregnancy and childbirth, along with the monthly benefits for raising children (including with permanent disabilities), in 2024. Furthermore, in 2025 proposals were developed to ease the administrative burden, including of the sanction regime of the school enrolment benefit for children. In the context of a growing government deficit, pensions have moved to centre stage in policy considerations. In July 2025, pensions were increased by 8.6% in light of the annual indexation, leading to increased pensions in real terms. Yet, the growing transfers from the central budget forced the government to take action. The Ministry of Labour and Social Policy together with other responsible institutions have committed to produce a roadmap in 2026, aiming at sustainable financing and increased adequacy of the pension system. Additionally, in March 2026, the National Assembly adopted amendments to the Social Security Code, promulgating the multi-fund system into the second and third pillars of the Bulgarian pension system.

[17] OECD Review of Labour Market and Social Policy – Bulgaria 2025, page 69.

With respect to energy poverty, there have been limited developments after the adoption of the energy poverty definition in 2023. The government has channelled its efforts mostly in the direction of building renovation for energy efficiency, relying on RRF resources, the ERDF and the national budget, and strengthening the heating allowance. The renegotiated RRP also requires the country to set up a coordination unit for energy poverty under the Council of Ministers, and to develop an information system to track affected households, based upon the legal definition, which should both be operational by July 2026. A coordination mechanism for energy poverty was created through Council Decision No 766 in November 2025. This would develop a long-term strategy for addressing energy poverty within 6 months of its establishment. It would also be responsible for overlooking the overall policy development, as well as proposing concrete measures.

Deinstitutionalisation and the transition towards a human-centred approach in social services remain at the heart of the government policy. In June 2025, numerous reports cited inhumane treatment of residents in a number of illegal care establishments, predominantly in smaller towns and villages. After the Agency for the Quality of Social Services (AQSS) uncovered unlicensed homes with extremely poor living conditions, the Ministry of Labour and Social Policy clamped down on illegal social service establishments. It also introduced amendments to the Criminal Code to regulate criminal liability of people providing unlicensed care services. The Ministry initiated amendments to the Social Services Act, tightening the regulatory mandate and related sanctions, and the capacity of the AQSS was enhanced by hiring more on-site inspectors. In addition, amendments to the Ordinance on the Quality of Social Services were prepared in 2026 based primarily on the control activities of AQSS and reinforcing the standards for the existing services by regulating the differentiation of residential care for persons with disabilities, professional background of directors and adequate staff provision in residential care. The deinstitutionalisation of adults with disabilities remains however largely focused in developing further residential services rather than the development of support for independent living in the community[18]. Deinstitutionalisation of child services, improvement of living conditions and prevention of family separation remain a priority, with the goal of closing down the last 2 socio-medical specialised institutions for the age group 0-3 by the end of 2027. Unfortunately, the target to close them until 2025was not met, but Bulgaria has significantly reduced the total capacity (from 352 in 2024 to 172 in 2025). In 2025, over EUR 537 million have been allocated to the social services sector, around EUR 400 million more than in 2019 (i.e. more than a threefold increase). The new standards for financing social services, state delegated activities, are expected to apply from 1 January .2027.

The EU Cohesion Policy Funds and the RRF are making sizeable contributions to strengthening Bulgaria's LTC and healthcare systems. Under the RRF, LTC investments in the renovation of existing social services (homes for elderly) are being finalised and the Ministry of Labour and Social Policy is working to secure all other projects related to the construction of new services. The ESF+ support for home care is gradually being phased out, shifting the scope to the most in need. To address the shortage of specialists and nurses in remote areas, the government approved a national strategy to incentivise healthcare professionals to relocate, via scholarships, housing, support for families, and higher pay. The ESF+ is providing financial assistance for their studies and training. Meanwhile, although delayed, the reforms and investments under the RRF are fostering the improvement in preventive and outpatient care and aiming to provide better coverage and regional distribution of healthcare personnel.

2.1.2 Education and Skills

a) State of play and developments on social convergence risks

Low participation in formal childcare can impact foundational learning, while challenges in ensuring quality and equity in education negatively impact on basic skills development. [19] Despite an increase of 3.8 pps to 21.2% in 2024, and an additional improvement by 0.9 pps to 22.1% in 2025, participation in early childhood education and care (ECEC) of children aged 0-3 remained low compared to the EU average (39.2% in 2024, and also below the national Barcelona

[18] European Commission, European Semester 2025-2026 country fiche on disability equality – Bulgaria

[19] Based on OECD's 2022 PISA, with a focus on low performing students.

2030 target of 30%.[20] Participation of children aged 3 to school age is approaching the EU average (88.8% vs 94.6% in 2023), but remains much lower for Roma children (at 68%[21]), despite a 10 pps increase since 2021. The main reasons stem from misalignment between kindergarten locations and areas of highest demand, with a particular shortage of places in large urban areas[22]. According to the OECD's 2022 PISA results, Bulgaria has one of the highest shares of students who do not possess the basic skills required for effective participation in society: the share of low achievers is 54% in mathematics, 53% in reading and 48% in science (vs 30%, 26%, and 24%, respectively, in the EU). Socio-economic background is a strong determinant of results, with almost 8 out of 10 students from socio-economically disadvantaged backgrounds not meeting basic skills levels in mathematics. Although relevant measures have been put in place and participation and performance in education for Roma children have improved from 2016 to 2024, educational segregation increased by more than 10 pps, with 70% of Roma children in 2024 attending a school where all or most pupils are Roma (among the highest shares in the EU)[23]. Early school leaving remains higher in rural areas, reflecting persistent territorial inequalities in access and retention in education.

Despite high enrolment in vocational education and training (VET), the labour market relevance and quality of VET programmes remain low. While the share of learners enrolled in medium-level vocational programmes (56.1% in 2023) exceeds the EU average (52.4%), this is mainly due to the higher number of places in VET compared to general education, the early tracking of students and the territorial spread of VET schools. This higher enrolment is also supported by consistent policies of the Ministry of Education and Science, implemented in cooperation with the employers, including regional admission targets based on labour market needs. However, nearly half of VET students attend small rural schools lacking specialised staff and modern equipment[24]. This impacts the employment rate of recent VET graduates, which is significantly below the EU average (66.2% vs 80% in 2024)[25]. In 2025, for nearly half of VET graduates, and up to two thirds in some districts, there was no corresponding demand from employers for their professional qualifications. The data show that many specialties and professions with low market demand still have high participation rates (e.g., agriculture, hospitality), whereas some sectors in high demand have lower intakes (e.g, manufacturing, construction, transport)[26]. Despite having more than tripled since 2018, the share of VET students enrolled in dual training remains low (6.8% in the 2025/2026 school year)[27]. The main reasons for this include difficulties in linking schools with employers in rural areas, limited resources in small VET schools, and low involvement of enterprises[28].

Tertiary educational attainment has increased markedly over the past decade, but challenges remain in labour market relevance and inclusiveness of higher education. In 2024, 40.5% of Bulgarians aged 25-34 had a tertiary education degree, up from 31.8% in 2015. This significant increase brings Bulgaria closer to the EU average of 44.1%, and the EU-level target of 45% by 2030. While progress is also visible in the share of graduates working in positions requiring higher education (up from 46% to 61% between 2014 and 2024[29]), further efforts are needed to align the higher education offer to business needs. Significant challenges also persist in ensuring equitable access: in 2024, only 2% of higher education students came from families where parents had only primary or lower education, and around 37% from families where neither parent had education beyond secondary level[30]. The participation of young adults with disabilities in tertiary education is also particularly low, with a rate of persons with disabilities aged 25-34 who

20 Bulgaria set a national target of 25% in its Child Guarantee Action Plan

21 European Union Agency for Fundamental Rights (2024), Rights of Roma and Travellers in 13 European countries: Perspectives from the Roma Survey 2024.

22 OECD (2025), Education and Skills in Bulgaria, Reviews of National Policies for Education (page 81).

23 European Union Agency for Fundamental Rights (2024), Rights of Roma and Travellers in 13 European countries: Perspectives from the Roma Survey 2024.

24 OECD (2025), *Education and Skills in Bulgaria*, Reviews of National Policies for Education.

25 Eurostat: edat_lfse_24.

26 Institute for Market Economics, Education and employment 2025, Index of the Correspondence between Vocational Education and Economic Profiles.

27 Work based learning (dual system of training) | CEDEFOP; Bulgaria, Ministry of Education and Science data.

28 OECD (2025), Education and Skills in Bulgaria, Reviews of National Policies for Education.

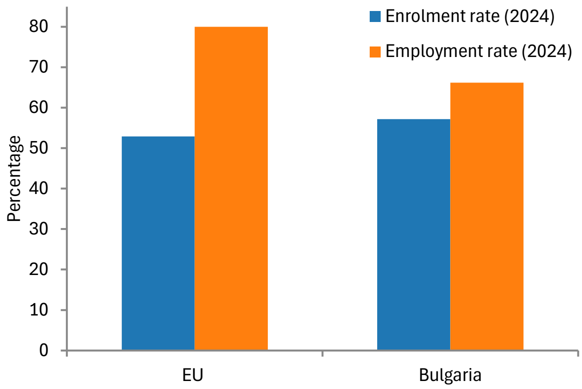
29 BURS (2024), Rating of universities in Bulgaria 2024, https://rsvu.mon.bg/#/?locale=en.

30 BURS (2024), Rating of universities in Bulgaria 2024, https://rsvu.mon.bg/#/?locale=en.

completed tertiary education at 2.2%, vs 29.5% for those without.

The continuing low participation of adults in learning undermines the workforce's adaptability in view of the twin transition and negatively impacts on competitiveness by exacerbating

Figure 2: VET Enrolment vs Employment Outcomes



Source: Eurostat [educ_uoe_enra16, edat_lfse_24].

shortages of skilled labour. While employment continues to rise steadily (surpassing pre-pandemic levels and reaching 77.0% in 2025) and unemployment remains record low (dropping to 3.5% in 2025), Bulgaria is struggling to increase participation rates and opportunities for upskilling the workforce, with businesses reporting lack of labour, including skilled labour, as one of the major activity constraints[31]. The latest available Adult Education Survey (AES) data indicates that Bulgaria is lagging behind its EU peers, with only 9.5% of adults participating in learning every year, vs 39.5% in the EU in 2022. This is almost 26 pps below the 2030 national target of 35.4%. Data from the Labour Force Survey (LFS) further indicates that there was no substantial increase in adult learning participation between 2022 and 2024. The main drivers for low participation in learning are lack of time, the high costs of training and family reasons[32], but other reasons include lack of awareness of the benefits of lifelong learning and difficulties to physically access the training. For training offered by the PES, the limited flexibility of course schedules and the low availability of online training were identified as the main obstacles[33]. At the same time, the share of Bulgarian adults reported having at least basic digital skills increased to 38.3% in 2025 (from 35.5% in 2023), but continued lagging significantly behind the EU average of 60.4%. This also impedes access to lifelong learning opportunities. Active labour market policies dedicate a substantial share of resources to subsidised employment at the expense of training[34]. With one of the lowest GDP per capita in the EU and labour productivity growth mainly driven by increases in average hours worked, rather than improvements in output per hour, Bulgaria faces a pressing need for effective upskilling of its workforce to boost competitiveness.

b) Relevant planned and ongoing policy responses

Relevant measures are in progress to enhance the quality of school and pre-school education, including teaching quality and STEM learning. Bulgaria is continuing to implement targeted measures to improve access, quality and equity in education and training, from early childhood to higher education, with substantial support from EU funds, in line with the 2025–27 Action Plan under the Strategic Framework for Education and Training (2021–2030). Moreover, in spring 2025, the government initiated a revision of the Pre-School and School Education Act aiming to improve educational quality by strengthening governance, assessment and student support, with a stronger emphasis on educational impact. This was nonetheless put on hold after the government resigned at the end of 2025. The Ministry of Education also proposed a draft concept for a long-term curriculum reform, prioritising skills and literacy over specialisation, alongside a faster-track proposal to increase teaching hours in basic skills, focusing on skills development rather than knowledge content. The Technical Support Instrument (TSI) is also supporting Bulgaria in revising its curricular framework for grades 5-7, to better implement the competency-based approach. Complementary to this, the ESF+ Programme Education is investing EUR 85 million for a more effective implementation of

31 See https://www.nsi.bg/en/press-release/nablyudenie-na-biznes-tendenciite-v-promishlenostta-stroitelstvoto-targoviyata-na-drebno-i-uslugite-8800 and see also the 2025 PES survey on the needs of labour (https://www.az.government.bg/pages/prouchvane-potrebnosti-2025/).

32 https://www.nsi.bg/en/press-release/main-results-from-the-adult-education-survey-2022-preliminary-data-7060.

33 See SWD (2025) 95 final of 11 April 2025, Second-stage country analysis on social convergence in line with the Social Convergence Framework (SCF), p. 5.

34 See also Metric Analytics (2023), Imbalances of the Labour Market: Methodology for Short-term Prognosis and Analysis of the Development of the Labour Market in Bulgaria, Sofia on the impact of training and subsidised employment.

competency-based curricula, by providing teacher training, promoting learning communities, and modernising students' assessment methods. In September 2025, the Ministry of Education and Science proposed an ordinance introducing internal quality management systems in schools and kindergartens. STEM learning is being enhanced as well. Complementing the national efforts, the RRF is financing the set-up of STEM laboratories in about 2000 schools, together with the set-up of a national STEM centre and training facilities for three regional ones, while the ESF+ is funding the training for nearly 40 000 teachers in STEM subjects. Timely and effective implementation of these actions is necessary to achieve real improvements in students' learning outcomes. Moreover, complementary efforts are needed concerning teacher professional development, including a robust system to identify teachers' training needs, as well as measures to address teacher shortages, particularly by recruiting and retaining novice teachers.

Bulgaria is making efforts to modernise VET, but progress depends on effective and timely implementation. New forms of cooperation between the education system and employers are emerging, such as Sector Skills Councils, Centres of Vocational Excellence, and skills anticipation mechanisms, supported by the RRF, ESF+ and the state budget. The amendments to the VET Act adopted in spring 2024 (a reform included in the RRP) led to an updated list of VET professions and VET programmes, designed to be better aligned with labour market needs. All programmes now include mandatory horizontal green and digital competences, as well as the option to include school-specific curricula aimed to reflect the specificities of local labour markets. The 2025 amendment to Ordinance No. 2/2014 simplified validation procedures, introduced validation of individual learning units, and improved data reporting and transparency, in line with the updated VET Act and education standards. In June 2025, the Ministry of Education and Science[2] adopted an Ordinance on Quality Assurance of VET, requiring VET centres to develop internal evaluation systems. However, further efforts are needed to establish a comprehensive quality assurance system at the national level. Regarding dual VET, the state budget now covers health and social security insurance for students, with the aim of fostering companies' involvement. A new Ordinance on dual VET introduces several improvements, including easier appointment of in-company mentors, enhanced career guidance, and a more flexible training schedule for students in the 11th and 12th grades. Nonetheless, efforts should continue to raise awareness of dual VET, and strengthen employer and local stakeholders' engagement, including municipalities, trade unions and NGOs, in both VET and dual VET. Additionally, the Bulgarian National Employment Agency (NEA) benefits of technical support under the TSI to provide more effective services to jobseekers and employers, in line with the green and digital transition, and to improve its working methods and better identify training needs for its staff.

Measures are in place to enhance the quality and labour market relevance of higher education but there is scope for further action. As part of the reform of higher education under the RRP, Bulgaria has updated the list of "protected specialisations" (such as the one for nurses), based on demand and expected labour market shortages, and has exempted students undertaking them from fees. The Action Plan for the Development of Higher Education (2021–2030) includes measures to develop mechanisms for updating curricula, with a focus on expanding skills-based learning and fostering cooperation with businesses, as well as addressing existing regional imbalances in the study offer[35]. In October 2025, the ESF+ Programme Education launched the procedure "Modernisation of Higher Education 2.0" (EUR 102.2 million), aimed at fostering competence-based learning, strengthening the interdisciplinary approach, and supporting the internationalisation of Bulgarian higher education institutions. While progress is visible, for example, in the increase of the share of graduates working in positions requiring higher education and in the share of foreign students[36], further efforts are needed to enhance the quality and labour market relevance of higher education. Measures such as expanding cooperation among higher education institutions, improving quality monitoring systems, introducing incentives that reward high-quality teaching and widening the access for vulnerable groups have the potential to improve outcomes in tertiary education.

Bulgaria has put in place measures that provide a wide range of training opportunities, but the

[35] The North-West region has the highest needs of higher education development, accounting for only 2.7% of students and 1.9% of graduates, followed by the South-East region (6.4% of students and 6.7% of graduates). See National Map of Higher Education in the Republic of Bulgaria for 2024.

[36] BURS (2024b), Rating of universities in Bulgaria 2024, https://rsvu.mon.bg/#/?locale=en.

overall impact is still limited. Several operations are already in place focusing on training, upskilling and reskilling, financed by the RRF, the Just Transition Fund (JTF) and ESF+ under Bulgaria's Human Resources Development Programme (HRDP) and Education programme. They target different groups, such as people outside the labour force, employed as well as unemployed people, persons with disabilities and workers in the coal and energy industry directly affected by the green transition. Furthermore, the NEA offers a range of training programmes, including under the National Employment Action Plan. In 2025, the NEA's initiatives resulted in 155 455 individuals participating in adult training programmes and 98 239 in digital literacy training. New measures, such as a pilot project for individual learning accounts, specific trainings on demand (both under ESF+) and efforts to identify the reasons for the low levels of adult participation in learning, have been launched in 2025. However, some activities face challenges in particular digital skills training under the RRF, due to lower-than-expected take-up by the target groups, prompting the NEA to launch an advertising campaign. Lack of interest in some of the training opportunities has led the Bulgarian authorities to reprogramme the resources towards training opportunities that better fit the needs of individuals and employers and are easier to access. Measures facilitating access to training by reducing unnecessary administrative burden, increasing the flexibility and the availability of (in particular online) trainings, intensifying the dialogue with social partners on the implementation of effective measures and increasing broad awareness about the benefits of life-long learning have the potential to improve outcomes. The creation of a nationwide network of 1 325 digital clubs with RRF support aims to reduce digital exclusion and provide access to digital training and learning opportunities. However, the persistently low levels of adult participation in learning point to the importance of a thorough analysis of the disincentives to take up lifelong learning and a comprehensive approach to address them.

2.1.3 Concluding remarks

The available quantitative and qualitative evidence in this second stage analysis points to challenges in the area of social protection and inclusion. While an improvement was recorded in 2023, the share of the population at risk of poverty or social inclusion increased marginally in 2024 and then decreased moderately in 2025. The share of children experiencing poverty or social exclusion risks increased at an even higher pace in 2024, and then fell again in 2025, while remaining at very high levels. In both 2024 and 2025, income inequalities increased compared to 2023 and the impact of social transfers on poverty reduction did not improve. Challenges related to education and skills include the low participation in early childhood education and care, low basic skills levels, the labour market relevance of vocational education and training and higher education, low adult participation in learning and share of adults with at least basic digital skills. All these challenges negatively impact on competitiveness, employability and the twin transition.

The measures implemented or planned so far, such as to improve the quality and inclusiveness of education, labour market relevance of VET and higher education, the skills of the workforce, as well as the reform of social assistance and social services, and actions to reduce poverty and social exclusion, are expected to contribute to addressing existing challenges. This will nonetheless also crucially depend on their full and timely implementation, as well as effective involvement of all relevant stakeholders. Despite the progress made, more efforts are needed for Bulgaria to address in full the challenges that the country is facing in relation to social protection and inclusion, and education and skills.

2.2 Greece

In the first-stage analysis in the JER 2026, Greece was identified as facing potential risks to upward social convergence based on 9 headline indicators of the Social Scoreboard flagging. The risks identified concern the area of social protection and inclusion, notably the still high **at-risk-of-poverty or social exclusion rate**, **including for children,** the low **impact of social transfers (excluding pensions) on poverty reduction,** persisting **income inequality**, the high **housing cost overburden** and **self-reported unmet needs for medical care**. While labour market performance has been improving overall, risks remained, notably in relation to the high **gender employment gap** and low **gross disposable household income per capita.** Finally, the low and declining **share of adults participating in learning** was also identified as a criticality.

2.2.1 Social protection and social inclusion

a) State of play and developments on social convergence risks

After a decade-long decline, the share of people at risk of poverty or social exclusion (AROPE) increased in 2024, remaining among the highest in the EU. Greece has set an ambitious national target to reduce the number of people at risk of poverty or social exclusion by 860 000 by 2030. Until 2023, the country was on track to meet this target, having achieved a reduction of 401 000 people compared to the 2019 baseline. However, in 2024 the AROPE rate increased for the first time in 10 years by 0.8 pps to 26.9% (i.e. an increase by 86 000 people), reversing part of the progress made. This was driven by an increase in the at-risk-of-poverty rate and the share of severely materially or socially deprived (two of the sub-components of AROPE), breaking the trend of convergence observed up to 2023. The relative at risk of poverty gap, which measures the depth of poverty, also stood above the EU average (at 23.3% vs 22.7%)[37]. The difficult social situation, in a context of reduced spending on social protection as a percentage of GDP, is further illustrated by the very high share of the population declaring to have at least some difficulty in making ends meet (86.2%)[38][39]. Furthermore, one out of three persons with disabilities were at risk of poverty or social exclusion (33.0%) in 2024, above the EU average (28.7%). Moreover, there are regional disparities as regards poverty levels and deprivation rates in Greece. The AROPE rates for Epirus, Crete and South Aegean remain below the EU average (21.0%), while regions such as Ionian Islands and Western Macedonia show increasing AROPE rates that are more than 15 pps above the EU average. In addition, the share of materially and socially deprived people differs by region, with North and Central Greece showing higher levels compared to Attica and island regions. These disparities can be explained by differences in economic opportunities and access to social services, healthcare and other essential services.

The share of children at risk of poverty or social exclusion remains at a very high level. In 2024, the AROPE rate for children stood at 27.9%, 1.0 pp higher than for the total population and among the highest in the EU. The rate remained broadly unchanged compared to the previous year, decreasing by only 0.2 pps. The proportion of children at risk of poverty (AROP) increased slightly to 22.4% (vs 19.3% in the EU), while the share of those experiencing severe material and social deprivation decreased by 1.7 pps to 13.9% (still almost double the EU average of 7.9%). One out of three children (33.6%) below the age of 16 faced material deprivation in 2024. The at-risk-of poverty rate for children is strongly influenced by the educational attainment level of their parents. Children whose parents attained less than primary or lower secondary education (ISCED 0-2) are five times more at-risk-of poverty and four times more likely to face material deprivation compared to children of parents with tertiary education. In addition, children of parents with foreign citizenship have higher at-risk-of poverty rates compared to children of Greek nationals, and their AROP rates have been gradually increasing since 2022. The still high level of severe material and social deprivation remains a significant factor behind the high AROPE rate for children. Overall, this may hamper children's prospects and constitutes a driver of long-run social divergence.

The effectiveness of social transfers in addressing poverty and reducing inequalities continues to deteriorate. The social protection system continues to face significant challenges regarding coverage and effectiveness. In 2024, social transfers (excluding pensions) reduced

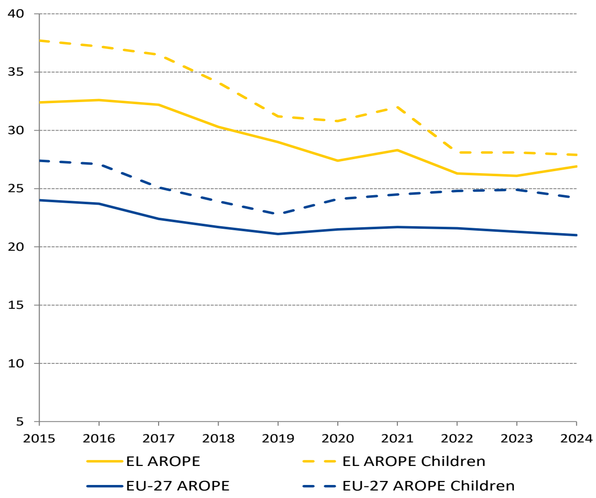
[37] Source: Eurostat online database [ilc_li11].

[38] European Commission, Key figures on European living conditions – 2025 edition.

[39] Source: Eurostat online database [ilc_mdesd09].

poverty by just 16.6%, a rate continuously declining since 2020, and less than half the EU average of 34.1%. This is primarily due to the non-indexation of benefits. There is scope for enhancing access to social protection for people in non-standard forms of employment and those in solo self-employment, especially since the latter make up almost one fifth (19.7% in 2024) of the total workforce in Greece (vs 9.3% in the EU). Most self-employed are not covered by sickness benefits, for accidents at work or paternity leave. Beyond gaps in formal coverage, there are also issues of effective coverage and adequacy for certain workers. 23.6% of the self-employed are affected by material and social deprivation (vs 6.9% in the EU), while around 58.3% of the unemployed are in material and social deprivation (vs 13.8% in the EU). As for the adequacy of minimum income benefits, Greece performs worse than the EU average (50.0% vs 55.6% in the EU as a share of the poverty threshold; 27.0% vs 46.1% in the EU as a share of the income of a low-wage earner). The coverage of benefits is also low, with the benefit recipient rate standing well below the EU average (67.0% vs 83.0% in the EU). This is partially explained by the limited fiscal space, relatively low overall social spending in percentage of GDP, inadequate coverage and other administrative barriers. There are also significant regional disparities in the impact of social transfers on poverty reduction, mostly caused by differences in access to services and in economic and labour market conditions, with some Greek regions converging to the EU average and others diverging over time. Social transfers have the largest impact in regions such as Epirus (25.5%), Thessaly (25.0%) and the Ionian Islands (23.5%), while the smallest impact was recorded in North Aegean (9.4%), Continental Greece (12.7%), and Western Greece (12.8%).

Figure 1: At-risk-of-poverty or social exclusion rate, 2015-2024 (%)



Source: Eurostat [ilc_peps01n], EU-SILC.

Housing affordability and availability, as well as energy poverty, remain significant challenges. In 2024, on average 35.5% of the available household income was spent on housing (vs 19.2% in EU)[40]. Moreover, 28.9% of the population lived in households where housing costs exceeded 40% of the household's disposable income, more than three times the EU average (8.2%). Vulnerable groups are disproportionately affected, with low-income households spending on average 62.8% of their income on housing (vs 36.9% in the EU), and 9 out of 10 (88.9%) people at risk of poverty facing housing cost overburden. In terms of tenure status, while the incidence of housing cost overburden is higher among tenants (37.4%), it is significant also among homeowners, with an outstanding mortgage or home loan (20.9%) or without (25.7%). Single households and single-parent households have higher risks, with around two thirds of them (65.1% and 65.8%, respectively) experiencing housing cost overburden, while the corresponding share among households with two or more adult members is considerably lower (below 25%). Compared to 2023, in 2024 energy poverty (measured as the inability to keep one's home adequately warm) remained stable at high levels (19.0% vs 9.2% in the EU) and increased by 3.8 pps for people at risk of poverty (43.6% vs 19.7% in the EU). Regional disparities in housing availability and costs, and in energy poverty, are still prevalent. Central Macedonia, Peloponnese and Eastern Macedonia-Thrace continue to be the most severely affected regions in terms of housing cost overburden rates. Although rural areas faced lower housing cost overburden rates in the past, in 2024,

[40] Source: Eurostat online database [ilc_mded01].

cities (29.0%), towns and suburbs (29.3%) and rural areas (27.8%) were affected to a similar degree. The Ionian Islands (24.9%), Western Greece (24.1%) and Peloponnese (23.1%) have elevated levels of energy poverty.

Access to healthcare and long-term care also continue to be a challenge. The share of people who self-reported unmet needs for medical care in Greece has been increasing since 2022, reaching 12.1% in 2024, and is currently one of the highest in the EU (where the average rate is 2.5%). The share of people with at least some level of disability reporting unmet medical needs has been increasing (30.8% in 2024, compared to 19.6% in 2021). This increase can, among others, be attributed to the delayed provision of treatment due to the backlog created by the COVID-19 pandemic, placing further pressure on the health infrastructure. More generally, self-reported unmet medical needs are mainly due to financial reasons, and to a lesser extent to waiting times and distance to healthcare facilities. They can be related to a very high proportion of out-of-pocket payments for healthcare (34.3% in 2023, more than twice the EU average). The recently introduced gate-keeper system, with a monthly limitation on reimbursements of medical costs related to specialist visits, may also act as another barrier. Unmet medical needs disproportionately affect certain regions, with Western Greece (14.5%), the Ionian Islands (14.2%) and Attica (13.4%) experiencing among the highest rates in the EU. Moreover, as the share of the population aged 65 and over is expected to increase, the demand for long-term care is becoming more acute[41]. Public expenditure on long-term care services as a percentage of GDP was, at 0.2%, among the lowest in the EU (1.7%), while the share of people aged over 65 with severe difficulties that used home care services in the last 12 months stood at 20.1%, well below the EU average of 28.6%. The overall low availability of home care and the scarcity of community-based services and residential care are exacerbated by territorial disparities in access.

b) Relevant planned and ongoing policy responses

To address poverty and social exclusion, Greece continues to rely mainly on ad-hoc financial support measures. Since 2023, income and wealth criteria for granting social benefits have been streamlined to better target people in need, and the processes for the provision of social welfare are being modernised. A new method of payment of allowances and welfare benefits through a single prepaid card was introduced with support from the Recovery and Resilience Facility (RRF), while a single digital access portal is being created through which applications for national social benefits are submitted and social care services are registered. High inflation in previous years, including rising energy prices, prompted a moderate (8%) increase and expansion of criteria of the Guaranteed Minimum Income (GMI) scheme in January 2024. As the benefit level remains well below the poverty threshold, it can only help alleviate poverty without eliminating it. Moreover, the benefit reaches only a portion of those at risk. There have been relatively limited policy developments on access to social protection for workers and the self-employed, mostly concerning the modernisation and digitalisation of the systems. The government relies increasingly on a set of transfers and one-off support measures to provide some relief to vulnerable groups and people in need. Such measures include energy subsidies, emergency relief actions, the recent introduction of an annual rent refund for vulnerable renters and an annual allowance for pensioners who meet specific income criteria. These policy responses can temporarily reduce hardship but do not by themselves resolve structural gaps in terms of adequacy and coverage of the social safety net.

Greece is putting emphasis on supporting families with children and tackling child poverty. In September 2025, the government announced a broad relief package to address demographic challenges, including an income tax reform favoring young people and households with children, tax exemptions for larger low-income families, incentives for living in rural areas and further childcare support. Meanwhile, the implementation of the Child Guarantee national action plan, which foresees a series of actions in line with the Recommendation for a European Child Guarantee[42], is progressing slowly. The actions include expanding early childhood education and care services and creating new childcare facilities, promoting deinstitutionalisation of care, providing material assistance to the most deprived families and their children, and delivering local action plans to tackle child poverty. With support from the European Social Fund Plus (ESF+), several regions have published calls for the

[41] European Commission, EPC, 2024 Ageing Report.

[42] Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee (EUR-Lex - 32021H1004 - EN - EUR-Lex).

development of integrated local action plans with targeted services to support children at risk of poverty. In the 2025-26 school year, students from a total of 1 918 school units (45% of Greece's public primary schools, mostly all-day schools) will be supported in providing a hot meal every day. Greece has also committed to eliminating institutional residential alternative care for children (zero children in institutions) and reduce the share of children at risk of poverty or social exclusion to 18.5% by 2030, however with limited progress to date. The aforementioned measures are expected to contribute to combatting child poverty and advancing towards reaching the national poverty reduction target.

Measures are being taken to address increasing housing and energy poverty challenges. The General Secretariat for Demographic and Housing Policy under the Ministry of Social Cohesion and Family is responsible for the coordination and implementation of housing policies. The Ministry is investing in the implementation of housing programmes to support young couples, to provide housing for vulnerable citizens and to make use of the existing dormant housing stock. With support from the RRF, Greece has started providing means-tested, low-interest loans for the purchase of primary residences by young households and plans to adopt a comprehensive housing strategy with a mapping of the available housing stock and needs, considering the regional dimension. A new housing portal (stegasi.gov.gr) has been created to provide immediate, personalised and accessible information to citizens on all available housing programmes as well as any related legislative/regulatory initiatives. The Social Climate Plan, currently under preparation by Greece, will provide the necessary framework for supporting energy poor households and vulnerable transport users. Complementary, direct income support measures are foreseen to tackle the impact of the new emissions trading system (ETS2) on affected vulnerable groups. These policy initiatives are expected to gradually mitigate the pressures on housing and energy costs. As most of the planned measures have not been implemented yet, the available results as well as their impact on reducing the housing cost overburden are currently limited.

Greece has taken steps to improve access to healthcare and to establish a strategic framework for long-term care (LTC) services. The programmes under the EU Cohesion Policy 2021-27 earmark significant funding for the health system, with a strong emphasis on primary healthcare under the European Regional Development Fund (ERDF) and a focus on improved accessibility, specifically for vulnerable groups, under the ESF+. New primary healthcare units at local level are being established, including through the deployment of mobile units. At the same time, Greece has developed a strategic framework for LTC services with support from the TSI. This is a major step towards a more cohesive regulatory framework and standardised operational processes by 2026, including financial reforms to ensure availability, affordability and accessibility of services. The accompanying action plan sets out EU cohesion policy and RRP measures, such as the personal assistant scheme, the expansion of supported living houses and improving accessibility to public buildings. The priority moving forward is the effective implementation of these strategic plans. There is scope for stepping up efforts to improve the availability and affordability of quality non-residential community-based care, to speed up the deinstitutionalisation process and the transition to independent living of persons with disabilities.

2.2.2 Labour market

a) State of play and developments on social convergence risks

Greece's labour market performance has significantly improved in recent years. The employment rate has continued its upward trend, increasing from 60.8% in 2019 to 71.0% in 2025, and reducing the gap with the EU average (76.2% in 2025). The 71.1% target for 2030 is achievable and Greece is expected to exceed it. The growth in employment has been accompanied by a steady decline in the unemployment rate, which stood at 8.9% in 2025, 9.0 pps below its 2019 level. Long-term unemployment has also been declining, reaching 5.0% in 2025 from 5.4% in 2024, but is more than double the EU average of 1.9%. These positive labour market developments can be attributed to the continuing GDP growth in the recent years and the overall favourable economic outlook. The employment situation of young people, which remains challenging when compared to the rest of the EU, has also been improving since 2020. The youth (15-29) employment rate reached 36.2% in 2025 (+6.7 pps) and the rate of young people neither in employment nor in education and training (NEET) declined to 13.5% (-5.0 pps).

This good overall performance does not negate the fact that certain important challenges exist, notably related to the labour market participation of women. While the employment rate of women has steadily increased by 16.7 pps in the last decade, reaching 62.3% in 2025, it remains significantly lower than the employment rate of men (79.7% in 2025). The resulting gender employment gap (of 17.4 pps) is one of the largest in the EU (9.6 pps on average) and has shown only modest improvement over the past decade. The situation is even more challenging for older women (55-64), as only 49.5% of them were in employment in 2025 (compared to 70.9% of men in the same age group). Women are also more likely than men to remain unemployed, with their long-term unemployment rate (6.5% in 2025), standing 2.8 pps higher than that of men (3.7% in 2025). Educational attainment plays a role in the labour market participation of women: women having attained less than primary or lower secondary education (ISCED 0-2) are less active in the labour market (by 23.5 pps) compared to men. This gap has also further widened since 2019. Furthermore, women are more likely to be employed part-time than men (8.3% and 2.6% respectively). Regional disparities are prevalent, with regions such as Continental Greece and Thessaly showing an increasing gender employment gap. On the contrary, the gender employment gap is gradually closing in Attica and Epirus. The low labour market participation of women is a drag on economic growth and underlines significant challenges related to insufficient access to childcare and long-term care services, institutional barriers and limited work-life balance opportunities.

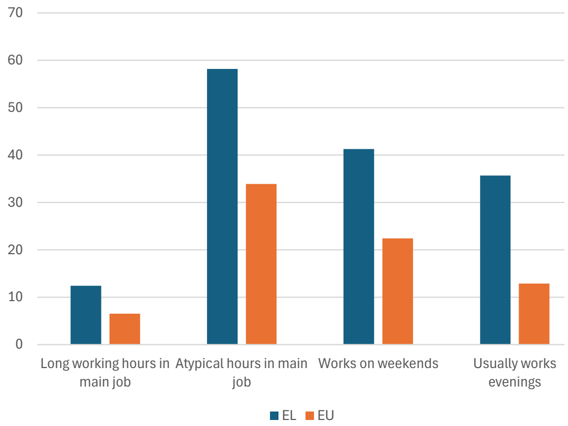
Weak labour market integration is an issue also among persons with disabilities and those born outside Greece. In 2024, only 24.3% of persons with disabilities were in the labour market, which was around a third compared to the activity rates of those without any disability. This disability employment gap has widened by 2.5 pps since 2023 and is 4.5 pps higher than the EU average. Employment challenges persist also for those born in other EU countries and for third-country nationals (from non-EU countries), whose employment rates stood at 55.4% and 63.8% in 2024, well below the national average of 69.3%. Unemployment rates vary significantly across regions, with the highest rates observed in northern regions (Western Macedonia, Central Macedonia and Eastern Macedonia and Thraki). These differences can be attributed to differences in economic performance, employment opportunities and access to education and training.

Income inequality persists in Greece, while gross disposable household income remains below previous levels despite slow improvements. In 2024, Greek per capita GDP in purchasing power standards (PPS) was among the lowest (EUR 27 800) in the EU, at 70% of the EU average (EUR 39 700). Real gross disposable income of households per capita remains 15.9% below the 2008 baseline (index 2008 = 100) (vs 14.3% above for the EU), while having improved from 17.9% below in 2023. Income inequality, as measured by the income quintile share ratio[43], although decreasing, has been consistently above the EU average (5.3 vs 4.7 in 2024), which can be partially attributed to the limited redistribution impact of taxes and social transfers. The effect of taxes and social transfers on income inequality has been steadily decreasing since 2020, remaining one of the lowest in the EU, at 16.6% (vs 34.2%). This is particularly prominent at regional level, with the income of the top 20% of the income distribution exceeding 5 times that of the bottom 20% in 4 out of the 13 regions. Regions with a large population living in cities, such as Central Macedonia, Peloponnese and Attica, exhibit higher income inequality levels. On the other hand, regions such as Epirus, Thessaly and Crete are showing convergence, with ratios below the EU average (4.6).

While employment rates are increasing, some challenges remain in relation to the quality of employment. The share of low-wage earners (21.7%) is one of the highest in the EU and, consequently, in-work poverty is relatively high (10.5% vs 8.2% for the

[43] The income quintile share ratio or the S80/S20 ratio is a measure of the inequality of income distribution. It is calculated as the ratio of total income received by the 20% of the population with the highest income (the top quintile) to that received by the 20% of the population with the lowest income (the bottom quintile).

Figure 2: Employed persons 15-64 working long hours, atypical hours, at the weekend and in the evening, %



Source: Eurostat [lfsa_qoe_3a2], [lfsa_esegatyp], [lfsa_qoe_3b3], [lfsa_ewpeve]

Notes: 2024 data for 'Long working hours in main job', 2023 data for other statistics; atypical hours includes shift work, night work, work on weekends and work in evenings

EU). It also disproportionally affects older workers (55-64) and households with dependent children. Due in part to the prevalence of work in tourism and hospitality, many Greek workers also work long weeks with atypical hours. The average weekly hours in Greece in 2024 amount to 41, one of the highest in the EU (where the average is 37.1 hours). Greece also has the largest proportion of workers doing long hours (48 hours or more) in the EU (12.4% vs 6.5%). This is mainly driven by self-employment, as the share of employees doing long hours is below the EU average (3.1% vs 3.4%). Additionally, almost 60% of Greek employees work atypical hours, with more than 40% working over the weekend and more than 35% usually working in the evening. Only 2.7% of Greek employees reported that they usually work from home, compared to the EU average of 8.9%. Part-time employment is limited (5.1% vs 17.1% in the EU) and to a large extent involuntary (40.7%). Temporary work accounts for 9.5% of all employees, a share that is below the EU average, but is also largely involuntary and associated with precarious conditions. As many as 28.7% of temporary workers face material and social deprivation. Meanwhile, most sectoral collective agreements signed in 2023 included wage increases, with 17 out of 23 agreements securing better pay compared to the previous year. These were nonetheless not extended to all sectors.

b) Relevant planned and ongoing policy responses

Collective bargaining coverage is low and social dialogue remains limited. Greece has one of the lowest rates of collective bargaining coverage in the EU (13.1% in 2017 as the latest available data), with many agreements not universally binding. This reduces the reach of negotiated wages and working conditions beyond unionised firms and/or sectors. There is also room for fostering tripartite social dialogue in Greece, even though there have been initiatives to reinforce the role of national social partners in social dialogue. Social partners rely mostly on ad-hoc consultation processes for their involvement in shaping policy initiatives. Social partners report that this form of consultation is often superficial and not effective, and problems exist also in terms of information exchange on the implementation of policies. The meaningful involvement of social partners in designing and implementing reforms and policies is crucial for their success. EUR 44,3 million is available under the Greek sectoral and regional cohesion policy programmes to provide capacity building support for social partners, but these funds have so far not been used. In November 2025, a tripartite National Social Agreement was reached between all national social partners and the Greek government, introducing key changes to the existing collective bargaining framework. It is expected to improve the functioning of collective bargaining at sectoral level, increase coverage, reinforce transparency and predictability of employment terms and conditions, and lead to wage increases.

Measures promoting the labour market participation of under-employed population groups continue. To enable women to enter and remain in employment, several employment support measures targeting women and initiatives to improve work-life balance are being implemented under the ESF+ and the RRF, including the extension of all-day schooling, supporting participation in early childhood education and care, and expanding the pilot scheme for homecare service for infants and toddlers. The Helios+ programme has been launched, with support from the ESF+, which promotes integrated actions for the labour market activation of third-country nationals and refugees across Greece. In the context of the RRP, investments for the labour market integration of GMI recipients are also being planned. Since 2024, the TSI supports the Greek authorities to strengthen their capacity to develop digital solutions for the job matching of vulnerable groups, particularly GMI beneficiaries. Such digital solutions can be used to guide the job search, helping to shorten the duration of unemployment and leading to more sustainable, higher-quality career paths and improved social inclusion. The development of targeted employment programmes, delivered together with an effective outreach system and accompanying measures (counselling, training, social support etc.), have the potential to further improve labour market conditions for all population groups. Moreover, the TSI is supporting the Greek Ministry of Social Cohesion and Family Affairs to develop an Action Plan for the implementation of youth-related actions within the National Strategy for Demography. These actions will aim to promote the financial independence of youth by facilitating the transition to the labour market and enabling access to social support.

Greece has introduced several legislative packages to modernize its labour law. The codification of the labour legislation was adopted in 2025. The new Labour Law Code brings together all labour legislation of Greece in one single document, including the individual labour law, the collective labour law and other laws on employment protection and inspection. The introduction of a digital work card allows more accurate recording of employees' working time, facilitating the prevention of undeclared and underdeclared work. The revision of the labour code and improvements in public administration efficiency, through digitalisation and better labour market monitoring via the national labour inspectorate, are also expected to improve labour market outcomes. Law 4808/2021 expanded rights to request flexibility, support work–life balance and introduced parental leave enhancements, though its success is still largely dependent on take-up and employer implementation. The recent Law 5239/2025 aims to modernise the working framework, simplify procedures, and strengthen social security, including by increasing the number of hours that an employee can work for a single employer each day to 13, under certain conditions. These provisions may promote labour market flexibility, but at the same time they may risk undermining working conditions unless they are balanced by strengthened labour inspection mechanisms and restored, enforceable collective bargaining, such as those promoted by the new national agreement for strengthening collective bargaining.

2.2.3 Education and Skills

a) State of play and developments on social convergence risks

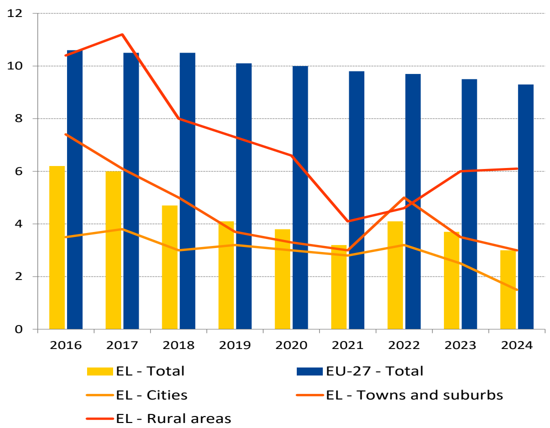
Low and decreasing participation in adult learning hampers innovation, competitiveness and productivity growth. Greece continues to experience low participation rates in adult learning, with only 15.1% of adults (25-64) reported to have participated in a training in the last 12 months in 2022. This is 24.9 pps below the country's 2030 target of 40%. This rate is also among the lowest in the EU (the EU average being 39.5%), and lower than the 16% recorded in 2016. Such low participation in adult learning hinders the adaptability of the workforce, contributing to skills shortages and hampering competitiveness. This low participation is influenced by several structural barriers, such as family responsibilities in the absence of early childhood education and care and long-term care services, the absence of formal qualifications, or low contributions from employers towards training costs[44]. Age and educational attainment levels represent significant factors influencing participation in adult learning. Only 7.1% of the age group 55-64 participated in training in 2022 (vs 25.6% of the age group 25-34) and 4.5% of people with at least primary or lower secondary education did so, compared to 24.3% of those with tertiary education. Participation in vocational education and training (VET) remains low. The enrolment rate in medium-level VET in science, technology, engineering and mathematics (STEM) fields was at 30.9% in 2023, below the EU average of 36.3%. At the same time, employers struggle to find qualified workers among VET students as the low participation, coupled with weak forecasting mechanisms for labour market skills needs, exacerbate mismatches. Recent VET graduates in Greece have a lower employment rate (69.5% in 2024) compared to the EU average (80%) and to the overall employment rate for recent graduates (73.2% vs 82.3% in the EU), hinting at challenges related to the labour market relevance of VET.

In the absence of effective policies targeting skills development, boosting the competitiveness and innovation capacity of the economy remains challenging. Skills shortages are cited by 74% of small and medium-sized

[44] European Commission, Education and Training Monitor, 2025.

enterprises in Greece as impacting business activities, while 86% of employers report that applicants do not meet the skills requirements for advertised positions. This points to important skills mismatches between the education and training system and the labour market. There may also be scope to address some of these skills shortages by making better use of the skills of third-country nationals and of those born in other Member States. In 2024, labour market slack (i.e. the proportion of those willing to work but not in work) was around 10 pps higher among those groups (23.6% and 23.1%, respectively) compared to those born in Greece (10.6%). Digital skills could also be strengthened. Only 50.9% of the population had at least basic digital skills in 2025, which is 1.5 pps lower than in 2021, despite important investments in the sector, while the EU average increased by 6.5 pps to 60.4% in the same period. Disparities persist between urban and rural areas, with those living in cities (57.3%) and towns and suburbs (55.3%) more likely to have basic digital skills than those living in rural areas (35.5%). There is scope for better untapping the potential for innovation, with Greece ranking 42nd (25th in the EU) among 139 economies according to the Global Innovation Index 2025.

Figure 3: Early leavers from education and training by degree of urbanisation, 2024 (%)



Source: Eurostat [edat_lfse_30], EU LFS.

The quality and equity of the Greek education system face structural challenges, with a large share of Greek students not reaching a minimum level of proficiency in basic and digital skills. In the 2022 OECD Programme for International Student Assessment (PISA), 47.2% of 15-year-olds underperformed in mathematics, 37.6% in reading and 37.3% in sciences. These rates are among the highest in the EU, pointing to structural challenges in the educational system and impacting the success of future graduates on the labour market. Disadvantaged students are the most affected, with only 7.1% of this group performing well (level 4 or above in the PISA scale) in at least one of the domains, which is significantly lower than the EU average (16.3%). At the same time, the share of top performing students in all three subjects tested by PISA is among the lowest in the EU, limiting the pool of available innovative talent. Greece is also significantly behind in terms of digital skills, with 60% of eighth graders not reaching the basic level (vs 43% in the EU, and the 2030 EU-level target of 15%). On the positive side, the rate of early leavers from education and training remains low, with only 3% of students aged 18-24 leaving school and completing only lower secondary school education or less (vs 9.4% in the EU). However, important disparities persist between rural and urban areas as well as between regions, with higher rates of early school leaving observed in Continental Greece, Eastern Macedonia-Thrace and Peloponnesus.

b) Relevant planned and ongoing policy responses

Several measures have been implemented to improve participation in adult learning and tackle skills shortages and mismatches, but further efforts are needed to address the challenges. The 2024 annual action plan of the Ministry of Education, Religious Affairs and Sport foresees measures to improve participation in adult learning, including the creation of a monitoring mechanism to track adult participation in lifelong learning (LLL) programmes. This is complemented by other relevant measures such as the development of adult learning centres at municipal level and the update of the LLL centres' operational framework, whereas the previously adopted Strategic Plan for Vocational Education, Training, Lifelong Learning and Youth (2022) incorporates sub-strategies aiming to strengthen the quality of VET and lifelong learning programmes. The strategic framework was further enhanced in 2024 by Law 5082/2024, which introduced measures to enhance LLL, including the issuance of digital certificates, the development of micro-credentials, and the creation of an online platform for higher vocational training schools. Since August 2024, 130 new training guides have been developed with social partners' cooperation for Higher Vocational Training Schools and Laws 4957/2022 and 5094/2024 mandate integration of digital competencies into university curricula. The setup of the Central Council for Vocational Education and Training and Vocational Training Academies aim to further strengthen public vocational education and respond to the labour market needs. Additionally, for the first time, an expansive web that intertwines VET with the labour needs at local and regional level is set up. The potential impact of these measures on addressing existing challenges remains untapped, however, due to gold plating and administrative challenges, in particular in relation to the application of state aid rules and cooperation between different policy owners. At the same time, the National Skills Strategy supports the development of a comprehensive framework for identifying labour market skills needs and supporting the up- and re-skilling of the workforce, whereas the legal provisions for the establishment of individual learning accounts, although adopted in 2022, are still not implemented. Individual learning accounts would promote tailored training approaches according to the needs of the workforce. Their operationalisation would therefore importantly contribute to addressing some of the identified challenges.

The most recent Law on VET and lifelong learning (2024) aims to strengthen the national VET system with a comprehensive modernisation and upgrade of VET structures. The important reforms introduced to modernise the VET system focus on digital transformation by establishing a digital educational portal and tutoring service, aiming to provide interactive learning materials and distance education tools. Other key reforms include the development of a digital career orientation platform to support learners in making informed career choices. In addition, the reform of the VET system in Greece also aims to improve access to education in remote areas and to boost the recognition of professional qualifications through the 'e-PROFESSIONAL' platform. In parallel, there are substantial reforms and investments in VET supported by the RRF such as the redesign of curricula, digitalisation, renovation of VET equipment and infrastructure. Greece also focuses on supporting work-based learning to boost youth employability and better match skills with labour market demands. Key initiatives include the Apprenticeship Year for vocational upper secondary school (EPAL) graduates and the apprenticeship schools (EPAS) of PES, which blend school-based education with paid on-the-job training, along with expanded practical training opportunities in post-secondary VET. Employer participation, especially of small and medium enterprises, is key to achieve effective results, and it ensures better placement, quality, enhanced career guidance and increased attractiveness for the VET system. There is a need for a stronger commitment to strategic steering and coordination of all training and skilling initiatives, to enhance the delivery model and outcomes.

Greece is making progress in boosting the quality and inclusiveness of education with the aim of improving the competences of pupils. By innovating in the way competences are developed throughout the educational system, Greece has introduced "skills labs" to foster soft and digital skills based on exploratory learning, linking scientific knowledge with problem solving processes and students' experiences, and expanded the teaching of English language to pre-primary education. Such practices introduce STEM teaching from an early age to increase students' interest and boost competencies. Greece is currently reforming its curricula and introducing a multi-textbook system that places greater emphasis on the development of key competences, including critical thinking, creativity, collaboration and digital literacy. At the same time, cross-cutting priorities such as environmental and sustainability education, as well as active citizenship, are being systematically integrated. With an important allocation, ESF+ and ERDF contribute to the efforts made by the national authorities to enhance the overall skills ecosystem in Greece, including the provision of support to children with disabilities and special educational needs, and to implement enriched curricula and new supporting material in schools. The RRP early intervention pilot programme supports access to early education and care for children aged 0–6 with disabilities. In addition, parallel support in classrooms for children with special educational needs has been progressively expanded, including with important ESF+ financing which supports the recruitment of additional special education teachers. A comprehensive policy review for inclusive education and the implementation of equal treatment principles in education are currently ongoing. The new Digital Tutoring Platform offers free live and on-demand lessons for students at all educational levels, and includes sign-language interpretation and subtitles to ensure accessibility for students with hearing impairments. Also, EU cohesion policy funds subsidise participation in formal childcare for children under 3 years old.

2.2.4 Concluding remarks

The available quantitative and qualitative evidence in this second stage analysis points to challenges in the area of social protection and inclusion related to the still high share of the population at risk of poverty or social exclusion (including children), the low impact of social transfers (excluding pensions) on poverty reduction, income inequality, high housing cost overburden and self-reported unmet needs for medical care. In the labour market domain, the employment rate, though having increased considerably over recent years, remains below the EU average and important challenges remain as regards the labour market participation of women, young people and vulnerable groups. In the area of education and skills, challenges are identified in relation to underachievement in basic skills and a low and decreasing share of adults participating in learning, which negatively impact on competitiveness and employability.

The measures implemented or planned so far, such as income tax relief measures, the forthcoming strategy on housing and the new tripartite collective agreement, are expected to contribute to addressing existing challenges. This will nonetheless also crucially depend on their full and timely implementation, sustainability over time and on ensuring coordination between national and regional administrations. Despite the progress made, more efforts are needed for Greece to address in full the challenges that the country is facing in relation to social protection and inclusion, the labour market, and education and skills.

2.3 SPAIN

In the first-stage analysis in the JER 2026, Spain was identified as facing potential risks to upward social convergence based on 8 headline indicators of the Social Scoreboard flagging The risks identified concern the area of social protection and inclusion, notably the high **at-risk-of-poverty or social exclusion rate** (**including for children**), high **income inequality**, and the low **impact of social transfers (excluding pensions) on poverty reduction**. In the area of education and skills, despite the improvements made over the past decade, **early leavers from education and training** were still identified as a criticality. Finally, in the labour market domain, risks were identified in relation to the low **employment rate, gross disposable household income per capita,** and the **disability employment gap**.

2.3.1 Social protection and social inclusion

a) State of play and developments on social convergence risks

Poverty risks, especially among children, continue to pose challenges to social cohesion and long-term competitiveness, with significant regional disparities. In 2024, 25.8% of the overall population and 34.6% of children were at risk of poverty or social exclusion (AROPE), both significantly above their respective EU averages (21.0% and 24.5%)[45], before slightly decreasing to 25.7% and 33.8% in 2025. The economic cost of child poverty is estimated at 4-5% of GDP, mainly through lower lifetime earnings, weaker employment prospects, and poorer health in adulthood[46]. Against this background, Spain faces significant challenges in meeting its poverty reduction target of 2.8 million, including 0.7 million children, by 2030. In 2025, 12.5 million people were at risk of poverty or social exclusion, including 2.65 million children. These figures exceeded 2019 levels by 331 000 overall and 77 000 for children, highlighting the need for stronger policy action. Moreover, the poverty gap was very high in 2024 (27.9% vs 22.7% in the EU), with only a slight decrease to 26.9% in 2025, indicating that, on average, people that experience poverty have incomes well below the poverty threshold. This is also reflected in high rates of severe material and social deprivation (SMSD), affecting 8.1% of the total population and 10.4% of children in 2025. The persistent at-risk-of-poverty (AROP) rate[47] was among the highest in the EU in 2024 (13.5% vs 10.0%), especially among children (20.6% vs 12.3%). It fell by around 1 pp and 2 pps, respectively, in 2025. Finally, regional disparities in AROPE rates remained wide in 2025, from 34.7% in Andalucia to 14.7% in Pais Vasco.

Poverty and social exclusion remain higher for some groups. In 2024, around half of single-parent households (50.3% vs 43.2% in the EU), large families (49.1% vs 31.8% in the EU), and third-country nationals (TCNs) (53.4% vs 43.8% in the EU) experienced poverty or social exclusion and these shares remained relatively stable in 2025. Children in single-parent, large, low work-intensity or low-educated households were more affected. In particular, in 2025, 82.4% of children in very low work-intensity households were at risk of poverty, compared with 9.1% in very high-work-intensity households. Among persons with disabilities, 32.9% experienced poverty or social exclusion in 2024 (vs 28.7% in the EU), with a slight decrease to 32.2% in 2025. Young people (15-29) also faced higher poverty or social exclusion risks (26.7% in Spain, vs 24.1% in the EU, in 2024 and increasing to 27.6% in 2025), often linked to persistent barriers to labour market integration. Finally, 94% of the Roma population experienced poverty risks in 2024[48] (vs an average of 70% for the 13 other EU countries in the survey). For Roma children the risk of poverty is even higher (96% vs 77% for the same 13 EU Member States).

[45] EU-SILC income-based statistics use incomes of the previous year (e.g. the AROPE data for 2024 uses 2023 income data).

[46] Alto Comisionado contra la Pobreza Infantil, Fundación «la Caixa», 2023, El coste de la pobreza infantil en España; OECD, 2022, The economic costs of childhood socio-economic disadvantage: The economic costs of childhood socio-economic disadvantage.

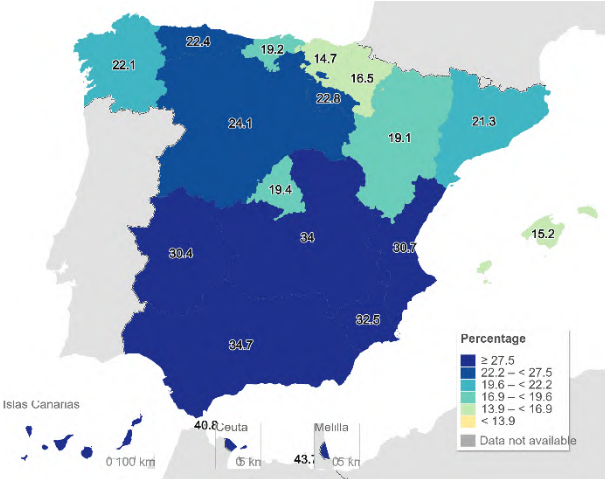
[47] Defined as being at risk of poverty in the current year and in at least two of the previous three years.

[48] EU FRA, Rights of Roma and Travellers in 13 European countries - Perspectives from the Roma Survey 2024, 2025.

Spain's social protection system presents some structural weaknesses. Social transfers reduced poverty risks by 23.9% in 2024, which was 10.6 pps below the EU average, and fell further to 23.2% in 2025. They had an even weaker effect on child poverty (20.2% vs 41.9% in the EU), which decreased to 18.9% in 2025. In purchasing power terms, while per capita social protection spending stood at EUR 9 044 (vs EUR 10 942 in the EU), spending per capita on family and child benefits was half the EU average (EUR 490 vs EUR 956). Overall, family and children support stood at 5.4% of social benefits, vs 8.7% in the EU. Coverage of social benefits remains limited for vulnerable working-age people. In 2024, 67.8% (vs 83.2% in the EU) of those aged 18–64 who were both at risk of poverty and living in (quasi-)jobless households received benefits, slightly increasing to 68.8% in 2025. Non-contributory unemployment benefits remain low and offer limited coverage, especially for those with fragmented or informal careers. Also, women, being relatively more on temporary contracts, tend to display shorter contribution histories and lower entitlements. Non-contributory schemes partly offset these gaps while remaining concentrated among older workers and women, also reflecting persistent labour market segmentation affecting relatively more these groups[49].

Low take-up of the minimum income scheme (IMV) and child complement (CAPI) undermines the system's effectiveness. The support provided by the IMV amounts to roughly 30–40% of median income, but only 55% of those eligible receive the IMV and 72% the CAPI, due to administrative burden, complex eligibility checks, and low awareness. The IMV has also been found to be not sufficiently flexible, as it relies on previous-year income and lacks urgent-response mechanisms. This could discourage employment, reducing both the work intensity of households and job entry. Benefit duration is long, with 90% of households having received the IMV for more than one year, 75% for over two and 60% for more than three[50]. Finally, the barriers outlined above result in lower coverage among some of the most vulnerable, such as third-country nationals and Roma[51].

Figure 12: AROPE by NUTS 2 region, 2025 (%)



Source: Eurostat [ilc_peps11n].

Despite the downward trend, inequality remains high. The richest 20% of the population earned over five times as much as the bottom 20% in 2024 (5.39 vs 4.66 in the EU, and decreasing to 5.24 in 2025). Income inequality is particularly driven by the lowest income decile, which earned only 2.4% of the total income in 2024 (vs 3.1% in the EU), while the eighth and ninth income deciles overperformed their respective EU averages (12.6% vs 12.1% and 15.2% vs 14.4%). Overall, taxes and benefits reduced inequalities by 38.7% in 2024, which was 9.6 pps below the EU average, and decreased further to 37.9% in 2025. The tax system relies relatively strongly on indirect taxation and tax deductions, which are often less effective in reaching the most vulnerable. While Spain's direct taxes are progressive, there has been a recent reduction in the top personal income tax rate.

The long-term care (LTC) system presents challenges in relation to access, and a strong reliance on informal care. In Spain, for LTC the government sets common rules and co-financing, while the regions assess dependency, and deliver the services. Care is delivered through a mixed network of both public and private providers, while family and informal carers (mostly women, including many third-country nationals) continue to be the backbone of the system. LTC expenditure per person over 65 has increased slowly, reaching only 50% of the EU average in 2023, with

[49] SEPE, Prestaciones por desempleo, Resumen de datos, junio 2025.

[50] See AIReF, 4.ª Opinión sobre el Ingreso Mínimo Vital, 2025; OECD, OECD Economic Surveys Spain, 2023; OXFAM, El impacto del Ingreso Mínimo Vital y su articulación con las Rentas Mínimas autonómicas: una estimación, 2024; Ministerio de Inclusion, Seguridad social y Migraciones, Informes, 2024.

[51] Iseak and Fundacion Secretariado Gitano, Study on the impact of the Minimum Vital Income on the poverty situation of the Spanish Roma people, 2023 and Friedrich Ebert Stiftung, Spain's Minimum Income Scheme, Political Impetus to Protect the Most Vulnerable, 2024.

challenges in access in light of demographic trends. In 2022, the share of the population aged 65+ who received public home care was at 3.9%, vs 5.5% in the EU, those who received cash benefits were at 2.6%, vs 6.2% in the EU, while residential care was at 2.8%, vs 3.3% in the EU. Moreover, the share of people in need of LTC not using (more) professional homecare services primarily due to cost was above EU average (54.1%, vs 35.1%). Additionally, 22% had great difficulty in affording professional home care service vs 12.1% in the EU[52].

Housing affordability and energy poverty remain pressing challenges. Rising rental and purchase prices have made housing costs increasingly challenging for low-income households, single parents, large families, young people, and those at risk of poverty, and are starting to affect middle-income households[53]. The urban–rural divide is widening, with pressures in major cities and areas with high touristic density such as coastal regions. Home ownership rates have fallen by around 5 pps over the past decade, particularly among young people, who are increasingly dependent on rental housing. Housing support coverage is limited, with only 2.2% of the population and 4.4% of people in poverty having received support in 2024[54]. Moreover, in 2024, 17.5% of households could not keep their homes adequately warm, which is nearly double the EU average (9.2%) and up sharply from 7.5% in 2019. It decreased to the still high level of 15.9% in 2025. The issue is particularly severe for people at risk of poverty, for whom the figure reached 28.3% in 2025, compared with 12.9% among other households. Spain has also one of the highest housing deprivation rates[55] in the EU, at 23% in 2023 (vs 15.6% as the EU average). Although below the EU average, overcrowding is rising, especially in urban areas, for third-country nationals, families with children and low-income households. Also, 71% of Roma in Spain lived in overcrowded housing in 2024, compared to 9.1% of the overall Spanish population[56]. Homelessness is on the rise[57] with fragmented and poorly coordinated support services and no comprehensive statistics available.

While early childhood education and care (ECEC) expanded considerably and is well above the EU average, accessibility challenges persist. Enrolment for ages 3–6[58] was very high in 2025 (around 97%, slightly decreasing from 2024), while participation for children under 3 was lower (55.0%), though well above the EU average of 39%, and increasing to 56.8% in 2025. Despite the recent RRP-supported expansion, provision is still costly and uneven. Universal free ECEC is not guaranteed nationally under the age of 3. Regional disparities persist in access, admission criteria, and compensatory measures. Beyond affordability, families also face shortages of places, long waiting lists, inconvenient schedules, and distance to centres. The costly and limited ECEC offer also leads to lower participation among children from households experiencing poverty or social exclusion (at 45.8% in 2025 vs 62.4% for the others), which undermines efforts to break the transmission of poverty.

b) Relevant planned and ongoing policy responses

The government has taken steps to address shortcomings regarding the minimum income (IMV) and child complement (CAPI). It has launched a new 24/7 short telephone number and, through the RRP, is implementing pilot social inclusion pathways for IMV beneficiaries to support activation and personalised case management. However, the latest AIReF's evaluation has pointed to the need to simplify eligibility procedures and introduce automatic enrolment mechanisms to reduce non-take up. It has also pointed to the need to redesign the IMV employment incentive to make it more responsive to beneficiaries' labour market situations and more effective in promoting their integration into employment. Spain is currently working on a revision of such incentive[59].

Governance and coordination challenges persist in relation to social protection. The fragmented framework between the State and the regions leads to differences in access, quality and eligibility

52 Monitoring Framework on the Council Recommendation on access to affordable high-quality long-term care, 2025.

53 Evidence based on a study by the European Commission Joint Research Centre, using the EUROMOD model.

54 EAPN, El Estado de la pobreza, 2025. P.100.

55 The severe housing deprivation rate corresponds to the share of the population living in a dwelling which is considered as overcrowded, while also exhibiting at least one of the housing deprivation measures. Housing deprivation is a measure of poor amenities and is calculated by reference to households with a leaking roof, neither a bath, nor a shower, nor an indoor flushing toilet, or a dwelling considered too dark. Source Eurostat [ilc_mdho06c].

56 EU FRA, Rights of Roma and Travellers in 13 European countries - Perspectives from the Roma Survey 2024, 2025.

57 INE, Homeless People Survey 2022.

58 Compulsory schooling in Spain starts at the age of 6.

59 AIReF, 4.ª Opinión sobre el Ingreso Mínimo Vital, 2025.

across the territory. The coexistence of cash transfers, in-kind support and tax reliefs creates a system that is difficult for vulnerable households to navigate. Non-refundable tax reliefs (e.g. for dependent children) exclude poorer families, whose tax liability might be too low to benefit from such deductions. Limited coordination between social, health, education and employment services hampers integrated, person-centred support. Moreover, the lack of interoperable databases and automatic enrolment in the relevant services further reduces benefit take-up and delays access. Spain is seeking to address these issues through initiatives such as the new Social Security portal and mobile application. However, these measures have been insufficient so far to tackle the underlying challenges.

The supply of social housing is low, and there is lack of consensus on the policy direction across regions. Enforcement of certain aspects of the Housing Law, containing measures to support public housing, limit rental prices, strengthen tenant rights and restrict large property portfolios, varies widely across regions. Coordination between regional housing authorities and local social services remains weak. Spain's social housing stock is among the lowest in the EU, with publicly owned rental dwellings covering just 1.7% of households and, together with social rental units, representing about 3% of the total social housing stock (far below the EU average of 8%)[60]. Most protected dwellings were sold at subsidised prices, gradually depleting the public stock. At the same time, public investment in housing remains below 0.3% of GDP and governance is fragmented, hindering a coherent and effective expansion of supply. Many recent housing needs have been addressed by emergency measures, limiting long lasting impact. Recent measures aim to address these gaps including, through the RRP, the creation of a dedicated fund and an Official Credit Institute (Instituto de Crédito Oficial - ICO)[61] credit line to support the development of social housing and the construction of new energy-efficient homes for social or affordable rental. Spain is also currently developing a National Plan for Housing 2026-30 to address, among others, the issue of low social housing supply while already implementing a dedicated multi-annual National Strategy for the fight against homelessness (2023-30).

Despite recent reforms, important gaps persist in the LTC system. Recent reforms and investments, including the 2024-30 National Deinstitutionalisation Strategy, the Agreement of the Territorial Council of Social Services on quality, and the renovation and modernisation of residential and day-care centres, aim to strengthen quality, coordination and person-centred care. However, challenges remain in relation to long waiting lists, labour shortages, regional inequalities, and weak coordination between social and health services. Also, difficult working conditions, informal work and high turnover continue to undermine job quality in the sector.

2.3.2 Labour market

a) State of play and developments on social convergence risks

Spain's labour market continued to make strong progress in 2025, but the employment rate remains comparatively low. The employment rate (20-64) rose to 72.8% in Q4-2025 (vs 76.3% in the EU), supported by sustained GDP growth. Between Q2-2019 and Q4-2025, total employment expanded by 11.7% (compared to 4.4% in the EU). Third-country nationals played a key role, helping address labour shortages in the hospitality, construction and transport sectors[62]. Nonetheless, the employment rate remains among the lowest in the EU, but the country is currently on track to reach its national employment rate target of 76% by 2030. Fixed-term employment has fallen significantly in the private sector in Spain in recent years, mainly thanks to the 2021 labour market reform under the RRP. However, it remains very high in the public sector, particularly in the health and education sectors, where women are overrepresented. In addition, a relatively large share of temporary employment is involuntary (75.8% vs 49.6% in the EU). While national statistics point to a broadly stable employment rate, persons with disabilities continue to face barriers to employment that contribute to the disability employment gap[63]. Moreover, only 31% of Roma are in paid work. Their unemployment rate remains

[60] OECD (2024), OECD Affordable Housing Database - indicator PH4.2. Social rental housing stock, https://oe.cd/ahd and Observatorio de Vivienda y Suelo, Boletin especial de Vivienda social, 2024.

[61] The Official Credit Institute (Instituto de Crédito Oficial - ICO) is Spain's state-owned promotional bank that provides financing and guarantees to support business investment, SMEs, entrepreneurship and public policy objectives, often acting as an intermediary for government and EU-funded financial instruments.

[62] Banco de España, Informe Anual 2024.

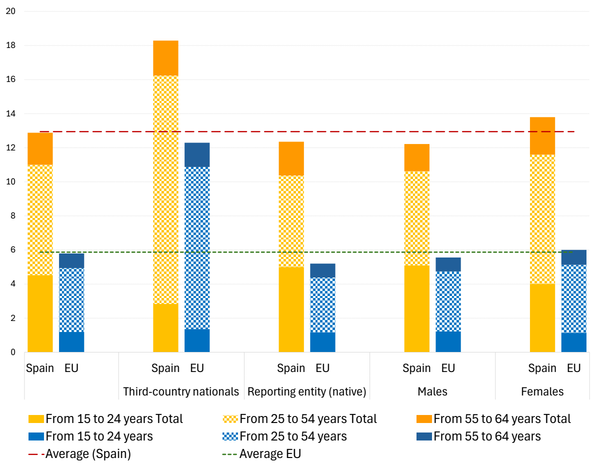
[63] INE.

among the highest in the EU, at 17.9%, around 10 pps higher than for the rest of the population.[64]

Despite a particularly strong employment growth in knowledge-intensive sectors, almost three in four new jobs are created in low-productivity sectors, and skills shortages are reported in sectors relevant for the green and digital transitions. Employment has expanded in ICT, but labour productivity has been stagnant in this sector for a decade, unlike in the EU as a whole. More generally, around 76% of workers are employed in low-productivity sectors[65]. While labour productivity per hour worked increased in recent years, narrowing the gap with the EU average, the sectoral structure keeps the level below that average. At regional level, productivity gaps mirror sectoral specialisation, with southern regions (Extremadura, Andalucia, Murcia and Canary Islands) still highly reliant on low-productivity sectors, where 88% of employment is concentrated[66]. Over the next decade, Spain is expected to create around 12 million job opportunities, roughly one third linked to the green transition (of which a third would require VET skills[67]). However, skills shortages persist also in sectors like renewable energy, construction, and digital technologies, constraining growth and innovation. Also, firms increasingly report deficits in AI, data and cybersecurity skills[68]. Despite a low vacancy rate (0.9% in 2025) in 2024, vacancies per worker were 52% above the national average in green sectors and over twice as high (212%) in digital ones[69], which suggests a gap between skills supply and demand in key sectors.

Unemployment reached its lowest level since 18 years, but remains among the highest in the EU. The unemployment rate declined to 10.1% in Q4-2025, and is projected to reach 9.8% in 2026 (vs 5.8% in the EU). Despite a narrowing of the gap since 2019, regional differences persist. Long-term unemployment has also decreased but remains high (3.2% in Q4-2025), especially in the southwest. For the youth (15–29) the unemployment rate was much higher, at 17.6% in Q4-2025 (vs 11.6% in the EU), especially among the low-skilled. While the share of older workers (55–64) is rising rapidly, their unemployment rate (9.7% in Q2-2025) is more than twice the EU average (4.2%), with over half being long-term unemployed. Finally, third-country nationals also face a higher unemployment rate (17.3% in Q2-2025) and a greater exposure to undeclared work. Detection of the latter among third-country nationals rose by 12.9% in 2024 (a level three times higher than in 2019), mainly in hospitality, services, commerce, and agriculture[70].

Figure 3: Unemployment rate by age, nationality and gender (ES and EU)



Source: Eurostat [lfsa_urgan and lfsa_ugan].

Support for jobseekers remains important to effective labour market integration. Participation in ALMPs was well above the EU average in 2023 (77.6% vs 48.7% in the EU), while spending per participant remained below the EU level (8 841 vs 9 856 in PPS)[71]. While Spain is reforming the ALMP system, investment continues to be skewed towards passive measures[72], and support for training and labour market services (e.g., career guidance) remains comparatively limited relative to shorter-term job creation and start-up incentives. Effectiveness is further constrained by high caseloads of PES case handlers, limited dedicated service provision to employers and weak coordination between employment and social

64 Rights of Roma and travellers in 13 European countries. Perspectives from the Roma survey 2024. European Union Agency for Fundamental Rights.

65 The calculations are based on Eurostat data (nama_10_a10_e, nama_10_a10), by dividing sectorial GVA (Chain linked volumes, 2015, million euro) by sectorial employment. Sectors below the EU average productivity using these data are considered "low-productivity". These sectors are the following NACE codes: G-I, M-N, F, O-Q, R-U.

66 Own calculation based on INE data. Contabilidad Regional de España.

67 Observatorio de la Formación Profesional en España: 2024 Report.

68 Observatorio de las Ocupaciones. Informe de prospección y detección de necessidades formativas, 2024.

69 OECD Job Creation and Local Economic Development 2024 – Country Notes: Spain.

70 Ministerio de Trabajo y Seguridad Social, Informe anual de la Inspección de Trabajo y Seguridad Social 2024.

71 European Commission, Labour Market Policy database.

72 Consejo Económico y Social, Memoria sobre la Situación Socioeconómica y Laboral 2024.

services. This was also partly due to insufficient interoperability of administrative systems[73].

In-work poverty is relatively high, pointing to challenges in relation to job quality. Despite improvement, in-work poverty still affected 11.2% of the employed in 2024 (vs 8.2% in the EU) and in 2025, with particularly high incidence among workers on fixed-term and/or part-time contracts single parents, young adults, and third-country nationals. Job precariousness continues to drive in-work poverty despite minimum wage increases, while real wages are expected to grow modestly (by 0.8% in 2026 and 0.4% in 2027[74]), with signs of growing wage compression around the minimum wage[75]. Structural factors, such as skills mismatches, reliance on low-productivity sectors and widespread low-intensity self-employment, continue to constrain wage performance. The self-employed also remain subject to high in-work poverty risks and income insecurity, despite recent social protection reforms. Rising sick leaves (around 1% of GDP in costs) are also impacting negatively on productivity[76]. Real gross disposable household income per capita (GDHI) has grown slowly and only returned to its 2008 level in 2023, lagging behind most other EU Member States.

Women's labour market participation has improved, while some challenges remain in relation to job quality. Similarly to the gender pay gap (7.3% vs 11% in the EU in 2024) the gender employment gap continued to fall to 9.5 pps in 2025, slightly below the EU average, yet disparities remain wide among older and lower-skilled women relative to their male counterparts. The gender employment gap is more than twice the EU average among workers on temporary contracts (4.9 pps vs 2.4 pps) and under-employed part-time workers (4.9 pps vs 2.0 pps). Part-time work is over three times higher for women (20.7% vs 6.5% for men in Q4-2025). More than half of it is involuntary, due to a disproportionate share in care responsibilities. Employment rates are higher among women with one child than among those without children, but they decline markedly as family size increases. Overall, childbirth in Spain leads to a more persistent drop in women's employment over the longer term[77].

b) Relevant planned and ongoing policy responses

Policy efforts have focused on improving job quality. The Labour and Social Security Inspectorate Strategy 2025–27 aims to enhance effectiveness and transparency through new staff recruitments and a digital modernisation plan. The latter includes advanced anti-fraud tools to detect irregular employment and working-time breaches, and a new citizen e-platform to improve reporting and access to services. In line with its Medium-Term Fiscal-Structural Plan, Spain is also reinforcing cooperation between regional health services, mutual insurance entities and Social Security to curb rising sick leaves and shorten recovery times. These measures complement the commitments under the bipartite Agreement for Employment and Collective Bargaining[78] (AENC, 2023–25), where national social partners agreed to address absenteeism and promote safer and healthier workplaces. Negotiations for the VI AENC have begun, marking a key step to guide collective bargaining in the coming years. Key initiatives of the government labour market agenda include reforms on unfair dismissal, democracy at work, as well as two measures with broad relevance to address job quality concerns. i.e. the long-delayed Statute of Trainees, and the transposition of the Directive[79] on adequate minimum wages[80]. Following the Parliament rejection of the draft law to reduce the statutory weekly working time, the government now plans to further develop the regulatory framework on working-time registration.

Spain is strengthening its ALMPs to improve effectiveness, coordination and user focus. The Active Support to Employment Strategy (AESS 2025–28) aims to enhance profiling, training-needs detection and data exchange to better match jobseekers with employers. It is complemented by specific employment measures for the Roma

[73] Red de Inclusión Social, Grupo de Trabajo 8, Soluciones tecnológicas para mejorar la coordinación entre empleo y servicios sociales y la interacción con las personas usuarias, 2024.

[74] European Commission, Economic Forecast, Autumn 2025.

[75] AIReF, Análisis microeconómico del impacto del salario mínimo interprofesional en el empleo 2025.

[76] Banco de España, Informe Anual 2024.

[77] European Commission, 2025 Employment and social developments in Europe.

[78] National bipartite framework agreement between the most representative national social partners that provides guidance for negotiations at lower levels on wage setting, employment conditions and collective bargaining priorities, including job quality, health and safety, and training.

[79] Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union.

[80] Ministerio de la Presidencia, Justicia y Relaciones con las Cortes, Plan Anual Normativo 2025.

population, such as the Action Plan to improve their employability (2025-28), as well as for older workers and the long-term unemployed, monitored under a new evaluation framework. In line with the 2023 Employment law, the 2025 Plan for Decent Employment sets quantitative targets by priority group (youth, women, low-skilled, long-term unemployed, older workers, persons with disabilities and vulnerable groups) supported by central ICT systems (SISPE-CEUS) and AI-based profiling tools. Digitalisation efforts are promising but require scaling-up and evaluation to ensure impact across regions.

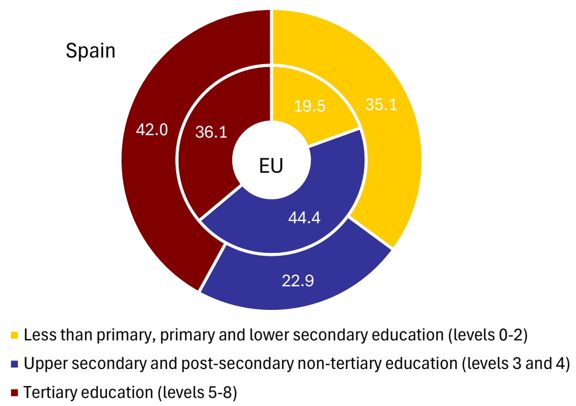
2.3.3 Education and Skills

a) State of play and developments on social convergence risks

Socio-economic background continues to shape educational outcomes and early school leaving, with significant regional disparities and rising underachievement in basic skills. The rate of early leavers from education and training (ELET) slightly decreased to 13.0% in 2024 but remain well above the EU average (9.4%) and the EU 2030 target (9%). National data shows a slight further decrease to 12.8% in 2025. Regional disparities in early school leaving rates are pronounced, ranging from 5% in the Basque Country to 20% in the Balearic Islands. Having a migrant background remains a key determinant of ELET, with foreign-born youth being 2.5 times more likely to leave education early than native-born. Only 36% of young Roma in Spain have completed at least upper-secondary education, compared to 80% of the general population[81]. Disability-related gaps are also significant, with around one in three young people with some or severe activity limitations leaving education early, compared with just 11% of those without. Gender gaps persist as well (15.8% of early leavers among men vs 10.0% for women), although the gap has narrowed in recent years. Spain also continues to face challenges in reducing underachievement in reading, mathematics and science, as highlighted in last year's report. These persistent learning gaps risk undermining future productivity and competitiveness, including in the context of the green and digital transitions.

While the vocational education and training (VET) system continues to develop, and enrolment has increased in all VET levels, some disparities in enrolment and labour market outcomes persist. In 2024, 40.2% of students were enrolled in medium-level VET (vs 52.9% in the EU), and they had comparatively lower employment outcomes (68.6% vs 80.0% in the EU). In contrast, higher-level VET accounted for 25.3% of tertiary enrolments, more than three times the EU average (7.9%), reflecting its growing attractiveness as a bridge to higher education, with subsequent employment rates close to the EU level (83.9% vs 86.7%). Enrolment in STEM fields is nonetheless still limited, with 29% in medium-level VET (vs 36.6% in the EU). Although all VET programmes are now formally dual by law, the implementation remains uneven across regions and the system still shows room for development[82].Public providers play a central role in programmes that require substantial investment in equipment, workshops and technical facilities[83]. Industrial and STEM fields offer the best employment and wage conditions but account for less than 10% of VET graduates[84]. While VET public provision expanded by around 31%, enrolments in private non-subsidised VET, particularly online, grew at a much faster pace (+470% and +3,000%, respectively)[85]. This expansion has been largely concentrated in high-demand programmes with high employability, particularly in health-related and digital fields.

Figure 34: Population in Spain and the EU by qualification level (%)



Source: Eurostat [edat_lfse_03].

[81] Fundamental Rights Agency, 2025. Rights of Roma travellers in 13 European Countries.

[82] Fundación Bertelsmann, Retos y desafíos de la prospección en la FP Dual, 2025

While tertiary education attainment is well above the EU average, skills mismatches and overqualification are high, and adult learning participation remains limited. In 2024, 52.6% of 25–34 year-olds held tertiary qualifications, well above the EU average (44.1%) and the EU target (45%). Despite improvements, the labour market still does not fully absorb this large pool of graduates, resulting in one of the highest overqualification rates in the EU (35.0% vs 21.5%). This particularly affects the population born outside the EU, with more than half employed in jobs below their level of qualification. Overall, Spain's qualification structure reveals a misalignment between education levels and labour market needs, with high macroeconomic skill mismatches (at 22.6%)[86]. In 2022, only 34.1% of adults participated in learning over the previous 12 months (based on Adult Education Survey, AES, data) compared to an EU average of 39.5%. This is well below the national target of 60% by 2030. According to more recent Labour Force Survey (LFS) data, participation in adult learning showed a moderate upward trend between 2022 and 2024. Based on the latest PIAAC results, 21% of adults in Spain (vs an OECD average of 18%) scored at the two lowest proficiency levels across all three domains. Overall, there remains further scope to strengthen basic skills among adults and to better align skills with labour market needs.

Further expanding Spain's STEM and ICT talent pool can contribute to supporting an inclusive green and digital transition. In tertiary education (ISCED levels 5-8), only 25.3% of students are enrolled in STEM (vs 26.6% in the EU and an EU target of 32%), and women remain underrepresented. In 2024, women accounted only for 29.0% of STEM students (vs 32.4% in the EU, and an EU target of 40%). Women represented 48.0% of students in natural sciences and mathematics (vs 52.0% in the EU), 27.7% in engineering (vs 28.0% in the EU) and only 16.7% in ICT (well below the EU average of 20.6%), though with some significant variation within these fields. General dropout rates are also high, particularly in engineering (12.4% for men, 8.6% for women)[87].

[86] The macroeconomic skills mismatch indicator measures the dispersion of employment rates across skill groups (proxied by qualification levels, ISCED 0-2 low; 3-4 medium and 5-7 high).

[87] CYD Foundation, Informe CYD, 2024.

b) Relevant planned and ongoing policy responses

Spain is increasing funding to strengthen basic skills and promote inclusion, though further efforts may still be needed to effectively address early school leaving. In 2025, the government allocated funding to regional authorities through programmes aimed at improving literacy and numeracy, supporting vulnerable students and fostering more inclusive education, partly co-financed by the ESF+. Total education transfers to the regions reached EUR 382.7 million in 2025, signalling an increase in commitment. While these efforts are a positive step, their impact will depend on a consistent implementation across autonomous communities, and on ensuring that resources reach learners most at risk. Given the significant regional, socio-economic and disability-related gaps that persist, targeted support and continued monitoring remain important. Further action is particularly important to address early school leaving, which remains disproportionately high for some specific vulnerable groups and regions.

Spain's VET system is undergoing a profound transformation towards dual training and stronger alignment with labour market needs. All programmes are expected to become fully dual since 2025/26, marking a major step towards closer cooperation between training providers and enterprises. The reform also introduced new specialisation and advanced programmes ("VET Master's"), together with modules on sustainability, digitalisation, entrepreneurship and technical English, to equip learners with skills relevant to emerging sectors. The updated catalogues of standards of competences and training modules have broadened the range of officially recognised qualifications and strengthened the framework for quality assurance and accreditation. Overall, these reforms represent a major step forward in making VET more flexible, inclusive and responsive to change. Building on this structural reform, Spain has accelerated implementation efforts through targeted investments under the RRP. Regulatory updates through Royal Decree 69/2025 and the expansion of competence standards further strengthen transparency and ensure closer alignment of VET provision with labour market needs. Additional funding for upskilling, micro-credentials and the development of National Reference Centres and Centres of VET Excellence enhance the system's ability to retrain adults and support innovation. Through the Technical Support

Instrument, Spain benefitted of technical support for the development of a Skills Intelligence Strategy for Higher Education (ISCED levels 6-8) at university level studies. The strategy is expected to provide specific guidance towards the development of new higher education degree programmes and micro-credentials, and the review of existing ones, based on observed labour market trends and skills needs.

Spain has also made significant progress in expanding lifelong learning opportunities for adults. A new national system now allows adults to certify basic skills (literacy, numeracy and digital skills) acquired through work experience or informal learning, free of charge and on a permanent basis. This reform is potentially benefiting over 10 million people. Spain has also recently introduced a micro-credentials action plan. These initiatives could help widen access to lifelong learning, including through individual learning accounts targeting older workers, especially those in low-paid or vulnerable sectors[88].

2.3.4 Concluding remarks

The available quantitative and qualitative evidence in this second-stage analysis points to challenges in the area of social protection and inclusion related to the high share of the population at risk of poverty or social exclusion, particularly children, the low impact of social transfers (excluding pensions) on poverty reduction, inequality, housing affordability and energy poverty. While the labour market continues to perform well overall, challenges remain in relation to the relatively low employment and high unemployment rates, despite significant improvements. Unemployment disproportionally affects young people, third-country nationals, older workers, persons with disabilities and Roma. In-work poverty is relatively high, pointing to challenges in relation to job quality. In the area of education and skills, despite a significant decrease in recent years, the share of early leavers from education or training is still a challenge, alongside low basic skills levels. Despite the increase of participation in high-level VET, skills mismatches and low participation in medium-level VET and STEM continue to hinder transitions from education to employment, particularly in sectors critical to Spain's green and digital transitions.

The measures implemented or planned so far, such as improvements in IMV and CAPI implementation, investments in ECEC, the ongoing transformation of VET, the expansion of upskilling and reskilling opportunities for adults, and the gradual strengthening of ALMPs, are expected to help Spain address the challenges identified. This will also crucially depend on effective implementation and strengthened coordination between national and regional authorities.

[88] OECD Economic Survey, Spain 2025.

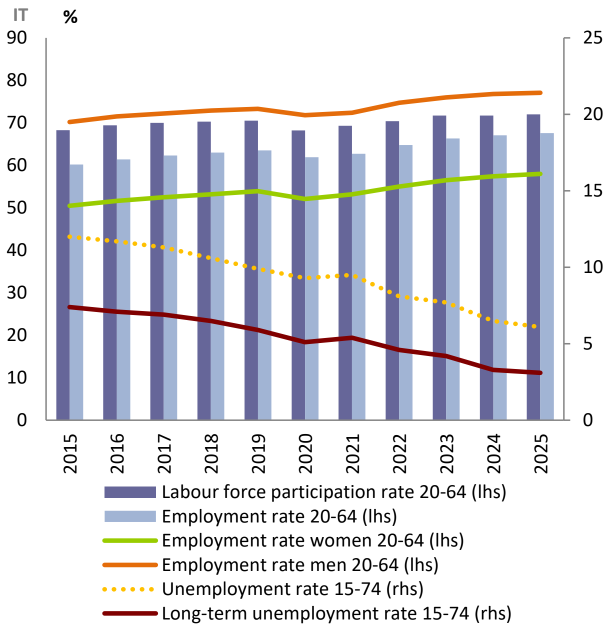
2.4 ITALY

In the first-stage analysis in the JER 2026, Italy was identified as facing potential risks to upward social convergence based on 11 headline indicators of the Social Scoreboard flagging. The risks identified concern the labour market domain, notably the increasing but still low **employment rate**, the still high **gender employment gap** the declining but still high **share of young people not in employment neither in education and training,** the **disability employment gap,** and the low **real gross disposable household income per capita**. In the area of education and skills, risks relate to the low **shares of adults participating in learning** and **of people with at least basic digital skills**, as well as to improving but still relatively high share of **early leavers from education and training.** Finally, in the social protection and social inclusion domain, the high **at-risk of poverty or social exclusion rate, for the total population and for children**, and the high and rising **income quintile share ratio** were also identified as criticalities.

2.4.1 Labour market

a) State of play and developments on social convergence risks

Figure 1: Key labour market indicators



Source: Eurostat [lfsi_emp_a, une_rt_a, une_ltu_a].

Italy's labour market continues improving, but significant disparities persist. In 2025, the employment rate (20-64) reached 67.6%, after a modest increase from 2024, boosted by significant employment growth in both tradable and non-tradable services. This increase was mainly driven by workers aged 55 and above, while employment rates of young people declined. This trend in older workers' employment is largely attributable to pension reforms that increased the retirement age and limited early retirement options, effectively keeping older workers in the labour market for longer. Italy's employment rate remained among the lowest in the EU in 2025, and 5.4 pps below the 2030 national employment rate target of 73%. Temporary contracts are decreasing but remain common, while the number of permanent jobs is increasing. Employment rates continue to be characterised by substantial regional differences, ranging from 75.8% in the North-East to 51.3% in the South in 2024 (see analysis of determinants in the SWD 2025). However, geographic differences have somewhat narrowed. A notable improvement could be observed regarding the unemployment rate that dropped to 6.1%, its lowest level since 2009 (vs 6% in the EU). Though decreasing and converging with the rest of the EU, with more than half of the unemployed out of employment for more than 12 months, the long-term unemployment rate (3.1%) remains higher than the EU average (1.9%). Labour market slack has also decreased but still represented 14.5% of the extended labour force in Q4-2025. A significant share consisted of people who were available to work but not actively seeking employment, which may be pointing to a potentially high number of discouraged workers.

Adverse demographic developments, brain drain, and low labour force participation rates limit labour supply and weigh on economic growth. Italy is facing demographic decline, with its population shrinking and a significant outflow of young, highly qualified people seeking opportunities abroad, contributing to an accelerated brain drain (see SWD 2025). In 2024, emigration has reached a 25-year high at almost 189 000, nearly one in two of those emigrating holding a university degree[89]. At the same time, counter to the EU-wide trend, Italy's labour force participation rate (15-64) stagnated in 2025 for the third consecutive year, at 66.7%, which is 9 pps below the EU average of 75.7%. The rates for women (57.8% in 2025) and young people (15-24) (22.6%) trail their respective EU averages by 13 pps and 18 pps. The disability employment gap was at 25.1 pps in 2025, broadly in line with EU average (24 pps). Yet, when adjusting the indicator for

[89] ISTAT, Demographic indicators – Year 2024.

disability prevalence, Italy shows the lowest disability gap in the EU. Demographic developments are expected to impact on economic growth and put further pressure on public finances, unless participation rates and productivity growth increase steeply. According to analysis by the Bank of Italy, GDP could contract by up to 11% by 2040 and, even under optimistic scenarios, an increased labour market participation of underrepresented groups could merely offset the reduced working-age population[90].

Labour shortages in labour intensive and high-growth sectors paired with significant skills mismatches hinder potential productivity gains and competitiveness. Job vacancy rates declined, reaching 1.8% in Q2-2025 (2.1% in the EU). Nonetheless, despite the significant underrepresentation of certain groups in the labour market, vacancies remain particularly high in construction, healthcare, accommodation, and food service activities, professional, scientific and tech activities, indicating labour market tightness in these sectors. This can reflect lower job quality and attractiveness of certain occupations, as well as insufficient supply of skilled labour in both labour intensive and fast-growing sectors[91], This also points, among others, to a growing need to improve the recognition of qualifications, and validation of skills of other EU and third-country nationals. In 2025, over 49% of SMEs struggled to hire skilled workers, notably in healthcare, ICT, STEM, and construction. Italy also faces a growing skills imbalance between doctors and nurses, with shortages of nurses exacerbated, among others, by ageing and challenging working conditions, as well as persisting vacancies in key specialities and falling numbers of general practitioners. Overall, Italy also exhibits a high macroeconomic skills mismatch, especially among the youth (26.2% in 2023 vs 19.5% in the EU) (see SWD 2025).

Persistent significant gender disparities in labour market outcomes underscore ongoing challenges in achieving gender equality, as women represent a substantial untapped reservoir of talent and potential. The employment rate of women was 58% in 2025 and among the lowest in the EU (71.4%). As a result, Italy had one of the widest gender employment gaps, at 19.1 pps, with no signs of convergence over the past decade. In 2024, the employment rate of women varied significantly across regions, with the North-East recording the highest rate (75.8%), while the South and the Islands barely exceeded 53%. At the same time, Italy has one of the widest gender gaps in part-time employment at 21.7 pps (19.8 pps in the EU). When considering full-time equivalents, the gender employment gap is 23.7 pps. While existing hiring incentives have supported women's employment, they have in some cases increased the incidence of atypical contracts, especially in part-time work.[92]. These gaps are, among others, linked to the insufficient availability of childcare services and of long-term care services, as well as work-life policies, and institutional barriers (see SWD 2025). Flexible arrangements such as teleworking are far less common in Italy (10.3% vs 21.7% in the EU in 2024), hindering work-life balance and female participation. Even though participation in early childhood education and care (ECEC) increased by almost 10 pps since 2021, reaching 39.4% in 2024 and approaching the national Barcelona target of 41.7% by 2030, unmet demand for ECEC places remains high (59%), particularly in regions like Campania. Access to ECEC is strongly dependent on the place of residence, with significant disparities between urban and rural areas, across regions and socio-economic backgrounds[93].

While the share of young people neither in employment nor education or training (NEET) has significantly improved, young people continue to face labour market challenges. In 2025, the NEET rate (15–29) fell for the fifth consecutive year and at a significantly higher pace than the EU average, reaching 13.3%, (vs 10.9% for the EU). At the same time, the employment rate for young people (15-29) declined to 33.1% and remains 16 pps below the rest of the EU (49.1%). In 2024, the employment rate for recent graduates (18-34) was 58.2% for those with upper secondary education, and 77.3% for tertiary degree holders, below the respective EU averages (73.3% and 86.6%). Regional disparities are stark, with tertiary graduate employment rates ranging from 85.6% in the North-West to 57.6% in the South. Vocational education participation was similar to the EU average, but fewer recent VET graduates have experienced work-based learning[94].

[90] Banca d'Italia, The Governor's Concluding Remarks for 2024,2025.

[91] Banca d'Italia, Labour shortages in Italy: determinants, firms' responses and employment prospects, 2024.

[92] INAPP, Gender Policy Report, 2024.

[93] European Commission, Education and Training Monitor - Italy, 2025.

[94] See European Commission, Education and training monitor 2025 – Italy, 2025.

Despite a rise in permanent contracts, atypical contracts and their involuntary component remain common, and prevalent among some groups, weighing on job quality via lower job and career security and work intensity. Permanent contracts have been rising and fixed-term and part-time employment decreasing in recent years. Yet, in 2024, involuntary temporary employment affected 11.8% of all employees (15-64)[95], and 9.3% of total employment (15-64) was involuntarily part-time. Among temporary employees, the involuntary nature of such contractual arrangement affected four out of five workers (81%), and among part-time workers one out of two (51.3%). Young people, and notably women, are particularly affected. Italy has one of the highest proportions of temporary workers in the EU, coupled with low rates of transitions from temporary to permanent positions (21.3%) (3-year averages). This suggests that, in many cases, temporary contracts do not represent effective pathways to stable employment. Besides having a negative impact on the development of firm-specific human capital, reducing job security, contributing to inequality and instability in earnings, and lowering the average number of hours worked[96], the attractiveness of jobs is negatively impacted. The share of self-employed workers also remains high in Italy (20.1% in 2024 compared to 13.6% in the EU) and continues to increase in absolute terms, while remaining broadly stable in relative terms. Around 13.4% of people in employment were solo self-employed, in some limited cases showing elements of subordination[97].

Stagnant wage growth is paired with low work intensity, and low labour productivity growth. Amid labour shortages and adverse demographic trends, fair wages and adequate earnings are key to attracting and retaining workers, potentially boosting productivity and innovation. Italy's structurally low labour productivity growth, hindered by low investment, particularly in R&D, innovation and human capital, and the misallocation of labour and capital across firms of different sizes[98], have constrained wage growth over the past two decades[99] and are expected to further constrain growth in the future. Real wages increased on average by 2.4% in 2025 and are only recovering previous losses very slowly. As a result, average real wages were 4% below 2019 levels in 2025, unlike in the rest of the EU where the gap had already closed or was smaller. Recent trends show diverging pathways between labour productivity growth and wage growth, with real wages remaining low even in sectors with high-productivity growth. In 2023, 34.7% of employment was in low-wage, high-productivity growth sectors[100]. From 2010 to 2022, Italy's median earnings grew by just 9.8%. According to national data, the trend in hourly wages in 2024 (+4.4%) was entirely driven by increases in contractual minimum wages, differently from 2023, when growth (5.6%) was also driven by significant wage increases paid above the minimum wages to offset losses due to inflation. Italy's low-wage earners made up 8.8% in 2022, below the EU average of 14.7%.

Together with low work intensity, often resulting from atypical contracts, stagnant wages contribute to high in-work poverty risks and reduce the attractiveness of certain occupations. The real gross disposable household income in Italy has shown improvements over the past five years, yet it remained at 96% of its 2008 level in 2024 and among the lowest in the EU. Recent national data suggest continued and somewhat accelerated growth in 2025[101]. Against this background, in-work poverty risks only slightly decreased to 10.2% in 2025, while increasing for single-person households (13.6%). They also remain particularly high among part-time and fixed-term workers and those with low work intensity. As many as 36.3% of those who worked between 20-45% of their full-time potential in the previous year were living in poverty. Risks remain higher for the low qualified (18.2%), for non-EU citizens (23.1%), and those born outside the EU (21.3%). The South of Italy appears as more affected, in line with its higher incidence of low work intensity, and of discontinuous and unstable employment[102]. This last finding needs nonetheless

[95] Involuntary temporary employment is defined here as due to either 'no permanent job was found' [lfsa_etgar] or 'the job was only available with a temporary contract' [lfsa_etgar].

[96] Banca d'Italia, The increase in earnings inequality and volatility in Italy: the role and persistence of atypical contracts, 2023.

[97] 6% of the self-employed presented at least one element of external control over their activities, and 6.5% also declared dependency on one client.

[98] European Commission, In-Depth Review 2025 - Italy, European Economy Working Papers, 2025.

[99] ILO, Global Wage Report, 2024-25.

[100] European Commission, Labour Market and Wage Developments in Europe, 2025.

[101] ISTAT, AP quarterly account, household income, company profits – third quarter 2025 – Istat, 2026.

[102] Tonutti, G., Garnero, A., Bertarelli, G. et al. The local distribution of in-work poverty and sectoral employment: an

to be interpreted with caution as the indicator is not able to account for the significant regional differences in costs of living in the country.

Italy's collective bargaining system has limitations affecting wage dynamics. The wage gap between the more and less representative contracts is estimated at 14.6%[103], notably impacting low-wage sectors. In 2024, out of 1 017 agreements, 803 contracts were signed by smaller unions covering 4% of workers. While limited in scope, this contributes to downward wage pressure in the most affected sectors (e.g. logistics, cleaning, retail, hospitality). Moreover, at the end of 2025, 42.2% of employees were on contracts under expired collective agreements, including public administration employees, contributing to wage stagnation. Average waiting time for the renewal of contracts covered by collective agreements stood at 18.9 months. While negotiated wages increased by 3.1% compared to the previous year, they are still below 2021 levels in real terms[104]. Contract fragmentation, uneven local distribution of unions, and administrative barriers hinder second-level bargaining, resulting in regional disparities, with 74% of second-level contracts in the North and only 9% in the South. Promoting second-level bargaining, especially among SMEs, can enhance productivity and working conditions. Targeted incentives, including proportionally larger per-worker incentives for SMEs, are better aligned with Italy's production structure, while also encouraging uptake in the South. Overall weak enforcement of contracts also contributes to wage stagnation, with 80 000 wage underpayment claims in 2024 and a resolution time of 297 days, straining individuals' incomes[105]. The number of inspections increased by 42% in 2024, improving effectiveness. Despite aims to streamline claims, there is still a need for more resources to strengthen inspections and increase efficiency of judicial procedures. The 2025 plan to add 1 000 labour inspectors requires targeting vulnerable sectors to effectively combat contractual breaches.

Undeclared work in Italy has increased, reversing a five-year decline, despite efforts to strengthen labour inspections. Undeclared work in Italy increased in 2023 to approximately 3.13 million full-time equivalent positions, a 4.9% rise from 2022, reversing a five-year decline, despite enhanced labour inspections[106]. The irregular work rate rose slightly to 12.7%, with notable prevalence in services, agriculture, and trade sectors. National Labour Inspectorate staffing increased to 5 081 in 2024, with 1 000 technical inspectors to be hired by 2026, but still insufficient non-inspection staff is reported. Labour exploitation and *caporalato* (a system that involves illegal labour recruitment, violating wage and safety standards[107]) persist, particularly among migrants in agriculture, logistics, and textile manufacturing, as well as in the gig economy. An estimated 10 000 workers live in informal settlements lacking basic services, enduring overcrowding and poor hygiene[108].

b) Relevant planned and ongoing policy responses

Substantial reforms and investments in active labour market policies (ALMPs) aim to enhance employment services and increase labour market participation. By 2025, the "Guaranteed Employability of Workers" (GOL) programme reached 3.2 million people, with 55.5% women, 30.7% long-term unemployed, and 45.9% under 30 or over 55[109]. There remains scope for further strengthening effective outreach given the context of nearly 2 million individuals outside the labour force not participating in the programme. The National Plan "Giovani, donne e lavoro" (GDL), complemented by the efforts of regional programmes, both funded under the ESF+, also play an important role in reforming and modernising ALMPs by supporting youth, women and vulnerable people in finding employment and strengthening their digital and green skills. The 2026 Budget Law reduces Italy's high labour tax wedge and targets incentives to improve labour market participation of underrepresented groups. Employment incentives and professional training programmes are regarded as key instruments to boost employment in Italy. New measures include partial social security contribution relief for hiring workers on open-ended contracts or converting

analysis of local dynamics in Italy. Stat Methods Appl 33, 973–998 (2024).

[103] See Lucifora, C. and Vigani, D. (2021), Losing Control? Unions' Representativeness, Pirate Collective Agreements, and Wages, Industrial Relations: A Journal of Economy and Society, 60(2), 188-218.

[104] ISTAT, Contratti collettivi e retribuzioni contrattuali, 29 January 2026.

[105] Ministero della Giustizia, Flussi dei Tribunali ordinari e delle Corti di Appello, 2025.

[106] As acknowledged by Corte dei Conti, Deliberazione 11 giugno 2025, n. 44/2025/G.

[107] See the definition in MLPS 2020, Piano triennale di contrasto allo sfruttamento lavorativo in agricoltura e al caporalato 2020 – 2022.

[108] MLPS, ANCI e Cittalia, Le-condizioni-abitative-dei-migranti-settore-agroalimentare.pdf, 2022.

[109] Cedefop, Italy: VET access widens through GOL reform, 2025.

fixed-term ones, consolidating incentives for young workers, disadvantaged women, and firms in Italy's Special Economic Zone (ZES), covering the South and part of the Centre. The 2026 Budget Law also introduces a 5% flat tax on salary increases linked to the renewal of collective agreements implemented in 2026 for workers earning up to 33 000 euro. As part of broader efforts to increase labour market participation, the 2026 Budget Law abolished early retirement schemes such as Quota 103 and Opzione Donna, which allowed female workers to retire early, while introducing incentives for eligible workers to remain longer in the labour market. Moreover, it simultaneously reformed the auto-enrolment system, ensuring that new private sector employees are automatically enrolled in a pension fund unless they opt out. This automatic enrolment mandates minimum contributions from both employees and employers and might increase the workforce participation in occupational pension plans. The Social and Labour Inclusion Information System (SIISL) has been further scaled up, including with AI-supported tools. As of 1st April 2026, it will be gradually mandatory for employers to post vacancies on the SIISL platform in order to claim employment incentives. This will improve job and skills matching by expanding the pool of applicants for a single job. Additionally, a new virtual assistant for career and educational guidance ("AppLI") has been launched to help users identify paths best suited to their individual needs and support their job search with tailored tools. Having been piloted in 2025, it is currently in the early stages of implementation, with its effectiveness to be evaluated in the future.

Family policies and childcare measures have been broadened, but funding remains insufficient to address persistent service gaps in long-term care. The Budget Law 2026 extends parental leave to parents of children aged up to 14 years (previously 12) and doubles unpaid leave available to parents for the illness of children aged 8–14. Investments supported by the RRF have significantly contributed to expanding ECEC services nationwide. Nevertheless, substantial regional disparities remain, reflecting differences in public resources allocated across regions and municipalities[110], which risks exacerbating access barriers for households in disadvantaged areas. Yet, recent measures aim to channel additional resources to those municipalities with lower coverage. The long-term care reform[111] is ambitious in scope, but its implementation is constrained by the lack of funding, limiting the development of an integrated system, the establishment of new intervention models, and the expansion of the service offer. The new Budget Law also creates a fund to support initiatives recognising and supporting family caregivers. While this aims to acknowledge the value of non-professional care, reliance on monetary support without an adequate service offer risks reinforcing non-participation in the labour market, especially for women.

The Budget Law 2026 has introduced further provisions aimed at promoting renewals of national contracts and encouraging second-level collective bargaining via incentives. Wage increases linked to contract renewals as well as productivity-related bonuses and indemnities for work in atypical hours will benefit from preferential tax treatment. These measures add up to the reduction of the rate on the second tax bracket from 35% to 33% and are expected to contribute to wages catch-up with past inflation.

Amidst reforms and investments, governance gaps and limited local capacity remain challenges to tackling undeclared work and labour exploitation more effectively. Under the Italian Recovery and Resilience Plan (RRP), Italy is implementing the National Plan tackling undeclared work. This includes deterrent measures such as strengthened inspections, as well as preventive measures such as the development of indicators estimating firms' risk of undeclared work, targeted by letters urging compliance. Italy has also requested Technical Support Instrument (TSI) support to develop a national risk-based inspection framework. While latest data cannot reflect the results of these measures yet, challenges and gaps remain in the overall governance system to tackle undeclared work and at sectoral level, in economic activities most affected. The Italian RRP also included investments in Urban Integration Plans, including housing solutions for agricultural workers to overcome illegal settlements. However, this investment was significantly downscaled. As highlighted by the Italian Court of Auditors, this measure was hampered by inaccurate mapping, fragmented governance, and insufficient local capacity[112]. At the same time, recent research highlights how migration policies can play a role in pushing migrants into irregular and exploitative

[110] See European Commission, Education and training monitor 2025 – Italy, 2025.

[111] Law n. 33, 23 March 2023.

[112] See Corte dei Conti, Deliberazione 25 luglio 2024, n. 81/2024/G.

labour arrangements[113]. Measures have been introduced in 2024 and 2025 to strengthen checks on employers' applications to recruit workers from abroad, while there is scope for a more structural solution.

2.4.2 Education and Skills

a) State of play and developments on social convergence risks

Early school leaving continues to fall but is marked by disparities. In 2024, the share of young people (18–24) who were not in education or training and had not obtained a diploma or qualification beyond lower secondary education further decreased to 9.8%, having broadly converged to the EU average (9.4%). The rate is nonetheless much higher among young men (12.2%) compared to women (7.1%), with the gender gap having widened in recent years. The share of early leavers remains above 10% in the South (11.3%) and especially in the Islands (15%), whereas the North-West, North-East and Centre are already close to or below the EU target. Moreover, among young people born outside the EU, early school leaving is more than twice as high than among their Italian born peers (21.3% compared to 8.7%) with a wider gap compared with the rest of the EU (14.7 pps vs 11.9 pps).

Educational attainment lags behind EU average and is marked by disparities. The working-age population as a whole is trailing the EU average in terms of educational attainment, with 34.5% having only lower secondary education and 30.7% of 30-34 year-olds holding a tertiary degree (vs 44.7% in the EU in 2024). Educational attainment in Italy varies significantly by gender, country of birth and region of residence. On top of women and the native born, people residing in the North and the Centre also tend to fare better (see SWD 2025).

The country faces challenges in terms of vocational education and training (VET) and the number of graduates in science, technology, engineering, and mathematics (STEM) fields. The share of students in medium-level education attending programmes with a vocational orientation (51.3% in 2023) remains above the EU average (of 49.1%)[114]. However, despite recent investments and reform efforts, also under the RRP and ESF+, it has steadily decreased over the last decade (-7.8 pps from 2013). Moreover, only 24.7% of VET graduates participated in work-based learning, compared to 65.3% in the EU, hindering their smooth transition into work[115]. Additionally, the share of graduates in STEM fields, including ICT, remains low. Among those who graduated from tertiary education in 2022, 23.4% obtained a STEM qualification compared to 26.6% in the EU.

Italian adults show limited basic skills with large disparities across the country, while basic digital skills in particular are rapidly increasing. Italian adults scored below the OECD average in literacy, numeracy, and problem-solving, (see SWD 2025). Residents of Northern and Central Italy achieve statistically comparable results with the OECD average in the domain of literacy, while the North-East also matches the average in numeracy. Conversely, southern regions consistently show lower results in every competence area (OECD, PIAAC)[116]. In 2025, the share of Italians with at least basic digital skills remained below the EU average (60.4%), but it has increased (by 8.5 pps since 2023) at a significantly faster pace than the EU average, reaching 54.3%. . The digital skills gap is widening for adults with low education, the unemployed, and those outside the labour force.

Participation in adult learning is low and decreasing (see SWD 2025). The participation in adult learning has declined, with only 29% of adults engaging in learning activities in 2022[117], compared to the EU average of 39.5%. Recent data from the Labour Force Survey also indicate a declining trend in 2024. This falls short of Italy's 2030 target of 60%. The rate is particularly low among those with lower education levels, who are in low-skilled jobs, or older people. Participation rates also vary significantly depending on educational attainment, with 60.2% of those with tertiary education and 55% of high-skilled workers engaging in learning, compared to only 10.3% of those with primary education.

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[113] Pomponi, F., Main Policy Orientations that Impact on Undeclared Work of Foreigners in Italy, Economia & lavoro, 2/2024, pp. 27-42. See also CNEL, Osservazioni e Proposte in materia di caporalato e prevenzione delle forme di sfruttamento lavorativo, 2026.

[114] See European Commission, Education and training monitor 2025 – Italy, 2025.

[115] IBID.

[116] See OECD (2024), OECD Economic Surveys: Italy 2024, OECD Publishing, Paris.

[117] When factoring in on-the-job training, the share increases to 34.1%.

b) Relevant planned and ongoing policy responses

Italy is implementing youth-employment guarantees, territorial-equity initiatives and substantial reforms in the field of education, alongside targeted programmes to improve learning conditions in disadvantaged regions (see SWD 2025)**.** Since 2014, the European Social Fund Plus (ESF+) financed "Youth Guarantee" has offered work, training, or education opportunities to over 1.7 million young people, although weak active labour market structures continue to limit its full impact. Simultaneously, the "Agenda Sud", supported by the ESF+, focuses on boosting basic skills and reducing early school leaving in southern regions and the islands, benefiting more than 2 000 schools[118]. This is accompanied by EUR 1.5 billion of RRF investment to reduce early school leaving in high-risk areas through personalised learning pathways, extended hours, staff development and counselling services. Other investments aim to strengthen tertiary and technical education: the ITS academy system is being expanded, integrated with universities and firms, and aligned to labour market needs, particularly in STEM. Moreover, the National Programme School and Skills 21-27 (ESF+/ERDF) invests EUR 150 million in professional laboratories in secondary schools in the South. Recent measures in tertiary education address skills mismatches and declining enrolment due to demographic changes, including improved student guidance, flexible degree-class structures, an expansion of 'Laurea professionalizzante' (qualifying degrees) to speed up school-to-work transitions, and initiatives such as housing and psychological support to reduce drop-out rates. Finally, the 'Erasmus Italiano' initiative promotes interregional mobility.

Through improved recognition mechanisms, a strengthened VET system and updated training policies, as well as micro-credentials, Italy is modernising its training system and strengthening its alignment with labour market needs. Italy's recent reforms, including the revamped VET system and updated National Qualifications Framework, focus on aligning skills with labour market needs, enhancing transparency and certification of non-formal skills, and strengthening education-work links. Initiatives such as the digital platform under the ToNQFit Erasmus project and the SIISL platform empower skill validation and provide tailored job search and training services, boosting employability and professional growth. Moreover, the revised "Piano Nuove Competenze-Transizioni" sets a regulatory framework at both national and regional level to enhance on-the-job training, upgrade skills intelligence tools, and deepen collaboration with the private sector in designing and delivering training. The rollout of micro-credentials, expected by the end of 2025, depends on regional regulatory action. A 2024 law-decree now sets national standards for identifying, validating, and certifying skills, simplifying employability pathways for workers[119].

Financial incentives support individuals and employers in training and up-skilling, with particular attention to vulnerable groups and emerging skills areas (see SWD 2025)**.** The "Supporto per la Formazione e il Lavoro" (SFL) provides low-income adults with a EUR 500 monthly allowance, under the condition of the participation in training or job-placement activities, for up to a year, renewable only once[120]. Additional programmes adopted under the Italian RRP offer tailored assistance to job seekers and upskilling and reskilling. These include "Garanzia Occupabilità Lavoratori" (GOL), the New Skills Fund programme (third edition, co-funded by the ESF+) and "Educazione Digitale per l'Occupazione" (EDO), an online training initiative designed to improve the digital skills of the population outside the labour force with the aim of making it easier to seize new job opportunities. In the latter, by January 2026, 120 000 users had completed the available courses. In addition, despite some revisions, Italy aims to train at least 800 000 individuals under the GOL programme in 2026. Other initiatives funded by the ESF+ encourage firms to train workers in green and digital skills. The Italian RRP also finances short courses in green skills aligned with the Pacts for Skills, piloted in 2025[121]. Moreover, in the context of a multi-country project with Czechia, Italy benefits from technical support through the TSI to enhance skills assessment and forecasting needs and through improved skills governance.

118 See European Commission, Education and training monitor 2025 – Italy, 2025.

119 See CEDEFOP, New on VET – Italy, 2025, and Gazzetta Ufficiale - Law Decree 9 July 2024.

120 See INPS – Supporto Formazione-lavoro Portale Inps - Supporto per la Formazione e il Lavoro (SFL) and INPS report on ADI and SFL.

121 See MEF, Pubblicato il Documento programmatico di finanza pubblica 2025.

2.4.3 Social protection and social inclusion

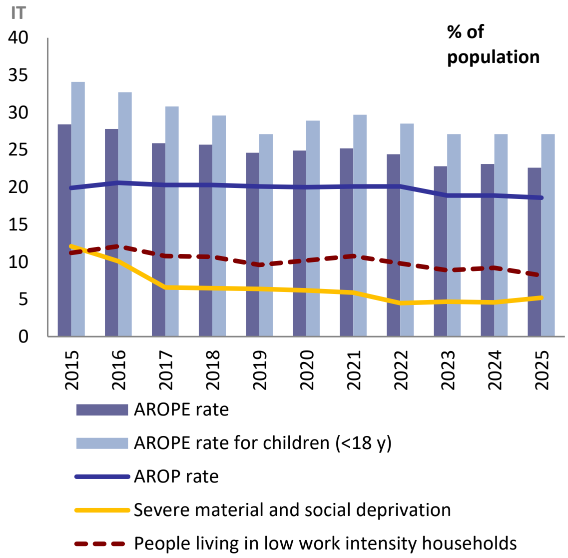
a) State of play and developments on social convergence risks

The share of people at risk of poverty or social exclusion improved in 2025, while regional disparities widened. The share of people at risk of poverty or social exclusion (AROPE) was 23.1% in 2024 (vs the EU average of 21.0%) but declined to 22.6% in 2025. In absolute terms, around 13.3 million people were at risk of poverty or social exclusion, i.e. 260 000 less than in the previous year. This is the lowest value since 2015 and represents half of the 2030 national poverty reduction target. Among the three components of AROPE, monetary poverty (AROP) remained the most widespread, affecting 18.6% of the population in 2025 (it was 16.2% in the EU in 2024), with a slight decrease of 0.3 pps. The share of people living in households with very low work intensity affected 8.2% of the population, down by 1.0 pps and close to the EU average of 7.9% in 2024. In contrast, severe material and social deprivation increased by 0.6 pps and reached 5.2%, though still below the EU average of 6.4% in 2024. The depth of poverty[122] was 26% in 2024, against an EU average of 22.7%, and declined to 24.6% in 2025. The groups facing the highest risk of poverty or social exclusion were single parents (44.4%) and couples with three or more children (39.3%), as well as tenants (39.4%) and foreigners (38.6%). In addition, 8.4% of households and 9.8% of individuals were in absolute poverty in 2024, according to the most recent national statistics[123]. Large and persistent regional disparities continue to characterise poverty and social exclusion, with the AROPE rate ranging from 11.3% in the North-East to 40.5% on the Islands, with a gap of 29.2 pps that has been widening since 2021.

[122] See Eurostat, relative at risk of poverty gap.

[123] See ISTAT (2024), La povertà in Italia - Anno 2024.

Figure 2: AROPE and its components (%)



Source: Eurostat, EU-SILC [ilc_peps01n, ilc_li02, ilc_mdsd11, ilc_lvhl11n]

Children face greater poverty or social exclusion risks. In 2024, 27.1% of children in Italy were experiencing poverty or social exclusion risks, compared to 24.2% in the EU. In 2025, the share remained unchanged. At household level, having children increases poverty risks significantly more in Italy than overall in the EU. In 2025, people living in households with children were more frequently experiencing poverty or social exclusion (25.5%) than those without (20.2%), with a gap that is more than twice the EU average in 2024.

Income inequality improved in 2025, while wealth inequality is on an increasing trend, and both remain high. In 2024, the richest 20% of the population earned 5.53 times more than the poorest 20%, well above the EU average of 4.66, based on the income quintile share ratio (S80/S20). In 2025, this ratio decreased to 5.13[124]. The income distribution showed a narrowing gap between higher- and middle-income households as well as between middle- and low-income households. In 2024, taxes and transfers (excluding pensions) reduced the S80/S20 ratio by 40.9%, well below the EU average of 48.3%. In 2025, this impact remained stable at 40.8%[125]. In the third quarter of 2025, the top 10% of households owned 60.1% of net wealth, while the bottom 50% owned 7.4%, compared to 57.2% and 5.1% in the euro area, respectively. The share of net wealth owned by the top 10% has

[124] For all countries, the reference period for income variables in EU-SILC is the previous calendar year.

[125] In 2024, the impact of taxes was similar to the EU average (15.5% vs 16.5%), while the impact of social transfers was below it (27.2% vs 34.6%). In 2025, the impact of taxes was 15.5% and that of transfers was 27.3%.

been increasing at a fast pace since 2020, by a total of about 5 pps, while the share owned by the bottom 50% has slightly decreased.

Access to social protection in Italy remains uneven, with persistent gaps in coverage for the self-employed and the unemployed. In 2024, social transfers other than pensions reduced the at-risk-of-poverty rate by 31.3%, below the EU average of 34.2%. In 2025, their impact decreased to 30.6%. Only 11.5% of the self-employed received any social benefits in 2024, compared to 39.8% among employees in general, while in 2023 most of the self-employed were not covered by unemployment (79%) nor sickness benefits (68%). In 2024, 27.1% of the self-employed were registered with private social security funds[126]. While one in four temporary contract workers has a contract lasting six months or less, they are relatively more likely to receive benefits and see stronger poverty reduction effects than their EU peers. Yet they remain twice as likely to face material and social deprivation than permanent employees. Among people (15-74) registered in unemployment for up to 12 months, only 45.1% receive unemployment benefits (vs 58.7% in the EU). Only 39% of the unemployed people and 20.6% of people outside the labour force receive any form of support (vs 52.8% and 40.3% respectively in the EU). The replacement rate of unemployment benefits is relatively high (70% after 6 months for a single person with no children), but their duration can be limited, particularly for atypical workers. Overall, the poverty-reduction effect of social transfers for the self-employed and the unemployed is below the EU average, reflecting incomplete coverage. Finally, minimum income coverage has weakened over time: in 2024, only 18.5% of people at risk of poverty received the minimum income, and 70.7% of people in jobless households obtained any social benefit, well below the EU average of 83.2%.

b) Relevant planned and ongoing policy responses

Recent reforms improved protection for some non-standard workers, but gaps remain. Progress includes longer and broader unemployment coverage (DIS-COLL, CIGO/FIS/CIGS), extended maternity and parental rights for the self-employed, the permanent income-support scheme for freelance professionals (*Indennità Straordinaria di Continuità Reddituale e Operativa*, ISCRO), and accident insurance for students in work-based learning. However, significant gaps currently remain in unemployment, sickness and work-injury benefits for the self-employed, and in coverage of unemployment support. Italy receives TSI funding to strengthen the capacity of the National Social Security Institute (INPS) to use AI to reduce the non-take-up of social security benefits.

The minimum income scheme provides support to low-income households, but with coverage gaps. The 2023 reform of the minimum income scheme, now called *Assegno di Inclusione* (ADI), reduced adequacy and coverage (see SWD 2025), though the former remains above the EU average[127]. The benefit integrates household income up to a set threshold, for which Italy has not yet created a robust methodology[128]. Nonetheless, in 2025 the average benefit amount increased by 22.6% and the number of individual recipients by 6%[129], also due to a discretionary increase of the income threshold and the eligibility means test. The 2026 Budget Law abolished the one-month suspension between ADI annual renewals, reducing income gaps for vulnerable households, but introducing a 50% reduction in the first month after renewal. The law also allocated an additional €500 million annually in 2026 and 2027 to support low-income households through the "Carta dedicata a te" fund. Finally, revisions to the calculation of the Index of Equivalent Economic Situation (ISEE) improve access to social protection for large families and homeowners.

Changes to taxes and benefits in 2025 contributed to some progress in reducing income inequalities. The National Statistical Institute estimates that changes to taxes and benefits implemented in 2025[130] have reduced the

[126] ADEPP (2026), XV Rapporto sulla Previdenza Privata.

[127] Joint SPC–Commission report on the implementation of the 2023 Council Recommendation on adequate minimum income ensuring active inclusion.

[128] See the Commission Recommendation on adequate minimum income ensuring active inclusion (2023/C 41/01).

[129] INPS, Osservatorio su Assegno d'Inclusione e Supporto Formazione e Lavoro, January 2026.

[130] ISTAT, La redistribuzione del reddito in Italia, March 2026. The analysis considers (i) the shift from partial social contribution relief for employees to a tax bonus and an additional tax deduction; (ii) the transition from full social contribution exemption for working mothers to the "mothers' bonus"; (iii) the adjustment to the cost of living of the amounts and related thresholds of the Universal Allowance (AUU), the newborn bonus, and the changes to the nursery bonus; (iv) the changes to thresholds and amounts of the Inclusion Allowance (ADI) and the Support for Training and Employment (SFL); (v) the extraordinary €200 contribution to support energy expenses and the update of social bonuses.

Gini index from 31.41 to 31.17. Offering a longer-term perspective, simulations performed by the European Commission's Joint Research Centre estimate that cumulative fiscal changes from 2022 to 2025 have been slightly progressive, remaining broadly neutral for the three lowest income deciles, while reducing disposable income among higher-income groups[131]. The Budget Law for 2026 reduces the middle-income tax rate from 35% to 33%.

Social services governance is strengthened through measures aimed at guaranteeing essential levels of social assistance provision (LEPS). The 2026 Budget Law reinforces LEPS implementation by allocating EUR 200 million per year from 2027 to ensure that social services have at least one psychologist per 30 000 inhabitants and one socio-pedagogical professional educator per 20 000 inhabitants. The law also aims to set up a monitoring system based on concrete and measurable service objectives. Full implementation of LEPS will importantly depend on clear division of responsibilities across levels of government and adequate financing. The ESF+ contributes to equal access to quality social services with over EUR 2.5 billion across all Italian regions between 2021 and 2027.

2.4.4 Concluding remarks

The available quantitative and qualitative evidence in this second stage analysis points to remaining challenges in the labour market domain, in a context of positive trends. These challenges relate to still relatively low employment and participation rates, a significant gender employment gap, and outcomes for the youth that continue to trail their EU peers. Labour market segmentation, while declining, continues to weigh on job quality and stagnant wage growth dynamics is paired with low work intensity and labour productivity growth, with related in-work poverty risks. Also, large regional disparities persist. In the area of education and skills, challenges are related to low adult basic skills, as well as still low tertiary educational attainment. In the area of social protection and inclusion, while improvements were observed, challenges were identified in relation to poverty risks, particularly for children, wealth inequalities, and uneven access to social protection, with coverage gaps for the self-employed and the short-term unemployed.

The measures implemented or planned so far, such as reforms and investments in active labour market policies, labour taxation, family policies, and actions to strengthen the education and adult learning systems, are expected to contribute to addressing existing challenges. This will nonetheless also crucially depend on their long-term sustainability and improved coordination between national and regional administrations. Despite the progress made, more efforts are needed for Italy to address in full the challenges that the country is facing in relation to the labour market, education and skills, and social protection and inclusion.

[131] Estimations performed by the European Commission Joint Research Centre based on the EUROMOD model J2.0+. The bottom 30% of the distribution experiences near-neutral or slightly negative effects (decile 1: -0.37%, decile 2: -0.44%, decile 3: -0.35%), while higher-income households experience proportionally larger reductions, reaching -2.22% at the top decile.

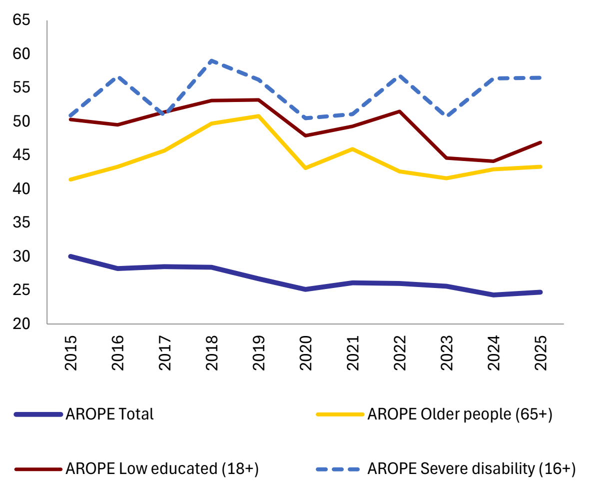
2.5 LATVIA

In the first-stage analysis in the JER 2026, Latvia was identified as facing potential risks to upward social convergence based on 9 headline indicators of the Social Scoreboard flagging, including one that deteriorated over time. The risks identified concern primarily the area of social protection and inclusion, notably the still high **at-risk-of-poverty or social exclusion rate,** the low and deteriorating (since 2022) **impact of social transfers (excluding pensions) on poverty reduction,** the persistent **income inequality,** as well as the still high **self-reported unmet needs for medical care.** Regarding the labour market, the **unemployment** and **long-term unemployment rates** have both deteriorated, and the **youth NEET rate** increased. Finally, in the area of education and skills, the low level of **digital skills** and the decreasing **participation of children under the age of 3 in formal childcare** were also identified as potential risks.

2.5.1 Social protection and social inclusion

a) State of play and developments on social convergence risks

Figure 1: AROPE rates (%)



Source: Eurostat, EU-SILC [ilc_peps01n, ilc_peps04n, hlth_dpe010]

Despite some recent improvements in key indicators, high poverty and social exclusion remain among the major challenges faced by Latvia. The share of people at risk of poverty or social exclusion (AROPE) has shown positive developments in 2024, falling to 24.3% from 25.6% the year before. The rate nevertheless remained significantly above the EU average of 21.1% in 2024. In 2025, the trend however reversed, with a slight increase to 24.7%. Recent developments reflect the reduction in the at-risk-of-poverty rate (AROP) from 22.5% in 2023 to 21.6% in 2024, although still much above the EU average of 16.2%, followed by an increase in 2025. The share of the population severely materially or socially deprived fell by 0.9 pps in 2024, to 5.3% (below the EU average of 6.4%). A further decline to 4.8% was recorded in 2025. Also, the share of those living in households with very low work-intensity, traditionally below the EU average, has further declined (from 7.0% in 2023 to 6.5% in 2024, vs 7.9% in the EU) as Latvia continues to have above EU-average labour force participation and employment rates. The share remained broadly stable in 2025 (at 6.6%). With approximately 450 thousand people at risk of poverty or social exclusion and a reduction of 52 thousand achieved in 2025 compared to 2019, Latvia is still some distance away from its national poverty reduction target of 95 thousand people by 2030. There has been no significant improvement in income inequality since 2022, with the income quintile share ratio (S80/S20) showing that the top 20% of the population in 2024 earns 6.28 times more than the bottom 20%, compared to just a 4.7 times difference in the EU. This figure increased to 6.68 in 2025. Also, the income share of the bottom 40% of the population was among the lowest in the EU in 2024 (18.3% vs 21.8%). It further fell to 18.1% in 2025.

Groups in vulnerable situations, including older people, in particular women, persons with disabilities, the low-educated, the unemployed and people outside the labour force face greater risks of poverty or social exclusion than the overall population. The AROPE rate for 65-year-olds and older (up from 41.6% in 2023 to 42.9% in 2024, and 43.3% in 2025) remains among the highest in the EU. It is more than double the 2024 EU average of 19.2%, affecting 167.000 people[132]. The AROPE rate is particularly high for older women, at 47.3%. This stems from a high gender gap in the at-risk-of-poverty (AROP) and the severe material and social deprivation rates for the population aged 65 or over (while similar rates are observed for men and women for the age group 18 to 64). These gender gaps are primarily a

[132] The composition of the AROPE indicator slightly differs for the 65+ age group, as it does not include the very low work intensity component. The 65+ age group is thus not fully comparable to the other age groups.

result of lower levels of old-age pensions for women, stemming among others from their lower levels of social insurance contributions during work life. In addition, women's longer life expectancy increases the likelihood of outliving their partner, with reduced household income, further contributing to poverty risks. Furthermore, 46.3% of people aged 65 or above and with a disability were at risk of poverty[133] in Latvia in 2024, compared to 19.4% in the EU. This stems, among others, from the low adequacy of old-age and disability pensions and state social security benefit for persons with disability, as well as the low coverage[134] of the special care benefit for persons with very severe disabilities (especially if acquired in adulthood).

Altogether, old-age poverty remains high even though Latvia has a high share of people (more than 40% vs 13% in the EU) who continue to work after starting to receive their old-age pensions. Overall, for persons with a severe disability (aged 16 or older), the AROPE rate was at 56.4% in 2024 (broadly stable at 56.5% in 2025), i.e. 20 pps above the EU average. The low-educated also experience greater AROPE rates, at 44.1%, which is around 10 pps above the EU average, with a further increase to 46.9% in 2025. AROPE rates were also higher for the unemployed (65.9% in 2024, but falling to 61.8% in 2025), and for people outside the labour force (44.3%, but increasing to 46.3% in 2025), though close to the respective 2024 EU averages. Only 27.8% of the unemployed received any social benefits, compared with 52.8% in the EU.

The share of children at risk of poverty has decreased, but single parent households remain vulnerable. The AROPE rate for children fell to 17.9% in 2024 (and to 17.6% in 2025), below the EU average of 24.2%. In addition, contrary to the rest of the EU, households with dependent children have a lower risk of poverty or social exclusion (at 17.2% vs 21.9% in the EU) than those without dependent children (at 32.3%, vs 20.0% in the EU, up to 33.4% in 2025). Nevertheless, the risk is double for single parent households, at 34.4% (vs 43.2% in the EU), and 33% in 2025. More targeted family and child benefits, and possible improvements to survivors' benefits may help address the challenge.

The poverty risks are greater in regions outside the capital, particularly in the EU external border region of Latgale. The risk of poverty (AROP), at 15.6% in 2024, was well below the national average in the capital region and the economic centre of Riga. while it was much more pronounced in the less densely populated and more rural regions of Zemgale (22.8%), Kurzeme (25.1%), Vidzeme (26.8%) and Latgale (35.8%)[135]. In Latgale, which borders both Belarus and Russia, this risk reached 56.5% for people aged 65 years old and older but also affected 29.8% of the working-age population (18 to 64 years old).

The impact of social transfers (other than pensions) on poverty reduction remains low. It has fallen from 25.0% in 2022 to 23.5% in 2023 and further deteriorated to 21.5% in 2024, much below the EU average of 34.2%. In 2025 a slight increase to 22% was recorded. Some efforts have been undertaken with the recent minimum income reform, which introduced a transparent methodology and regular indexation for social assistance and related benefits. At the same time, there is still scope for improvement on the adequacy and coverage of the guaranteed minimum income (GMI) and the housing benefits to effectively lift more people out of poverty. The minimum income in Latvia still shows relatively low adequacy[136], at 43.5% (averaged over three years) of the poverty threshold in 2023, vs 56.3% for the EU. It stands at 34.2% of a low wage earner's income vs 50.0% for the EU, though adequacy varies depending on the household type. The benefit recipient rate[137] reached 72% in 2024, well below the EU average of 83%. Overall, Latvia's public expenditure on social benefits, at 17.7% of GDP in 2023, remains significantly below the EU average of 26.7%.

Pensions have been increasing in recent years, but their adequacy remains low. The minimum income reform, the annual indexations, higher non-taxable minimums and the gradual reintroduction

[133] 75.7% of those that are 65 years old or older in Latvia had some or severe disability in 2024 vs 47.3% in the EU.

[134] Persons not officially recognised as having a disability in Latvia are not entitled to compensation for the extra costs from their disability, while they might have a limited capacity to earn an income from work.

[135] Official Statistics Database of Latvia (2024, link: Nabadzības riska indekss Latvijas reģionos pēc vecuma un dzimuma (%) - DzimumsTeritoriālā vienība, Vecuma grupa un Laika periods. PxWeb.

[136] SPC benchmarking framework on minimum income, 2025 update, based on incomes 2023.

[137] Computed as the share of working-age people (18-64) receiving any benefits (other than old-age benefits) among the population at risk of poverty and living in (quasi-) jobless households.

of supplement payments have all contributed to improving pension adequacy in Latvia over the last years. The public expenditure on old-age and survivors' benefits increased from 8.3% of GDP in 2023 to 8.7% in 2024. Likewise, the aggregate replacement ratio for pensions[138] (excluding other social benefits) improved in 2023, reaching 0.50 (vs the EU average of 0.59), but fell to 0.44 in 2024 (and 0.43 in 2025), vs 0.60 in the EU. The minimum pension base (used for calculating the minimum old-age pension for those that qualify[139]) was raised to EUR 189 in 2025 (at 25% of the median equivalised income).

Low public funding and staff shortages represent challenges in ensuring access to quality healthcare and social services, including long-term care (LTC). The general government expenditure on healthcare fell to 5.3% of GDP in 2023, remaining significantly below the EU averages of 7.2% of GDP. Despite a marked decrease between 2013 and 2021, since more than a decade Latvia has one of the highest self-reported unmet needs for medical care in the EU. Unmet needs have been increasing from 2021 to 2024, reaching 8.4% of the population (aged 16 or over) (vs 2.5% in the EU), while a decrease to 7.6% was observed in 2025. Primary reasons behind these high values are the high costs of services and the long waiting lists. The highest needs for medical care are reported for the population aged 65 or over (12.8% in 2024, and 11% in 2025, vs 3.3% in the EU in 2024), for women (9.5% in 2024, and 8.9% in 2025, vs 2.8% in the EU in 2024), and people in the lowest and second lowest income quintiles (14.4% and 10.8% in 2024, and 13.5% and 8.5% in 2025, vs 3.9% and 3.0% in the EU respectively in 2024). The out-of-pocket expenditure on healthcare in Latvia was more than twice higher than in the rest of the EU in 2023, at 35.0% vs 14.9%. In 2023, there were only 417 nurses per one hundred thousand inhabitants, which is one of the lowest in the EU. In-kind benefits, including free medical care, food packs and access to social services, complement the social transfers, contributing to mitigating the risk of poverty or social exclusion. Most social services are the responsibility of the municipalities, and their availability and quality, and as a consequence also their impact, vary significantly across the country. LTC funding in Latvia remains one of the lowest in the EU, at 0.5% of GDP vs 1.7% in the EU[140]. The Latvian LTC system prioritises persons with severe needs, while offering limited to no support for those with moderate to low needs. Access to home care is at 14.6%, significantly below the EU average of 28.6%. A high care burden falls on informal carers. Latvia has only 0.9 LTC workers for every 100 persons aged 65 and above, compared to the EU average of 3.3. In 2023, there were only 417 nurses per one hundred thousand inhabitants, which is one of the lowest in the EU. The LTC sector suffers from low attractiveness and high staff shortages, also related to working conditions. Participation in education and training is also lower in the sector, with non-participation reported by 93.8% of LTC workers in 2024 compared to the EU average of 78.8%.

b) Relevant planned and ongoing policy responses

Latvia has taken important steps to support those most in need, notably by raising social assistance adequacy, but challenges remain. Within the context of the Recovery and Resilience Plan, Latvia adopted the minimum income reform in 2023, introducing a transparent methodology and regular indexation for setting minimum income thresholds, also positively impacting minimum pensions and other benefits. In 2025, Latvia raised the thresholds, as well as the associated benefits. In particular, the guaranteed minimum income (GMI) threshold was increased to 22% of the median income for the first person in the household (with a 0.7 coefficient for the rest).[141] This somewhat raised the adequacy of the GMI and of the housing benefits, with a positive impact in particular for those at the highest risk of poverty. Despite increased funding needs due to high inflation and the temporary influx of Ukrainian civilians in need, in 2025 in-kind support under the ESF+ programme for material deprivation was maintained at the same intensity for needy households (at 50% of the median income

[138] The aggregate replacement ratio is gross median individual pension income of the population aged 65–74 relative to gross median individual earnings from work of the population aged 55–64, excluding other social benefits.

[139] i.e. those with a minimum of 20 years work experience. For each additional year of experience, a co-efficient of 1.2 is applied.

[140] Ageing Report 2024.

[141] The GMI threshold for the first person in the household is EUR 187 for2026; and EUR 131 for every following person. If the household consists of 2 persons, the GMI threshold is EUR 318. A GMI benefit is paid out to cover the difference between the income and the GMI threshold of the household. For example, if the 2-person household has a joint income of EUR 150, then it is eligible for a GMI benefit of EUR 168. The GMI thresholds are also directly related to the housing benefit, which compensates expenses on housing that exceed the GMI thresholds.

threshold). This was done in the context of the mid-term review, with the strategic re-allocation of an additional EUR 27.4 million to the ESF+ programme for addressing material deprivation over 2021-27. However, the still relatively high levels and recent increases in the share of people at risk of poverty or social exclusion and income inequality indicate that more efforts are needed to reach Latvia's poverty reduction target by 2030.

Measures have been taken to reduce old-age poverty, but their impact has been limited, also given the starting situation. The adequacy of old-age pensions has been improving in recent years through increased minimum pension amounts, annual pension indexations and the gradual re-introduction of supplement payments (for those with insurance gained until 1996). In 2025, Latvia also raised the non-taxable minimum for pensions from EUR 500 to EUR 1000 per month. In addition, the retirement age was raised from 62 to 65 years and the minimum insurance period from 15 to 20 years, concluding a reform started in 2014. Since 2023, the monthly payouts of the 2nd pillar (state mandatory funded pension) savings have been equalised[142], reducing potential negative consequences on pension adequacy for very old age people that chose to phase life annuities with higher payouts at the start of their retirement. Additionally, from 1 January 2025 until 31 December 2028, one percentage point of the individual's total state pension contribution has been redirected from the 2nd pillar to the 1st (the pay-as-you-go, notional defined contribution system). Latvia is also looking to reform its service pension system (affecting certain professionals who work in the interior, defence, justice, foreign affairs and culture sectors) as from 2027. It includes a gradual increase in the retirement age and the minimum insurance periods, as well as a transition of the service pension to the standard old-age pension. The changes are aimed to ensure a fairer overall pension system. There is scope for further raising financial literacy and for increasing individual insurance contributions (e.g. by combating the shadow economy, supporting the labour market participation and/or insurance contributions for secondary household earners, notably women). A comprehensive strategy to raise pension adequacy in the longer term, which could contribute to higher returns of each of the three pension pillars, is currently missing.

A marginal impact is expected on income inequality and poverty risks from the recent labour tax reform that has reduced the tax wedge for lower income households. In 2025, the workforce tax reform came into force, modifying the personal income tax brackets and the non-taxable minimums. As a result, the tax wedge on low to medium income earners has been reduced, and net disposable incomes are expected to increase. The projected impact of the reform on reducing income inequality and poverty risks is nonetheless projected to be limited by the fact that the tax cuts benefit especially medium income earners and that lower income groups are better reached via social transfers[143].

Strengthening childcare and supporting families are recognised as priorities. Latvia adopted an action plan for demography in 2025, which includes the objectives of improving early childhood education and care (ECEC) services, increasing the state benefits for children, including the childcare benefit, and improving access to affordable housing for young families. In the context of the 2026 budget adoption, the Ministry of Welfare notably proposed to raise the childbirth allowance from EUR 421,17 to EUR 600 and the childcare allowance from EUR 127 to EUR 298, with future revisions foreseen every second year. Its effectiveness on reducing poverty, notably for single parent households, is to be seen going forward. An additional EUR 24 million have been allocated to support families, guardians and adoptive parents. The implementation of the European Child Guarantee provides opportunities for strengthening access to key services for children in need but has so far not been used to its fullest potential.

Latvia is implementing the minimum social services basket reform and developing its LTC system. In 2024, Latvia adopted the minimum social services basket reform, which from 2025 obliges all municipalities to provide home care for persons with severe disability, centres for persons in a crisis[144], group homes for persons with mental

[142] Since 2023, a participant of 2nd pension pillar who has been granted an old-age pension and wishes to use the capital accumulated in 2nd pension pillar to purchase a life-annuity insurance policy is no longer able to define several disbursement phases with different life-annuity amounts for each phase.

[143] Based on a Euromod simulation conducted by the Joint Research Centre of the European Commission.

[144] Crisis situation is defined as a situation when a person has no possibilities to use the usual ways to solve problems due to a catastrophe or other external occurrences, he or she is not capable to overcome the consequences caused by such occurrences by himself or herself and therefore

disability, LTC and social rehabilitation services for adults with severe disability as well as for orphans, and homeless shelters. As from 2026, all municipalities will have to provide day care centres and respite centres for persons with severe disability, specialised workshops for persons with mental disability and social rehabilitation mentors for children. There remains nonetheless scope for further efforts in the provision of social person-centred services to align actions with the right to independent living and ensure further inclusion, in all areas of life. The development of minimum social services will be supported by the cohesion policy funds (including the European Regional Development Fund and the European Social Fund+). In addition, in 2024, Latvia adopted its first comprehensive LTC strategy, also aimed at developing community-based services, social care and rehabilitation services, especially integrated health and social services, as well as reviewing the LTC financing model and digitalising the planning and monitoring of services by 2029. To implement these measures, additional funding of EUR 78 million is needed which is however currently not covered by the budget. Overall, despite important steps in the right direction on the development of social and LTC services, there is further scope for sustained efforts and adequate funding to bring about on-the-ground change and achieve greater consistency in service provision among municipalities, addressing territorial gaps.

2.5.2 Labour market

a) State of play and developments on social convergence risks

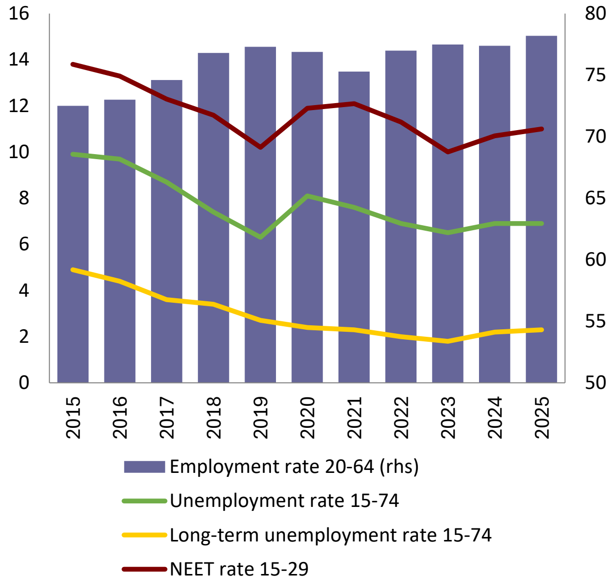
Employment has slowed down due to the economic downturn. GDP contracted by 0.9% in 2023 and remained stagnant in 2024. However, it grew again by 2.1% in 2025, with the labour market expected to remain tight also in 2026. These developments reflect reduced consumption domestically and a drop in the demand of key export markets, rising geo-political pressures and a fall in competitiveness. In this context, the employment rate increased from 77.4% to 78.2.% for persons aged 20-64 in 2025 (in line with the EU trend from 75.8% to 76.2%). The national target of an employment rate of 80% by 2030 seems currently within reach. At the same time, the unemployment rate remained stable at 6.9% in 2025 (vs 6% in the EU). The long-term unemployment rate rose slightly from 2.2% in 2024 to 2.3% in 2025, above the EU average of 1.9%. These increases can be partially explained by a 20% year-on-year increase in the number of businesses liquidated in 2024, with the situation stabilising in 2025[145]. In the eastern border region of Latgale, where economic activity levels and employment are significantly lower, the unemployment rate is higher than the national average, at 9.4%, while in rural areas the unemployment rate reached 7.5% in 2024 (vs 5.1% in the EU).

Youth, women, and persons with disabilities are more exposed to labour market risks and rising unemployment. The share of young people neither in employment nor in education and training (NEETs), aged 15-29, further increased from 10.7% to 11% and is now slightly above the EU average of 10.9%. The NEET rate also shows a marked difference between rural areas (12.2%) and cities (9.6%). The gender employment gap showed a marked decline to 1.9 pps in 2025, down from 3.3 pps in 2024, far below the EU average of 9.6 pps. At the same time, the unemployment rate for women increased. The gender pay gap continued its decline and fell to 13.9% in 2024, down from 16.4% in 2023, but was still well above the EU average of 11.1%. Finally, the unemployment rate

requires psychosocial or material assistance (see Law on Social Services and Social Assistance).

[145] Lursoft Statistics on the Latvian Business register: LR Uzņēmumu reģistrā reģistrēto subjektu dibināšanas un likvidēšanas dinamika, Vispārīgie statistikas dati, Lursoft statistika,Lursoft.

Figure 2: Key labour market Indicators (%)



Source: Eurostat, LFS [lfsi_emp_a, lfsi_neet_a, une_rt_a, une_ltu_a]

for persons with some or severe disabilities was 11.6% in 2024 (vs 9.5% for the EU), with almost every 2nd person in long-term unemployment having some form of disability. The disability employment gap increased from 18.5 pps in 2023 to 21.3 pps in 2024, still below the EU average of 24.0 pps. It was lower, at 19.8 pps, in 2025. Overall, Latvia has a relatively low spending on ALMPs, at 0.07% of GDP in 2024, compared to 0.51% in the EU[146] The number of people in regular ALMP activities out of those wanting to work was only 8.7%, vs 49.3% in the EU. The Latvian social partners indicate that in their view there is further scope for better adapting ALMPs offered by the Public Employment Service to labour market needs, in close collaboration with them. Counterfactual impact evaluations are carried out to assess the effectiveness of ALMPs.

Following a decline in 2022 due to the very high inflation, real wages recovered. They have been growing by 6.5% in 2023 and 7.4% in 2024. Latvia has taken measures to raise the minimum wage, to combat the shadow economy and reduce the labour tax burden on lower income households. In-work poverty, above the EU average[147] between 2021 and 2023, converged to it in 2024, with 8.2% of the employed population reported as being at poverty risk, which nonetheless increased to 8.7% in 2025. The AROP rate was at 6.8% in 2024 for full-time workers (vs 6.9% in the EU) and increased to 7.4% in 2025. The share of low-wage earners is among the highest in the EU though (at 23.3% in 2022)[148]. The trade union density (at 10.3%) and collective bargaining coverage (25.8% in 2022) are both relatively low and showed continued deterioration[149].

The self-employed experience greater at-risk of poverty or social exclusion risks than the general population. The AROPE rate among the self-employed increased from 22.7% in 2022 to 27.9% in 2024, more than three times higher than for the employed, who experienced a decrease from 10.5% to 8.8%[150]. The self-employed remain excluded from unemployment insurance, insurance against workplace accidents and occupational diseases[151]. They have access to sickness benefits only through voluntary coverage. In this context, many self-employed combine self-employment with standard contract employment.

b) Relevant planned and ongoing policy responses

Latvia is addressing labour market challenges through active labour market policy (ALMP) measures, but available funding limits their effectiveness. The State Employment Agency (SEA) is providing assistance to the registered unemployed, job seekers and those at risk of unemployment through ALMP measures, such as career guidance, skills development, vocational training, subsidised employment and regional mobility support programmes. From 2022 to 2024, the European Commission, in collaboration with the OECD, provided technical support to SEA to modernise and improve its services through digitalisation. The project culminated with a digitalisation strategy proposal and recommendations in 2024, which included the need to introduce a modern data analytics system, refine the design and implementation of the jobseeker profiling tool, introduce a skills profiling tool, enhance the job matching tool and increase the ALMP system capacity. The implementation of these recommendations is ongoing, and the results

146 Based on the Joint Assessment Framework indicator – EU data is provisional for 2023.

147 Which stood at 8.9% in 2021, at 8.5% in 2022 and at 8.3% in 2023.

148 EUROSTAT.

149 Source: OECD Data Explorer • Trade union density; OECD Data Explorer • Collective bargaining coverage.

150 2025-2024 ESPAN report Latvia, p. 21.

151 2025-2024 ESPAN report Latvia, p.20. The situation is different for those who were previously employed. Those that were in an employment relationship before becoming self-employed can apply for unemployment benefits, which will be calculated based on the income earned from the previous employment (source: pats.lv, Accounting system for self-employed individuals and businesses).

are to be seen. Under the Recovery and Resilience Facility (RRF), the Latvian public employment service (PES) has already improved its profiling system and developed a skills profiling tool with the aim to support at least 20 450 people with ALMPs by the end of 2026. In addition, under the European Social Fund Plus (ESF+), Latvia aims to support some 47 000 people by 2029.

The reinforced Youth Guarantee is working effectively but some gaps remain. The Youth Guarantee in Latvia is provided by SEA and the Youth International Programme Agency (YIPA), which is implementing the ESF+ co-funded project "Know and Do! 2.0" from 2024 to 2029. The programmes provide support services to young registered unemployed through ALMPs, and outreach and support to NEETs outside the labour force via profiling and individualised support plans, including post-programme mentoring. There remains scope for improvement in terms of collaboration between the involved institutions in early prevention, as well as with the employers for sustainable and labour market relevant training provision. Moreover, it would be beneficial to monitor the situation of all participants after leaving the Youth Guarantee scheme in line with the Youth Guarantee framework. In contrast to the requirements of the framework, the follow-up of those exiting the scheme is currently restricted to those who actually entered employment or exited to formal education.[152]

The minimum wage has been raised, also to help tackle in-work poverty. In 2024, Latvia adopted a regulation which set a transparent mechanism for establishing the statutory minimum wage, with the reference value for annual indexation set at 46% of the average gross wage. In 2025, the minimum wage was raised from EUR 700 to EUR 740. This has helped improve the situation for those at the lowest income levels and contributed to reducing absolute poverty or social exclusion for working people. In sectors with high collective bargaining coverage or sectoral agreements, the minimum wage is higher. For example, in the construction sector, the minimum wage increased from EUR 930 in 2024 to EUR 1050 in 2025 (with one year transition period possible). Latvia has adopted an action plan to promote collective bargaining in September 2025, in line with the Directive on Adequate Minimum Wages. Nevertheless, national social partners stated that they would wish to have a more comprehensive set of measures.

2.5.3 Education and Skills

a) State of play and developments on social convergence risks

The participation in early childhood education and care (ECEC) for children between 3 and 6[153] is high and continues to improve, as well as the enrolment of children below 3. The share of children from 3 to 6 in formal childcare increased from 95.6% in 2023 to 96.1% in 2024, which is above the EU average of 94.6% and the European Education Area EU-level target of 96.0% by 2030. Based on the latest data, the share of children below 3 in formal childcare was at 45.1% in 2025, according to EU-SILC, above the national Barcelona target of 41% and the EU target of 45% by 2030. The lower ECEC participation for children below 3, compared to those 3 to 6 years old, can be explained primarily by the comparatively generous parental leave (up until 18 months after the birth of the child) and the stipulation in the national Education Law that all children above 18 months are entitled to a place in ECEC. In case the municipality is unable to provide the child with a public ECEC place, it is responsible for reimbursing an alternative private ECECservice, according to the calculated average individual's cost. Pre-primary education is mandatory for all 5–6-year-olds.

While Latvia shows in general good education outcomes, the low level of digital skills and the shortages in STEM fields pose concerns, also for competitiveness. In 2024, the share of graduates with of at least upper secondary education was 83.5% (vs 75.9% in the EU) and the share of young people (25-34) with tertiary attainment was 45 % in 2024 (vs 44.1% in the EU). The level of early school leavers remains low in the country (7.9% vs 9.4% in the EU in 2024). The latest PISA results (2022) show that Latvian 15-year-olds perform above EU average in mathematics, science and reading. Still, almost a quarter of young people are still underachieving in reading and maths and 16.5% in science. Digital skills, on the other hand, are rather low in EU comparison, with only 48.4% of the adult population having at least basic digital skills in 2025. While this is a 3 pps increase, it is still far below the rate of 60.4% in the EU. This is of particular concern in the context of the digital

[152] For those who exit to formal education, the information is self-reported only.

[153] Compulsory schooling in Latvia starts at the age of 6.

transition and the need for further automation due to a shrinking workforce (which fell already from 894.0 million in 2023 to 889.4 million in 2024). The national labour market forecast also shows significant shortages in STEM related fields, including engineering, manufacturing, construction, natural sciences, mathematics and IT by 2030[154]. At the same time, the percentage of university students enrolled in STEM programmes is low (25.1% vs 26.9% in the EU), especially among women, despite women having a significantly higher tertiary attainment rate than men (56.8% vs. 33.9%). When looking at medium-level VET, on the other hand, the share of pupils enrolled in STEM fields is high, with 47.2% vs 36.6% in the EU in 2024. Yet, also in VET, women are underrepresented in STEM fields, with their share standing at 14.6% vs 15.9% in the EU. A highly skilled and digitally competent workforce remains essential for Latvia's competitiveness and economic growth. At the same time, adult participation in learning (in the last 12 months), at 34.1% in 2022, was below the EU average (39.5%) and below Latvia's national target of 60% by 2030. More recent data, from the Labour Force Survey (LFS), suggest an increase in participation rates between 2022 and 2024.

b) Relevant planned and ongoing policy responses

Latvia is strengthening ECEC, including with the support of the Cohesion Policy Funds. Participation in ECEC is largely dependent on the labour market conditions and support available for parents. In this regard, Latvia is aiming to improve the adequacy of childcare benefits, as part of its demography action plan. In 2025, the parental benefit for working parents[155] was substantially increased providing an incentive for the parents who would like to return to work quicker[156]. However, in some municipalities, notably in Riga, waiting lists for formal ECEC remain very long (with 5 700+ children on a waiting list in October 2024)[157]. Moreover, teacher shortages in Latvia raise concerns. The workforce is ageing, with more than half of young teachers intending to leave the profession within five years[158]. Latvia continues to invest in improving access and quality of ECEC services. In 2024, the government has brought pre-school teacher salaries in line with the salaries of other teachers and increased ceilings for loans to municipalities for the construction of ECEC institutions and removed the municipality co-financing obligation. With support of the European Regional Development Fund (ERDF), EUR 45.6 million were allocated for the construction and renovation of ECEC buildings between 2023 and 2029, benefitting some 1 600 children. Continuous monitoring will be needed in relation to regional and local disparities in the availability of services.

Latvia is promoting digital skills development at all stages of education and training, including for adults. In the national Digital Transformation Guidelines 2021-27, Latvia established objectives for digital skills development, including basic digital skills for the general population, high quality training programmes in education and incentives for employer-led training. By 2024 Latvia finalised a common framework, based on DigComp, for the assessment, identification, planning and evaluation of digital skills across all education levels, as well as in non-formal education[159]. In addition, in 2024 Latvia launched a new unified adult learning platform, with a single access point for information on adult learning opportunities, including the pilot project on individual learning accounts (ILAs). The ILAs project provides EUR 500 for individual learners, who wish to obtain medium to high level digital skills, aiming to improve the digital skills of at least 3 500 adults by 31 May 2026. More than 24 000 users have already registered on the platform and 12,5 thousand have benefitted from the ILA scheme. Under the European Social Fund Plus (ESF+), Latvia aims to support 34 140 employed people in developing new skills and 13 600 in specifically acquiring basic digital skills.

2.5.4 Concluding remarks

The available quantitative and qualitative evidence in this second stage analysis points to several challenges related to social protection and inclusion. These include a still high share of the population at risk of poverty or social exclusion, notably among old-age people and in rural areas,

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155 In Latvia, the parental leave benefit can be received even if you continue to or resume working before the end of the maximum parental leave period, at a reduced rate of 75% of the standard benefit amount.

156 Par maternitātes un slimības apdrošināšanu.

157 https://www.varam.gov.lv/lv/pirmsskolas-izglitibas-iestazu-pieejamiba.

158 OECD (2025). Results from TALIS 2024 - Country notes: Latvia

159 Vienotais ietvars digitālo pamatprasmju novērtēšanai, mācību vajadzību noteikšanai, plānošanai un novērtēšanai, kura pamatā ir DigComp | Izglītības un zinātnes ministrija.

persistently high income inequality, a low impact of social transfers on poverty reduction, and high self-reported unmet needs for medical care. Challenges are also present in terms of pension adequacy and access to quality healthcare and long-term care. In the context of the economic contraction in 2023, the unemployment and long-term unemployment rates have been rising. In 2025, the unemployment rate remained stable, but the long-term unemployment rate rose further. Youth, women and persons with disabilities have been more exposed to labour market risks and rising unemployment. Moreover, some groups, notably the self-employed, have experienced an increase in poverty risks. Finally, in the education and skills domain, the rather low levels of digital skills, albeit rising, pose challenges for the digital transition and competitiveness as still far below the EU average.

The measures implemented or planned so far, including the minimum income reform, measures in relation to old-age pensions, the rise of the minimum wage, the minimum services basket reform, ALMP initiatives and the reinforced Youth Guarantee, and the development of digital skills at all stages of education, are expected to contribute to addressing existing challenges. Despite the progress made, more efforts are needed for Latvia to address in full the challenges that the country is facing in relation to social protection and inclusion, the labour market and education and skills.

2.6 LITHUANIA

In the first-stage analysis in the Joint Employment Report (JER) 2026, Lithuania was identified as facing potential risks to upward social convergence based on 9 headline indicators of the Social Scoreboard flagging, including two that deteriorated over time. The risks identified concern the social protection and inclusion domain, notably high **at-risk-of-poverty or social exclusion rate** and decreased **impact of social transfers (other than pensions) on poverty reduction,** as well as high **income inequality** and **housing cost overburden.** In the labour market area, the risks identified are related to the higher **unemployment rate**, the rising share of **young people neither in employment nor in education and training (NEET)** and the increased **disability employment gap**. Finally, with regard to education and skills, the increase over time of **early leavers from education and training**, as well as the low **share of adults participating in learning** were also identified as criticalities.

2.6.1 Social protection and social inclusion

a) State of play and developments on social convergence risks

Both the share and the number of people at risk of poverty or social exclusion (AROPE) increased in 2024[160]. The AROPE rate rose to 25.8% in 2024 (vs 21% in the EU), after having decreased to 24.3% in 2023. Furthermore, the number of people at risk of poverty or social exclusion increased to 744 000 in 2024 (from 695 000 the year before), above the 2019 level of 712 000. This puts at a significant risk the achievement of the national target to reduce the population experiencing risks of poverty or social exclusion by 223 000 people by 2030 compared to 2019. The increase in the AROPE rate in 2024 was mainly related to increases in the share of people living in households with very low work intensity (VLWI) and in the at-risk of poverty rate (AROP). On the contrary, the share of people experiencing severe material and social deprivation remained below the EU average for the third consecutive year at 6.1% (vs 6.4% in the EU).

The rising share of people living in households with very low work intensity, particularly in rural areas, among the low educated and young people, contributed to the increase in AROPE. The share of people in VLWI households increased by 1.4 pps to 9.4% in 2024 (vs 7.9% in the EU). The surge in the unemployment rate from 6% in 2022 to 6.9% in 2023 contributed to this. The increase in VLWI households was most prominent outside the capital region, at 11.3% vs 5.3% in the capital region, and in rural areas, where it reached 14% in 2024 vs 6.3% in the EU. This is also linked to higher unemployment rates in areas outside the capital region and in rural areas. Furthermore, since 2022, the increase in the share of people in VLWI households was most pronounced in relation to low educational attainment (0-2 ISCED). In this case, it reached 29.4% in 2024 vs 17.1% in the EU. The share of the young people (18-24) in VLWI households also more than doubled since 2022, to 12.6% in 2024 (vs 7.9% in the EU) and was particularly high for the youth with low educational attainment (19.2% vs 13.1% in the EU in 2024). This may also be related to the observed rise in early leavers from education and training (ELET) and in the share of NEETs during the same period. People aged 60-64 were nonetheless also affected with their share in the VLWI households increasing by 4.6 pps, to reach 21.2% in 2024 (vs 14.5% in the EU). As many as 68.9% of people in VLWI households were at the same time experiencing poverty risks (vs 62.4% in the EU).

The AROP rate increase in 2024 was driven by the rise of the poverty threshold, but also by the still relatively low adequacy of social benefits and low take-up. The AROP rate increased from 20.6% in 2023 to 21.5% in 2024. Despite an annual indexation of social benefits in 2023, the vast majority of these remained well below the AROP threshold. Beyond this, low take-up also contributed to higher AROP rates[161]. At the same time, the poverty threshold increased from EUR 564 in 2023 to EUR 616 in 2024, also driven by the substantive increase of the minimum wage (from EUR 730 in 2022 to EUR 840 in 2023), and the resulting rise in median income. This also contributed to the higher share of people at risk of poverty displayed by the statistics. Finally, the depth of poverty has increased as indicated by the rise (for a third consecutive year) in the relative poverty gap to 25.5% in 2024 (vs 22.7% in the EU).

[160] All social protection and inclusion indicators for Lithuania in 2024 (income reference year 2023) are marked as provisional.

[161] The non take-up of social benefits is estimated to vary from 20% to 50%, according to different reports - see ESPAN country fiche and the latest SPC minimum income report.

The increase in the AROP rate mostly impacted areas outside the capital region and rural areas, as well as households with dependent children and the youth. AROP increased most outside the capital region, reaching 25.2% in 2024 (almost double the AROP rate of 13.1% in the capital region), and in rural areas (to 28.1% in 2024 vs 17.1% in the EU). The municipalities in the regions bordering the Belarus and Russian Kaliningrad region were particularly affected, with high AROP rates in the Marijampolė county (30.7%), Utena county (27.5%) and Tauragė county (35.8%) in 2024[162]. The closure of borders and reduction in economic relations with both Russia and Belarus after Russia's war aggression in Ukraine aggravated the situation of these areas. The increase in AROP in 2024 was also most pronounced for households of two adults with three or more dependent children (30.4% in 2024, after a 12 pps increase, vs 27.4% in the EU), and for single-person households with dependent children (31.6% in 2024, after a 2.5 pps increase, vs 32.7% in the EU). However, the highest AROP rate is reported for single-person households (37.6% vs 25.7% in the EU). In terms of age groups, AROP rates increased the most for the youth (18-24).

Older people remain disproportionally affected by poverty or social exclusion risks (AROPE). The AROPE rate for people 65 or over was 39.1% in 2024, vs 19.2% in the EU[163]. Within this group, the share is substantially higher for women than for men (44.2% vs 29.6%). While the 2022 pension reform increased pensions to alleviate poverty for the 65 or over to some extent, the adequacy of pensions remains low and is still a significant determinant of old-age poverty. Although the old-age social insurance pension increased on average by 12% to EUR 539 in 2023, it remained below the AROP threshold of EUR 616 in 2024. The aggregate pension replacement ratio continued to be among the lowest in the EU in 2024 (0.38 vs 0.6)[164], as was the median income of older people (at 63% of the income of those aged 0-64 vs 90% in the EU).

[162] State Data agency.

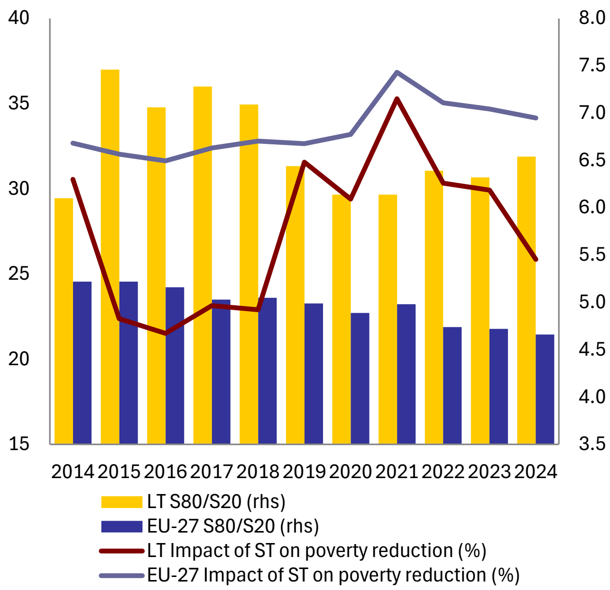
[163] This was primarily driven by monetary poverty, with the AROP rate at 36.9% in 2024 (vs 16.6% in the EU).

[164] The tax reform implemented in 2019, under which the contributions paid by the employer were integrated into gross wages as of January 2019, resulted in all gross wages increasing by 28.9%. As pensions in Lithuania are tax exempt, the gross replacement rates fell considerably in 2020 (to 0.36, compared to 0.45 in 2019). However, both the gross and the net replacement rates are significantly below the EU average.

Other vulnerable groups such as the unemployed and persons with disabilities are also experiencing high poverty risks. After a significant deterioration in 2023, when monetary poverty among the unemployed spiked to 59.6% (from 51.4% in 2022), their AROP rate remained high in 2024 (at 59.5% vs 48.9% in the EU). This may be also partly due to the fact that among the unemployed at risk of poverty, only 43.5% received any social cash benefits in 2024 (vs 52.8% in the EU). The AROPE rate of persons with disabilities has increased further and was among the highest in the EU in 2024, at 45.8% (vs 28.7%). For this group, all the AROPE components recorded an increase in 2024, with the biggest rise in the share of persons with disabilities in VLWI households (7.1 pps, reaching 31.6%, vs 18.4% in the EU). This is closely linked to the low employment rates for persons with disabilities, with the recent reforms having not brought about positive results, as well as to the low impact of social transfers (including pensions) on reducing their poverty (38.6% in 2024 vs 47.5% in the EU).

The declining impact of social transfers on poverty reduction and the remaining gaps in access to social protection also contributed to the increase in poverty. While expenditure on social benefits rose from 16.6% of GDP in 2023 to 16.9% in 2024, it remains significantly below the EU average of 27.3%. At the same time, the impact of social transfers (excluding pensions) on poverty reduction decreased and stood at 25.9% in 2024 (vs 34.1% in the EU), down from 29.9% in 2023. Some gaps in access to social protection remain for the self-employed. While they are covered by sickness and maternity insurance, as well as pension insurance, including disability pensions, they are not covered specifically in case of accidents at work or occupational diseases (although partial coverage may be available through disability pension or/and sickness benefit in case of accidents at work). Most of them are also not covered by unemployment benefits (although more than half are covered by the unemployment insurance based on their employment contracts). Among the self-employed with only voluntary coverage for sickness and maternity, take-up is very low. These coverage gaps contribute to the relatively high poverty risks (23.7% in 2024, vs 20.9% in the EU).

Figure 1: Impact of social transfers on poverty reduction (%) and Income quintile share ratio (S80/S20)



Source: < Eurostat [tespm050, tessi180].

Income inequality increased in 2024, mostly due to the widening income gap between the medium and lowest income quintiles. Income inequality (S80/S20) grew in Lithuania in 2024, with the income of the top 20% of the income distribution exceeding that of the bottom 20% by 6.5 times (vs 4.7 in the EU), after an increase from 6.3 in 2023. While the income gap between the richest and middle-income earners (S80/S50) narrowed in 2024 for the second consecutive year (to 2.5 from 2.7 in 2022), the gap between the lowest and middle-income groups (S50/S20) increased to 2.6 in 2024, above the EU average of 2.2. The inequality reducing effect of social transfers (excluding pensions) remained below the EU average in Lithuania in 2024 (31.5% vs 34.6%), even though the inequality reducing effect of taxes specifically was higher than the EU average (19.8% vs 16.5%)[165].

The housing cost overburden rate increased, which risks exacerbating the challenges related to high poverty and energy poverty rates. Beyond overall poverty risks, energy poverty is also high in Lithuania, with 18% of households not being able to keep their homes adequately warm in 2024 (vs 9.2% in the EU). The housing cost overburden rate recorded a steep rise from 2.7% in 2021 to 6.2% in 2024, albeit still below the EU average of 8.2%. The rate more than doubled for owners with mortgages, from 2% in 2022 to 4.9% in 2024 (vs 5% in the EU), and increased also for those without, from 3% in 2022 to 5.2% in 2024 (vs 4.4% in the EU). However, for tenants renting at market prices, the housing cost overburden decreased from 26% in 2022 to 21.8% in 2024 (vs 19.2% in the EU), while increasing from 5.5% in 2022 to 11.2% in 2024 (vs 10% in the EU) for those renting at reduced prices. The impact was mostly felt in rural areas and in towns and suburbs, also outside the capital region, as well as by single-person households, for whom poverty risks are also larger. In 2024, 22.5% of people at risk of poverty experienced housing cost overburden, with a significant increase from 12.9% in 2021, although still well below the EU average of 31.1%.

b) Relevant planned and ongoing policy responses

Lithuania's most recent reforms on taxation, unemployment insurance and social assistance benefits for persons with disabilities have been adopted, but their results are yet to crystallize. Under the recent personal income tax (PIT) reform (commitment under the Recovery and Resilience Plan, RRP), the income from different sources shall be summed up, and unified PIT rates of 20%, 25% (additional tax bracket) and 32% (depending on the level of income) shall apply to the combined income. The reform is expected to reduce income inequality but to a very limited extent, according to EUROMOD simulations[166]. Lithuania also adopted the reform on the unemployment insurance benefit, which inter alia raises the floor of the minimum unemployment benefit and aims to keep pre-retirement age people (60-64) within the labour force. Furthermore, as of mid-2024 Lithuania allowed persons with disabilities to retain their social assistance disability pension entitlement also when employed, and expanded the eligibility to receive social assistance disability pensions for those who lost 45-55% of their working capacity after the age of 24 (not only prior to the age of 24 as before). Overall, Lithuania has earmarked over EUR 441 million from the European Social Fund Plus (ESF+) for social inclusion and the new government programme includes commitments to further improve the situation of vulnerable groups (e.g. by accelerating the increase in old-age pensions and enhancing the labour market integration of persons with disabilities). The reform on improving the adequacy of the minimum income has been adopted in the Parliament. It remains to be seen whether these

165 European Commission (DG EMPL) calculations based on EUROSTAT data (ilc_di11a, ilc_di11b).

166 Estimations performed by the European Commission, Joint Research Centre, based on the EUROMOD model, J2.0+.

reforms will be able to alleviate poverty and income inequality to a significant extent, also given simulations that suggest only limited effects.

In the area of housing affordability several activities have been launched, following the 2023 OECD recommendations on affordable housing policy options. Lithuania has recently assigned the Ministry of Environment the task to manage the area of housing affordability. By May 2026, experts will carry out a thorough assessment of the housing affordability situation in the country and propose objectives, targets and measures to increase it, which will be reflected in national documents. Lithuania also works on improving the conditions of support for the purchase or rental of housing and to increase the accuracy of support for vulnerable groups. Lastly, the existing allowance scheme for low-income households alleviates their heating and hot water bills. The net effect of the above-mentioned measures on the housing cost overburden rate remains to be evaluated going forward.

2.6.2 Education and Skills

a) State of play and developments on social convergence risks

Gaps in basic skills put at risk further skills development later in life, particularly among disadvantaged students and in rural areas, while there are challenges related to the ageing of the teaching staff and the fragmentation in the availability of supporting staff. In Lithuania, around every fourth student lacks basic skills in mathematics (27.8% below the EU average of 29.5%) and reading (24.9% vs 26.2% in the EU), while one in five students lacks basic skills in science (21.8% below the EU average of 24.2%)[167]. Average figures mask deep disparities by socio-economic status and school location. The underachievement rate in mathematics among disadvantaged students (at 46.5% vs 48% in the EU) is more than four times higher than for their advantaged peers (at 11.0% vs 10.9% in the EU). These inequalities are reinforced by school location, with students in urban schools having scored 71 points higher in mathematics than their rural counterparts, far exceeding the average urban-rural gap for the EU (of 46 points[168]). Even though the enrolment of students with special education needs (SEN) in mainstream settings increased (over 90% of children with general SEN now learn in regular classes), the infrastructure remains a major barrier. Only 1.7% of general education schools have physical environments fully adapted to the needs of pupils with disabilities[169]. The availability of support staff is highly fragmented, from 0.6 to 1.7 professionals per 100 pupils, depending on the municipality. The teaching staff is ageing fast, with 41.2% of school education teachers that are 55 or older vs 25.1% in the EU.

The share of early leavers from education and training (ELET) almost doubled in 2023 and 2024. The ELET rate (18-24) increased from 4.8% in 2022 to 8.4% in 2024 (vs 9.4% in the EU), although national statistics show a decrease to 5.9% in 2025[170]. Approximately 81% of early leavers from education and training were not employed in 2024 and 59.5% were outside the labour force. The ELET rate among males was 10% in 2024, compared to 6.8% for females. Traditionally, the highest share of ELET is recorded in the rural areas (12.8% in 2024, vs 10.1% in the EU, up from 6.7% in 2022). The share of persons with disabilities that leave education and training early was also high, at 25.3% in 2023 (vs 19.1% in the EU). The increase in the ELET rate may be related to gaps in learning which emerged during the COVID lockdown and distance learning challenges, among other reasons.

Adult participation in learning remains low, despite more recent improvements. According to the Adult Education Survey (AES), only 27.4% of adults took part in learning over the previous 12 months in 2022, below the EU average of 39.5%[171], reflecting an increase of just 2.4 pps since 2016. While there is no more recent data form the AES, the Labour Force Survey (LFS) data for adult participation in learning shows an improvement between 2022 and 2024. Lithuania remains nonetheless at a significant distance from its national target of 53.7% of adults participating in learning every year by 2030. Furthermore, the 2024 PIAAC shows low scores and significant decreases in both literacy and numeracy for adults[172],

[167] 2022 OECD Programme for International Student Assessment (PISA).

[168] European Commission Education and Training Monitor 2025.

[169] Ibid.

[170] National Data Agency - https://osp.stat.gov.lt/lt/statistiniu-rodikliu-analize?hash=f4e2cbed-cb45-4222-a14a-4ee8ddd40638.

[171] Adult Education Survey 2022, special extraction excluding guided-on-the-job training.

[172] Do Adults Have the Skills They Need to Thrive in a Changing World? | OECD.

highlighting the need for substantial efforts to bridge the shortfall over the next years.

b) Relevant planned and ongoing policy responses

Several measures are ongoing to address the urban-rural student achievement gaps, the ageing of the teaching staff and school network rationalisation. The Ministry of Education, Science and Sport has prepared a national 2023-2030 plan for improving mathematics teaching and learning, which focuses on supporting low-performing students, updating teacher competences and expanding digital tools aligned with the new curriculum. Efforts to rationalise the school network under the RRP-based Millenium Schools Programme are ongoing. However, in 2024, new government regulations relaxed the threshold for forming gymnasium classes, which risks undermining the rationalisation progress, as already 56 additional small schools have re-established gymnasium-level teaching[173]. To increase equity, Lithuania has doubled the number of teaching assistants since 2020 and developed training initiatives on inclusive education to support professionals. To increase the attractiveness of the teaching profession, teacher salaries were raised to 130% of the national average by 2024. The use of flexible workload models was also expanded, as was the funding for in-service teachers to gain additional qualifications. However, the attractiveness of the teaching profession remains low[174]. Overall, the increasing ELET rates point at the scope for action.

Significant measures have been taken to improve adult participation in learning, but continued efforts are needed to meet the 2030 national target. An RRP-based individual learning accounts (ILAs) platform (kursuok.lt) was launched in 2024 and has gained popularity with more than 18 000 adults having already completed courses via the platform by mid-February 2026[175]. The platform also has a career consultation module intended to increase adult engagement and has been integrated with the electronic system of the PES. Lithuania has recently expanded the platform by prioritising access to ILA credits for vulnerable groups such as persons with disabilities, those living outside the cities, older people (50-59 and 60-65 age groups) and the low-skilled[176]. Lithuania also intends to develop the micro-credential system and integrate it into the platform. Overall, Lithuania projects that over 15 000 people will improve their competences annually by 2030, including through ESF+ funding. It remains to be seen if these efforts will substantially raise adult participation rates and bring Lithuania's 2030 adult learning target within reach.

2.6.3 Labour market

a) State of play and developments on social convergence risks

Labour market conditions improved further in 2025, although unemployment remains high. In the wake of economic growth, the employment rate increased to 80% in 2025 (vs 76.2% in the EU). This is only 0.7 pps below the national employment rate target of 80.7% by 2030. The labour market participation rate rose as well, for the fourth consecutive year, reaching 85.9% (above the average of 80.8% in the EU). This added just 2 000 people to the labour force, compared to the additional 22 000 people in 2024, also due to the number of third-country nationals declining in 2025 because of the tightened controls and residence requirements[177]. At the same time, the unemployment rate decreased slightly in Lithuania to 6.9% in 2025 (from 7.1% in 2024, vs 6% in the EU). In 2024, the unemployment rate was higher in rural areas (8.4% vs 5.1% in the EU) and in towns and suburbs 8.1% vs 5.6% in the EU), while lower levels were reported in cities (5.8% vs 6.7% in the EU). Furthermore, according to the Public Employment Service (PES), a growing tendency was observed among the employed to quit their job and receive the unemployment benefit, only to re-enter the same or a similar occupation some (usually up to 3)[178] months after. The unemployment trap in Lithuania was nonetheless among the highest in the EU in 2024.

173 European Commission Education and Training Monitor 2025.

174 Ibid.

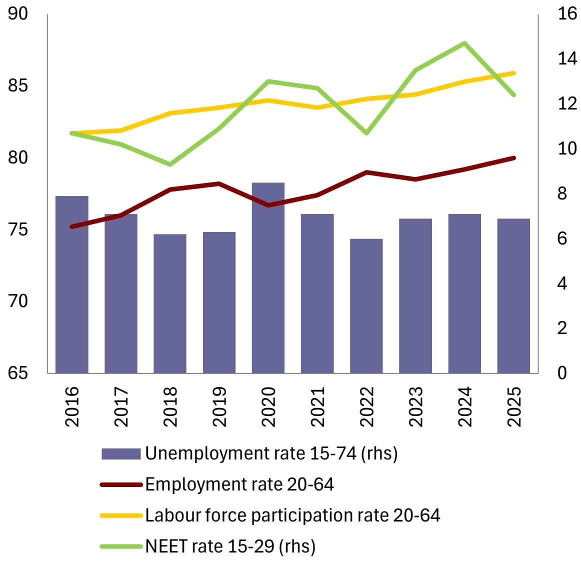
175 www.kursuok.lt.

176 https://kursuok.lt/naujienos/atnaujinamas-kursuok-lt-finansavimas-gyventojai-registruotis-mokymams-gales-jau-lapkriti.

177 The largest decreases between January and December 2024 were registered among Ukrainians and Belarussians, whose numbers fell from 86 353 to 68 166 and from 62 167 to 59 399, respectively: https://vrm.lrv.lt/lt/naujienos/grieztesnes-migracijos-priemones-sumazino-uzsienieciu-skaiciu-lietuvoje/

178 When the unemployment benefit is the highest, as it starts diminishing from the 4th month on.

Figure 2: Key labour market indicators (%)



Source: Eurostat [lfsi_emp_a, une_rt_a, lfsi_neet_a]

Labour and skills shortages persist in certain sectors, while the coverage of active labour market policy (ALMP) measures remains limited. While still lower than the EU average (of 2.4% in 2024), the job vacancy rate in Lithuania has been hovering around 1.8%-2% over 2021-24. It nonetheless surpasses the EU average in the NACE categories of water supply and waste management, transportation and storage, financial and insurance activities, and public administration. In turn, participation in ALMP measures remains very low, with only 6.7% of people wanting to work engaged in regular activation measures in 2023 (vs 48.7% in the EU)[179]. Only 0.13% of GDP was spent on ALMP measures in 2023 in Lithuania vs 0.51% on average in the EU. In 2024, ESF+ and RRF together accounted for more than 73% of total ALMP funding, compared to 53% in 2023[180], underscoring the need for a more sustainable funding model. At the same time, the cost of ALMPs (especially those related to subsidised employment and support for learning) has increased substantially, in the wake of increases in minimum wages. As the RRF will be ending in 2026 and the ESF+ resources are gradually exhausted, ALMP participation has already decreased substantially, from almost 38 000 in 2024 to a mere 11 368 in 2025, and is expected to remain around this level in 2026.

The labour market situation of young people slightly improved in 2025, however the share of youth neither in employment nor in education and training (NEET) remains high. Youth unemployment (15-24) dropped from 16.2% in 2024 to 14.1% in 2025, below the EU average of 15.2%. However, the NEET (15-29) rate remains above the EU average in 2025 at 12.4% (vs 10.9% in the EU), while having decreased from 14.7% in 2024.The share of NEETs outside the labour force increased from 6.9% in 2022 to 10.1% in 2024 (vs 6.9% in the EU) and was among the highest in the EU. The age groups most affected by the increase were 15-19 and 20-24, precisely those for which the Youth Guarantee coverage significantly decreased in 2024[181]. In addition, the proportion of low-skilled among NEETs surged in 2024, with 15.8% of NEETs having less than primary and lower secondary levels of education (vs 12.8% in the EU).

The labour market integration of persons with disabilities has not improved and remains limited. Although the disability employment gap (as measured based on EU-SILC) increased significantly, from 32.4 pps in 2023 to 39.9 pps in 2024 (vs 24 pps in the EU), the national data (based on the actual registered disability) does not show the negative dynamics. Based on the latter, while the number of employed persons with disabilities decreased, the number of working-age (16-64) persons with disabilities also decreased, thus resulting in a broadly stable share (30.8%) of persons with disabilities in employment in 2024 (compared to 30.7% in 2023 and 30.5% in 2022). At the same time, the labour market situation of this group has not been improving also based on national statistics, and remains relatively low. Only about 10% of working-age persons with disabilities apply to the Public Employment Service (PES), and only about a third of them enter the labour market. Furthermore, persons with disabilities record the highest shares among early leavers from education and training (25.3% vs 19.1% in the EU in 2023) and young NEETs (30.3% vs 27.8% in the EU).

b) Relevant planned and ongoing policy responses

Lithuania has implemented reforms to improve the incentives for the unemployed to return to the labour market, and to enhance the variety and coverage of its labour market policies, however, the dependency on EU funds puts at risk their sustainability. As part of its RRP, in 2025

179 Number of participants in regular activation measures (categories 2-7) in relation to persons wanting to work (%) - European Commission - Directorate-General for Employment, Social Affairs and Inclusion.

180 ECE ad hoc report on ALMPs.

181 For 15-19 NEETs the coverage was only 21.2% vs 41.1% in the EU in 2024, down from 35.7% in 2022, while for NEETs aged 20-24 the coverage dropped to 52.1%, down from 60% in 2022, albeit still higher than the EU average of 44.7%.

Lithuania reformed its unemployment insurance mechanism, which includes changes to the benefit formula (more weight on the variable part, and a higher floor for the minimum amount of the benefit), stricter eligibility conditions, and the possibility to prolong the payment of unemployment benefits up to 6 months on top of the previous maximum of 9 months (15 months in total) for people aged 60-64 to keep them within the labour force. In addition, a learning and entrepreneurship support scheme was introduced in 2022 to equip workers with high value-added qualifications and skills and promote job creation in twin transition sectors (this is also financed from the RRF and has proved to be highly effective). However, as the RRF funding will come to an end in 2026, there is no clarity on whether Lithuania will continue this measure. Furthermore, the 2026 budget for labour market integration programmes is expected to be substantially smaller (approx. EUR 90 million) than in 2025 (appriox. EUR 109 million), due to lower allocation of ESF+ funding. Together with the increase in costs of ALMPs, this risk further decreasing the already low coverage of ALMPs.

Youth employment support measures have been expanded, but the sharp increase in the NEET rate shows that there is scope for additional efforts in this area. Lithuania continues to implement the Youth Guarantee, mainly via the PES and Youth Affairs Agency (AYA). Counselling and different activation and motivational activities are offered by the PES through regional career centres to 8-12 grade pupils, VET students, as well as people of all ages, registered or not with the PES. In 2024, the number of regional career centres increased to 16 (from 1 in 2019). AYA provides similar services to disadvantaged young people aged 14-29, including NEETs outside the labour force, in 34 open youth centres, also through the ESF+ financed project "Connections". Another project "Development of Youth Practical Skills" is financed from the national budget. The new government's programme includes commitments to continue this implementation, expand career planning counselling, especially in rural areas, by increasing the number of the regional career centres from 16 to 22 by 2026, and to further improve access to benefits, services and housing for young families. However, further targeted efforts are needed to address the growing number of NEETs outside the labour force, especially in the 15-19 and 20-24 age groups, where the coverage of the Youth Guarantee is low, as well as to tackle the early leaving from education and training.

The positive effects of the 2023-24 reforms on the integration of persons with disabilities are not yet visible. The 2023 reform on the integration of persons with disabilities into the open labour market did not result in their higher employment rate yet. Only around half of the public sector institutions to which the quota of 5% employees as persons with disabilities applied have met the quota in 2024. The new disability assessment model, which was supposed to introduce a one-stop shop for persons with disabilities in 2024, has not yet brought about the desired results, as, despite improvement in 2025, the number of individual support plans prepared remains low. The overall scope of these reforms, together with the reform on improving the incentives for persons with disabilities to enter the labour market and other measures, is expected to improve the labour market and social situation of persons with disabilities in the longer term. Lithuania also plans to assess the impact of ALMPs for persons with disabilities in 2026-27, to strengthen evidence-based decision making in the area.

2.6.4 Concluding remarks

The available quantitative and qualitative evidence in this second stage analysis points to challenges in the social protection and inclusion domain related to high income inequality and the high and increasing number of people at risk of poverty or social exclusion, the limited and decreasing impact of social transfers (other than pensions) on poverty reduction, as well as a rising housing cost overburden rate. Certain population groups are particularly affected by poverty or social exclusion, such as the unemployed, older people and persons with disabilities. In the area of education and skills, challenges are faced in relation to the increasing rate of early leavers from education and training, which together with the persistently low adult participation in learning poses challenges to employability, competitiveness, and the twin transition. In the labour market domain, Lithuania faces challenges in relation to unemployment and NEET rates.

The measures implemented or planned so far, such as the reforms to boost the employment of the youth and of persons with disabilities and the lifelong learning platform based on ILAs, as well as the newly adopted reforms on the personal income tax, minimum income and unemployment insurance, and measures on housing affordability, are expected to contribute to addressing existing challenges. Despite the progress made, more efforts are needed for Lithuania to address in full the challenges that the country is facing in relation to social protection and inclusion, education and skills and its labour market.

2.7 LUXEMBOURG

In the first-stage analysis in the JER 2026, Luxembourg was identified as facing potential risks to upward social convergence based on 8 headline indicators of the Social Scoreboard flagging, including one that deteriorated over time. The risks identified concern in particular the labour market, for which recent trends point to a slowdown in performance, notably with risks identified in relation to **employment, unemployment and youth NEET rates**. **Gross disposable household income per capita** increased only slightly. In the area of education and skills, there has been a rise in **early leavers from education and training** and a decrease in the **share of people with at least basic digital skills**. In the area of social protection and inclusion, the **at-risk-of-poverty or social exclusion (AROPE) rate of children** remains above the EU average, while the **impact of social transfers (excluding pensions) on poverty reduction** has decreased.

2.7.1 Labour market

a) State of play and developments on social convergence risks

Unemployment is going up in Luxembourg, while growth in employment and labour force participation rates has stalled in recent years. In 2025, the unemployment rate (15-74) in Luxembourg increased slightly for the third year in a row, to 6.5%, remaining above the EU average (6.0%)[182]. The unemployment rate in Luxembourg only exceeded the EU average for the first time in 2024. The employment rate (20-64) has fallen two years in a row (from 74.8% in 2023 to 73.9%, below the EU average of 76.2%, which continues its upward trend). While the labour force participation rate (15-64) has been rising gradually since the early 2010s, it has consistently been below the EU average. Growth in the rate lagged behind the EU average in 2023 and 2024 and it fell slightly to 74.3% in 2025 (vs 75.7% in the EU). All of these indicators point to a softening of demand across the labour market in Luxembourg, as economic growth remains subdued in the context of weaker investment and net exports. By the end of 2025, the number of employees in Luxembourg had grown by only 1.2%, with a slight improvement on 1.0% in 2024, which was the weakest annual employment growth since 2009[183]. Nevertheless, according to the Commission Autumn 2025 economic forecast, growth in the number of employees is expected to gradually accelerate to 1.4% in 2026 and 1.6% in 2027 as economic growth picks up, supported by favourable financing conditions which should boost investment and private consumption. In the medium term, the national employment rate target of 77.6% by 2030 remains within reach, though the recent slowdown makes it more challenging.

In a context of modest GDP growth, growth in employment fell or remained sluggish across a number of key sectors in 2025. The construction sector, representing almost 10% of national employment, recorded a year-on-year decline of 1.2% in the number of employees in Q4 2025, following a sharp decline of 4.1% in the previous year[184]. Business confidence in the construction industry continued to drop. At the beginning of 2025, around 60% of companies in the sector reported insufficient demand, compared to 10% at the start of 2022[185]. As for the financial and insurance sector, job creation remained subdued and grew by just 0.6% in the year to Q4 2025. Job vacancies in the financial sector fell from 2.2% in mid-2022 to 1.0% at the end of 2025. As from 2026, however, the financial sector is forecast to recover, benefitting from lower interest rates. The labour market in ICT/IT-related roles significantly weakened during the same period, with job vacancies dropping from 4.0% in mid-2022 to 1.3% by the end of 2025. The vacancy rate in professional, scientific and technical activities, covering sectors such as accounting and legal services, fell from over 6.0% in 2022 to 2.2% in Q4 2025. Overall, the job vacancy rate peaked in mid-2022 across all sectors and positions, had halved by the end of 2024 and remained low in 2025[186], indicating continued weakness in the demand for labour.

Following steady growth, youth unemployment and the share of young people neither in employment nor in education and training (NEETs) fell in 2025. Having increased by 4 pps to 21.6% between 2022 and 2024, youth unemployment (15–24) fell back to 18.6% in 2025,

182 Cross-border workers, accounting for 47% of all people working in Luxembourg in 2024, are excluded from the resident labour force.

183 Eurostat [nama_10_pe]; data for 2025 is provisional.

184 See Eurostat [namq_10_a10_e].

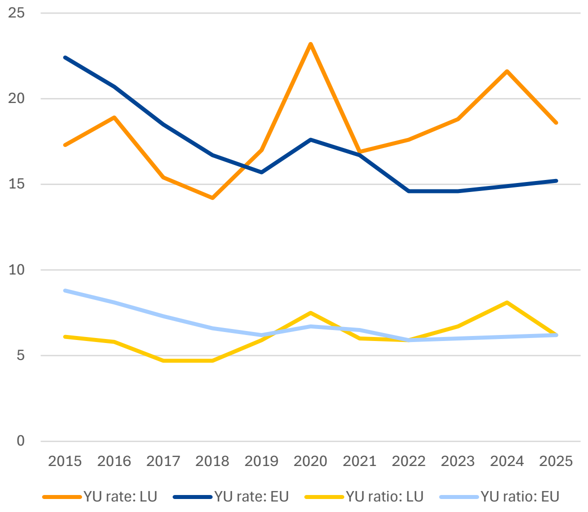
185 STATEC: Conjoncture Flash February 2025: https://statistiques.public.lu/en/actualites/2025/conjflash-02-25.html.

186 See Eurostat [jvs_q_nace2].

though it remained above the EU average (15.2%). For Luxembourg, the unemployment ratio is often considered more appropriate as a metric than the unemployment rate[187]. Luxembourg's youth unemployment ratio also improved in 2025, following increases between 2022 and 2024. It now stands at 6.2%, as the EU average. Among 15-29-year-olds, the unemployment rate (11.9% vs 11.6% in the EU) was closer to the EU average and the unemployment ratio (6.5%) was equal to EU average in 2025. This reflects the fact that Luxembourg's unemployment rate of 25-29-year-olds has been below the EU average for at least the past decade, as this age group tends to have more experience and/or qualifications. The different pattern observed by age group is reflected also in the NEET rates, which also rose between 2022 and 2024 but fell back in 2025. The NEET rate for 15-24-year-olds in 2025 was 1.2 pps below the EU average (7.7% vs 8.9%) but 2.2 pps below that for 15-29-year-olds (8.7% vs 10.9%). Despite the improvement in 2025, the NEET rate of 8.7% for the 15-29-year-olds is higher than the rates recorded between 2009 and 2023. Beyond age considerations, higher NEET rates were found among non-EU as opposed to Luxembourgish citizens (15.4% vs 9.4% in 2024 for 15-29-year-olds). Higher NEET rates can be explained by an overall challenging macroeconomic and social context, as well as other specific factors related to early school leaving and skills mismatches.

187 Luxembourg has particularly high numbers of young people in secondary, vocational and tertiary education. As the youth labour force denominator is so small, a slight change in the number of unemployed 15-24-year-olds can have a large impact on the youth unemployment rate. The unemployment ratio (unemployed youth / total youth population) that includes all young people (employed, unemployed, students, inactive, etc) has a broader denominator and is less prone to volatility. See also a Eurostat explanation on the issue.

Figure 1: Youth unemployment rate and youth unemployment ratio 2015-2025 (%)



Source: Eurostat [une_rt_a]

The inclusion of older people in the labour market remains a challenge in Luxembourg. In 2025, Luxembourg had one of the lowest employment rates in the EU for workers aged 55-64 (49.5% vs 66.5% in the EU) and labour force participation rates (51.9% vs 69.5% in the EU). Long-term unemployment is also more prevalent among older people. More than half of job-seekers aged 45 or over have been registered with Luxembourg's public employment service, ADEM (*Agence pour le développement de l'emploi*) for more than twelve months[188], and they struggle to meet rapidly changing labour market demands, for instance for digital skills. Participation of older workers in adult learning is lagging, and the levels of demotivation and disconnection from the labour market of older residents of working age are high[189]. Health issues are a key barrier: in 2024, almost 75% of the long-term unemployed aged 45+ had reduced work capacity or a disability[190]. Meanwhile, for the overall population aged 15-74, long-term unemployment in Luxembourg had been below the EU average since 2009, but climbed to 2.0% in 2025 (vs 1.9% in the EU). The labour market participation of older workers is also linked to hitherto favourable early retirement schemes (the average age at the time of early retirement in 2023 was 60.2 years vs 61.3 years in the EU), which are gradually being reformed.

188 CSL 2025, p. 77.

189 CSL 2025, p. 91. The highest proportions of working-age residents saying that they remain inactive because they do not wish to work are the youngest (15-24) and the oldest (50-64) at 78% and 88% respectively. By contrast, for the 25–49 age group, the share falls to just 56%.

190 CSL, Panorama social 2025, p. 77.

Skills mismatches are increasing, with the low-qualified finding it more difficult to secure employment in Luxembourg's specialised economy. Macroeconomic skills mismatches across all levels rose to 26.8% in 2024, significantly above the EU average (19.2%), indicating a growing mismatch between employment rates across skills levels. The employment rate (15-64) of tertiary graduates increased by 0.3 pps in 2024 and 2025 and now stands at 85.0%, while the rate for those with at most lower secondary qualification fell by 5.3 pps in 2024 and by 0.4 pps in 2025 and now stands at 42.9%. Luxembourg's economic model, which is specialised and largely finance-oriented, tends to favour high-qualification, high-productivity sectors: in Q4 2023, Luxembourg had the highest share of high-wage, high-productivity jobs in the EU (27.6%)[191]. In 2024, almost 40% of jobseekers registered with the national employment agency (ADEM) had low-level qualifications, equivalent to the lower cycle of secondary education, compared to 29% for those with post-secondary education. However, even those with post-secondary education are experiencing increasing difficult to find work[192]. Migrant families in particular, which are overrepresented among the working poor compared to natives, are characterised by low to medium skills levels and tend to work either in elementary occupations or services.

Wage disparities and a fall in households' purchasing power led to a relatively high share of people experiencing in-work poverty risks. Growth in real wages in 2024 fell short of pre-pandemic levels due to sluggish economic and labour productivity growth. The share of low-wage earners increased by 2.6 pps between 2018 and 2022, whereas it decreased overall in the EU from 15.2% to 14.7% during the same period[193]. Growth in households' purchasing power is not keeping up with the overall EU average: while gross disposable household income in Luxembourg has invariably been above the EU average since 2008, over the previous decade it has grown more slowly (8.2% in total) than in the EU overall (16.4%). Wage disparities (as well as other factors such as the limited inequality-reducing effect of taxes and transfers) led to a high share of people experiencing in-work poverty risks. While in 2024 the in-work poverty rate decreased from 14.8% the year before (well above the EU average of 8.3%) to 13.4%, this share has been consistently higher than the EU average since 2010 (back at the time 10.6% vs 8.5% as the EU average). In 2024, in-work poverty risks affected 18.5% of non-EU-born people in Luxembourg against 7.2% for native people[194]. Given the high poverty threshold, the nominally high social minimum wage in Luxembourg appears insufficient to lift people out of poverty. There is scope to improve the implementation of the EU Directive on Adequate Minimum Wages, including in terms of higher collective bargaining coverage (currently around 57%) through continued social dialogue[195].

b) Relevant planned and ongoing policy responses

Measures have been taken to address youth unemployment, including the implementation of the reinforced Youth Guarantee, supported by the ESF+. The scheme has yielded mixed results, working effectively for those that are reached, through schemes such as the "Initiation to Employment Contract" (*Contrat d'Initiation à l'Emploi*). However, less than a third (29.1%) of NEETs aged under 29 were registered in the Youth Guarantee scheme at the end of 2024, considerably below the EU average of 41.3%. More extensive outreach, including via social media, and enhanced coordination and data-sharing between all the actors of the Youth Guarantee ecosystem, as well as better access to services outside of urban areas, could help improve inclusion in the scheme and long-term labour market integration more generally. Other youth employment measures include the Start your Career/Business programmes, the Interreg project "atWork4NEETs", and the CAE (Contrat d'appui-emploi) / CIE (Contrat d'initiation à l'emploi) - activation contracts providing temporary work experience and training to improve employability. Furthermore, the Act of 3 March 2026 allows for adjustments to measures promoting youth employment, in particular the *stage de professionnalisation* (professional development internship). Previously only available to jobseekers aged 30 and over, these internships will be open to young people without age restrictions as from July 2026.

[191] European Commission: Labour market and wage developments in Europe – Annual review 2025.

[192] CSL 2025, p. 73.

[193] European Commission, Labour market and wage developments in Europe report 2025, pp. 50-53.

[194] See also European Commission, Second-stage country analysis on social convergence for Luxembourg, April 2025, p. 58.

[195] OECD, 2025.

Luxembourg is taking measures to increase the employment rate of older workers. In October 2025, following a large-scale consultation in 2024-25, the government tabled two pension reform bills[196]. Active as of January 2026, these laws are designed to safeguard the fiscal sustainability of the pension system while rewarding the labour-market participation of older workers. The employment agency ADEM proposes several measures targeting older workers, often with financial incentives for employers. There is scope for a more comprehensive strategy for assessing, re- and upskilling the 45+ working population.

Luxembourg is strengthening its capacity for skills intelligence, matching and development[197]**.** Luxembourg has taken steps to improve matching between labour market needs and the supply of candidates. The ADEM national employment agency has launched JobInsights.lu, which provides real-time data on job openings, skills requirements and labour market trends for jobseekers, employers and training providers. ADEM also publishes thematic studies (*Zoom Emploi*), which help to better understand the characteristics and needs of jobseekers and to tailor its services accordingly. The "Skills Plang" is ADEM's first scheme targeting workers and explicitly designed to prevent unemployment. Furthermore, systematic language testing by ADEM helps to reduce linguistic-based mismatches at an early stage of the candidate profiling. *The Centre national de formation professionnelle continue* (CNFPC, National Centre for Continuing Vocational Training) helps adults from Luxembourg's public and private sectors to up- and re-skill, in line with labour market needs. Looking ahead, there is potential for further cooperation between all national actors involved in quantitative and qualitative skills data intelligence and matching, from education and training providers to ADEM and employers, via easily accessible labour market intelligence (also for the mid- and longer-term), employer involvement in curriculum design and incentives for reskilling in priority sectors. More generally, continuing professional development should be promoted for adults of all ages, both in and outside the workplace, supported by personalised guidance and higher uptake of individual training rights (*congé individuel de formation*).

[196] Bill no. 8634 and bill no. 8640.

[197] See also European Commission, 2025, p. 62.

2.7.2 Education and Skills

a) State of play and developments on social convergence risks

Early school leaving appears to be on the rise, particularly among boys, disadvantaged students and those born outside Luxembourg, and contributes to higher NEETs rates. There was an increase in the number of early school leavers in 2024 (to 7.8% vs 9.4% in the EU) compared to 2023 (6.8%)[198]. This group is more likely to become NEETs and, in turn, contribute to youth unemployment. NEET rates also tend to rise with lower levels of education. The highest dropout rates occurred in introductory or integration pathways, attended by socio-economically vulnerable pupils with learning (including language) gaps or who recently arrived in Luxembourg[199]. Boys were 50% more likely to drop out than girls in the 2023-24 school year[200]. Eurostat data also shows that early school leaving is higher among those born outside of Luxembourg[201], a likely consequence of inequalities in the trilingual school system which poses particular challenges for students who speak neither German nor Luxembourgish at home[202].

The main reasons behind early school leaving in the 2023-24 period were either personal difficulties, or the desire to pursue new projects, or difficulties in finding an apprenticeship. More in detail, according to a recent study by the Ministry of Education[203], the motives behind early leaving could be grouped under three categories (more than one of which could be relevant for each respondent): (a) personal difficulties ranging from a lack of motivation to health, financial, family, academic or other issues (53.8%); (b) having a new personal, study-based or professional project (52.4%); (c) difficulties in finding an apprenticeship employer or a vocational school (14.3%). This last motive was almost three times higher than in the 2022-23 period (5.1%). All three categories point to a need

[198] Data for 2023 and 2024 is nonetheless marked as having low reliability.

[199] See "Jeunes décrocheurs et jeunes inactifs au Luxembourg 2023/24", p. 22.

[200] Ibid, p. 16.

[201] See Eurostat [edat_lfse_01]; some of the data contains breaks in series or is considered unreliable.

[202] European Commission, Education and Training Monitor 2025.

[203] Ministry of Education, Childhood and Youth, Brochure_SNJ_Jeunes-decrocheurs, p. 25. Respondents could choose more than one category.

for extended profiling and counselling of vulnerable cases.

There is scope to improve the attractiveness of vocational education by strengthening progression pathways within initial VET and towards higher VET. In Luxembourg, almost 6 out of 10 students in medium-level education are in programmes with a vocational orientation (59.2% in 2023 vs an EU average of 52.4%), although this figure has fallen from 62.6% since 2018. The proportion of initial vocational education and training (IVET) students in combined school- and work-based programmes (ISCED level 3) was only 21.8% in 2023, compared to an EU average of 29.6% and countries with higher rates such as the Netherlands (89.3%) and Germany (89.2%)[204]. Only around one third of recent VET graduates (34.5% in 2023[205]) had experienced work-based learning, well below the EU average (64.6% in 2023, 65.3% in 2024). Despite this, recent VET graduates in Luxembourg had an employment rate of 80.0% in 2023, similar to the EU average (81.0% in 2023, 80.0% in 2024). Luxembourg had the lowest reported share of female graduates (21.0%) in post-secondary non-tertiary vocational programmes in 2024. Enrolment in STEM fields in medium-level VET, which stood at 27.7% in 2023, is well below the EU average[206] (36.3%) and the proposed EU 2030 target (45%). 16.9% of medium-level VET students in STEM subjects were female, above the EU average (15.4%), but far from the proposed EU 2030 target (25%).

The participation of older workers and adults with low levels of skills in learning is relatively weak. According to the Adult Education Survey (AES), adult participation in learning (excluding guided-on-the-job training) rose from 42.6% in 2016 to 45.2% in 2022. This was consistently above the EU average (at 37.4% and 39.5% in 2016 and 2022, respectively) but far (−17.3 pps) from the ambitious national target of 62.5% by 2030. According to more recent data based on the Labour Force Survey (LFS), adult learning participation showed a rising trend between 2022 and 2024. In 2022, based on AES data, the participation of older workers was slightly below the EU average (29.0% vs 29.9%) and only just above average for those with low qualification levels (20% vs 18.4% in the EU)[207]. In 2025, 62.4% of the adult population (16-74) had at least basic digital skills, just above the EU average of 60.4%. This is an increase from 60.1% in 2023 but still below the rate of 63.8% recorded in 2021. In the period 2021-25, the majority of Member States recorded improvements. The share of women with digital skills (60.9% in 2025 vs 59.0 % in the EU) is lower than that of men (63.8% vs 61.8% in the EU) but is on the rise since 2021. Over the same period, digital skills levels of men decreased.

b) Relevant planned and ongoing policy responses

Luxembourg has taken several measures to boost inclusive and multilingual education. The *Alpha* initiative, giving primary school children the choice to learn to read and write in either French or German, was adopted following a pilot phase and will be rolled out nationwide from September 2026[208]. In 2023, a new law expanded the role of the School Guidance and Integration Unit (*Service de l'Intégration et de l'Accueil*) in secondary schools to include support for newly arrived learners and their families. An online one-stop portal dedicated to pupils with special educational needs is publicly accessible. In the context of a multi-country project, Luxembourg benefits of technical support funded by the Technical Support Instrument for the development of strategies and tools for AI implementation in school education, providing guidance and tools to schools for ethical AI usage, enhancing digital literacy and inclusivity.

Luxembourg is addressing the need to strengthen the attractiveness of VET for women in STEM, in line with the EU Recommendation on human capital[209], through a coherent pipeline of actions, from early awareness to labour-market integration. Initiatives such as Girls in ICT Day (general awareness), TechTalks4Girls (motivating through role models) and "Girls IT Shadow Days" (multi-partner ESF+ project) focus on inspiration and orientation at secondary-school level (14-19 year-olds), while programmes like "Elements of AI" and "AI Skills 4 Women" provide accessible entry points into digital and AI skills. In parallel, the Government (Ministry of Labour, the Media and

204 https://www.cedefop.europa.eu/en/data-insights/2-how-many-students-participate-work-based-initial-vet.

205 There is no data for 2024, although neither the figures for Luxembourg nor the EU average have fluctuated significantly in recent years.

206 The definition used by Luxembourg differs from standard Eurostat definition, and comparisons with other countries should be made with caution.

207 European Commission, Education and Training Monitor 2024.

208 See the 2023-2028 Coalition Agreement and a recent Government press release.

209 eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0959.

Communication Service and the Luxembourg Banking Association) encourages projects using the PIX skills self-assessment tool. A pilot is currently in place, including 10 organisations, in close cooperation with ADEM. Overall, these actions support better skills matching and guidance towards vocational and upskilling pathways, contributing to a more inclusive and future-oriented VET ecosystem.

Luxembourg is implementing measures to combat early school leaving. Starting with those who have not yet turned 17, from September 2026 the mandatory school age will be raised from 16 to 18 – a third of dropouts occur between these ages. The Education and Vocational Guidance Centre (*Maison de l'orientation*) will strengthen its links with guidance units in secondary schools and with the regional directorates of primary education. The National Youth Service contacts school dropouts to assess their needs and help them reconnect with the labour market or further education.

Several initiatives aim to promote vocational pathways, including skills for the green and digital transitions. A 2024 law introduced financial support for employers who take on employees in basic vocational or initial vocational training during employment[210]. From the start of the 2026/27 school year, holders of a secondary school leaving diploma will be able to undertake a one-year vocational aptitude diploma (DAP). Luxembourg is in the process of establishing a legal framework for higher vocational education and training (*formation professionnelle supérieure*). This framework will increase access, recognition, and the quality of advanced vocational programmes, providing clear progression routes and stronger partnerships with industry. In September 2024, Luxembourg launched one of the RRP milestones (the "Skillsbridges" vocational training initiative), which will help adults adapt to new technologies (upskilling) and facilitating career changes (reskilling). Since the 2025-26 school year, a total of 26 sessions will have been delivered since its launch, benefitting up to 500 people, and covering areas such as AI, the green transition, renewable energies, construction and hospitality. Overall, there is still room to better align the supply of candidates with employers' demand for apprentices, notably by more systematically involving professional chambers and employer organisations, including in STEM fields. The widening of language options can also help to promote inclusiveness.

[210] Cf. Legilux.

2.7.3 Social protection and social inclusion

a) State of play and developments on social convergence risks

The AROPE rate decreased slightly in 2024 in a context of easing inflation and support to lower-income families. Overall, AROPE went from slightly above the EU average in 2023 (21.4% vs 21.3%) to 1 pp below in 2024 (20.0% vs 21.0%), driven primarily by slight drops in AROP (18.8% to 18.1%) and in the severe material and social deprivation (SMSD) rate (2.5% to 2.3%). This may be explained by easing inflation over 2023-24 as well as the support provided to lower-income people and households (minimum wage increases and automatic wage indexation, increased cost-of-living and energy allowances, as well as easier access to the latter). Nevertheless, in 2024 AROP levels in Luxembourg (18.1%) remained above the EU average (16.2%), increasing overall since 2015211. The EU average decreased over the same period. This is due to numerous reasons, including labour market dynamics and the limited take-up of social transfers, as detailed below[212]. Between 2019 and 2024, the number of people at risk of poverty or social exclusion rose from 119 000 to 132 000. This makes reaching Luxembourg's 2030 target of reducing the number of people at risk of poverty or social exclusion by 4 000 (compared to 2019) challenging.

The share of children at risk of poverty or social exclusion decreased between 2023 and 2024, but remains above the EU average and affects over 1 in 4 children. The AROPE rate for children fell from 26.1% in 2023 to 25.6% in 2024 (vs 24.2% in the EU). Their severe material and social deprivation (SMSD) rate dropped from 3.8% in 2023 to 3.4% in 2024 (well below the EU average of 7.9%), likely thanks to targeted cost-of-living subsidies, as well in-kind benefits such as the *Chèque-service accueil (CSA)* for childcare support. The share of children living in households with very low work intensity rose from 1.9% in 2023 to 2.6% in 2024, linked to the deterioration in labour market conditions over the same period. This figure nonetheless remains well below the EU average (7.4%). The most significant sub-component of the AROPE rate for children in

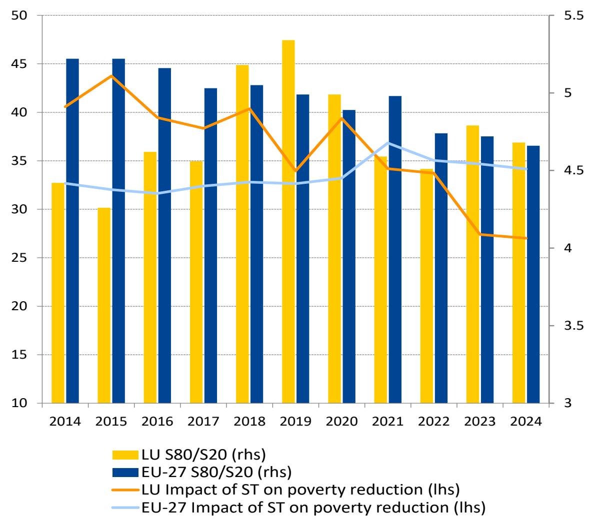
[211] It should be noted that there were breaks in the series for Luxembourg in 2016 and between 2020 and 2022 inclusive.

[212] See also European Commission, 2025, p. 27.

Luxembourg remains the AROP rate, which rose slightly from 23.9% in 2023 to 24.1% in 2024 and remains well above the EU average (19.3%). Single-parent households are particularly vulnerable, with poverty risks concerning 31.8% of them in 2024 (vs 32.7% in the EU).

Several factors explain income inequality in Luxembourg, including the sectoral composition of the economy and the low-high skills wage gap. Average annual gross salaries in Luxembourg's financial and insurance sector, which plays a significant role in the economy, are around 50% higher than the average for the entire economy[213]. High salaries, while not limited to the financial sector, contribute to increased polarisation in earnings. This is often a reflection of the low-high skills wage gap: workers without upper secondary education earn on average 25% less than those with upper-secondary education (OECD average of 17%), while those with tertiary earn about 55% more than those with only upper-secondary (OECD average of 54%)[214]. Despite this polarisation in earnings, income inequality in Luxembourg, as measured by the income quintile share ratio (S80/S20), is close to the EU average.

Figure 2: Impact of social transfers on poverty reduction (%) and Income quintile share ratio (S20/S80)



Source: Eurostat [tespm050], [tessi180], EU SILC.

The impact of social transfers in reducing poverty risks has been declining since 2010. The impact of social transfers (excluding pensions) decreased from 27.4% in 2023, when it was well below the EU average of 34.7%, to 27.0% in 2024. The impact of social transfers is also lower than the EU average for specific groups, including the self-employed (18.4% vs 26.6% in the EU) and employees on temporary contracts (14.6% vs 22.8% in the EU). The low impact is largely explained by low take-up rates of social benefits[215], rather than overall coverage or adequacy issues.

The housing cost overburden rate decreased in 2024, although disparities persist across tenure types and household composition. Housing cost overburden has been a critical issue in Luxembourg for several years, however it decreased from 11.5% in 2023 (above the EU average of 8.8%) to 8% in 2024 (below the EU average of 8.2%)[216]. On the other hand, the decreased overburden rate since 2023 was particularly pronounced among tenants, and can be partially explained by Luxembourg's increase of the rent subsidy by an average of 50% from late 2022, where eligibility is limited to those whose rent is greater than 25% of their net income. Nevertheless, a recent LISER study, while confirming the higher housing cost overburden of private-market tenants, also highlights that the overburden is almost 3 times higher for households with modest incomes than for the most affluent ones[217]. Young people are also particularly affected, and the proportion of income spent by 18-29-year-olds on housing was 52% in 2023 (vs 32% in the EU)[218]. The latest Housing in Europe report shows that overall housing costs in Luxembourg in 2024 remained among the highest compared to the EU average (78% above)[219], while the stock of social housing is one of the lowest in the EU[220].

b) Relevant planned and ongoing policy responses

Luxembourg is taking significant steps to reduce poverty risks. A substantial national action plan to prevent and combat poverty risks was presented in December 2025, backed by an estimated EUR 1 billion in annual funding as from

213 For a detailed discussion of income polarisation, see European Commission, 2025, p. 57.

214 OECD, Education at a Glance (2024).

215 Cf. European Commission, 2025, p. 58.

216 Eurostat recorded breaks in the series from 2020 to 2023 for this indicator.

217 https://logement.public.lu/fr/publications/observatoire/note-44.html.

218 Eurofound 2025: Living conditions and quality of life. Foundational challenges: the housing struggles of Europe's youth.

219 https://ec.europa.eu/eurostat/web/interactive-publications/housing-2025.

220 https://economy-finance.ec.europa.eu/publications/depth-review-2023-luxembourg_en.

2027. The plan intends to address poverty from a holistic, interministerial perspective, with over 100 actions from 2026 to the end of the coalition agreement in 2028. These will include, for example, increased benefits (especially for children, families and older people), enhancing their take-up through automation and simplification (particularly through the rollout of the 'one-stop social desk' - *Guichet social unique*), more affordable housing, better healthcare for the most vulnerable, lifelong learning and employment (with a focus on VET and youth employment).

Luxembourg has taken measures to reduce child poverty. Several actions have been taken within the framework of the European Child Guarantee[221], including free meals for children in need at various stages of their schooling, free health screenings and vaccinations. Nevertheless, there are persistent social challenges linked to migration and multilingualism and data monitoring gaps, making it difficult to assess whether all children in need have effective access to the various initiatives[222]. New reforms aim to ensure that every child will be guaranteed a childcare place by 2030, and the *Chèque-service accueil* will support households earning up to 3.5 times the minimum wage.

Luxembourg has taken measures to tackle housing costs, while the availability of social housing remains limited. The 2025 budget law raised spending for the *Fonds Spécial pour le Logement* (Special Fund for Affordable Housing) by EUR 130 million compared with the 2024 budget[223], and a further EUR 2 billion in spending was announced for the development of affordable housing over the 2025-28 period. Initiatives like Housing Pact 2.0, the Affordable Housing Law, and the Accessibility Act go in the right direction. At the same time, social housing represents only 3-4% of the total stock.

2.7.4 Concluding remarks

The available quantitative and qualitative evidence in this second-stage analysis points to challenges in the labour market, with rising unemployment affecting both younger and older workers and skills mismatches. In the area of education and skills, early school leaving is on the rise, and there is scope to improve the attractiveness of vocational education, in particular by reinforcing progression pathways within initial VET and towards higher VET. The participation of older workers and adults with low levels of skills in learning is also relatively weak. In the area of social protection and inclusion, the share of children at risk of poverty or social exclusion remains above the EU average, and the impact of social transfers (excluding pensions) on poverty reduction has further declined. While the housing cost overburden had decreased on average, some groups, notably private-market tenants, households with modest incomes and the youth, are particularly affected.

The measures implemented or planned so far, such as the implementation of the reinforced Youth Guarantee, steps to increase the employment rate of older workers, improved skills intelligence and matching, raising the mandatory school age, the promotion of vocational pathways and the adoption of a wide-ranging national action plan to prevent and combat poverty, are expected to help Luxembourg address the challenges identified.

[221] As well as within a specific national action plan for Childrens' rights during the 2022-26 period.

[222] Strengthening Monitoring & Evaluation of Children's Rights and Establishing a Sustainable Stakeholder Consultation Mechanism.

[223] For other housing cost measures taken in 2024, see European Commission, 2025, p. 60.

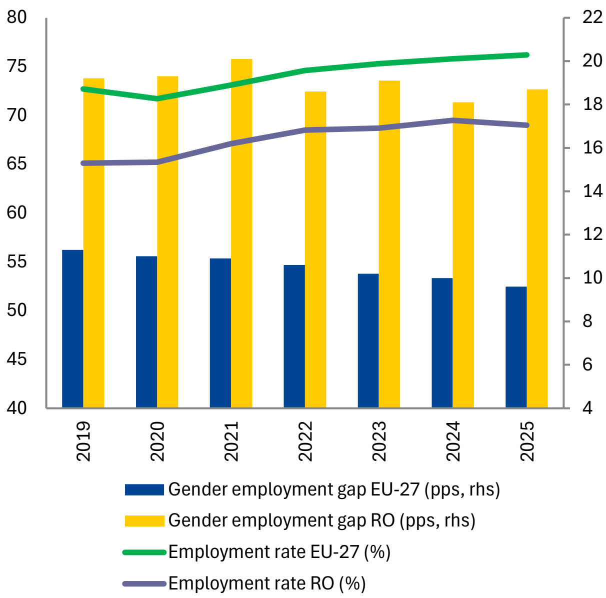
2.8 ROMANIA

In the first-stage analysis in the JER 2026, Romania was identified as facing potential risks to upward social convergence based on 7 headline indicators of the Social Scoreboard flagging. The risks identified concern notably the labour market, with improving but still low **employment rate**, as well as a high **share of young people neither in employment nor in education and training (NEET),** high **gender** and **disability employment gaps**. In the area of education and skills, potential risks were identified in relation to the low **participation of children under the age of 3 in formal childcare**, the high **rate of early leavers from education and training** and low and declining **share of people with at least basic digital skills.** Finally, in the area of social protection and inclusion, the situation has improved. Yet, the limited impact of social transfers (excluding pensions) on poverty reduction, as well as the high risks of poverty or social exclusion, including for children, require close monitoring.

2.8.1 Labour market

a) State of play and developments on social convergence risks

Figure 1: Employment rate and Gender employment gap (%, pps)



Source: Eurostat [lfsi_emp_a, tesem060].

Despite some improvements, the employment situation remains challenging and marked by significant regional disparities. The employment rate (20-64 years) has been on an upward trend over the past decade, mirroring the EU trend. Yet, in 2025 the employment rate fell by 0.5 pps and remains among the lowest in the EU (69.0% in 2025 vs 76.2%), and well below the 2030 national target of 74.7%. Employment grew across most regions in 2024 compared to 2023, with the largest increases in the South-Muntenia (1.7 pps) and Centre (1.5 pps) regions, while it stagnated in the West region. Notable regional disparities continue nonetheless to exist. In 2024, the employment gap between the region with the highest employment rate (Bucharest-Ilfov, 81.1%) and the one with the lowest (South-East, 62.6%) was 18.5 pps. In 2025, the unemployment rate rose (by 0.6 pps) and was slightly above the EU average (6.1% vs 6.0%), as did the long-term unemployment rate (+0.3 pps to 2.1% vs 1.9% in the EU). Informal work in Romania remains widespread in agriculture, traditional trades and crafts, domestic work, and seasonal activities in construction and hospitality[224].

Women's labour market participation remains low, and young people struggle to enter formal employment. In 2025, the employment rate of women lied at 59.5% (-0.8 pps) and remained 11.9 pps below the EU average. Persistent gender gaps were reported also in management positions[225]. Low participation of women in the labour market is driven by multiple factors[226], including care responsibilities, the distribution of caregiving roles in the household, participation in informal activities, and low participation in early childhood education and care for children below 3 (11.4%, vs 39.2% in the EU in 2024, which further decreased to 11.1% in 2025), particularly in rural areas, as well as insufficient long-term care services. At the same time, the rate of young people neither in employment nor in education and training (NEET) was among the highest in the EU in 2025, at 19.2% (vs. 10.9%) with NEETs outside the labour force representing about two-thirds of all NEETs. There is also a considerable gender gap, with the NEET rate for young women being 11.2 pps higher than for young men[227]. The NEET rate is also much higher in rural areas compared to cities (26.8% vs 7.5%). High shares of early school leavers and misalignment between the education system and

[224] OECD (2025), OECD Reviews of Labour Market and Social Policies: Romania 2025.

[225] OECD (2025), OECD Reviews of Labour Market and Social Policies: Romania 2025.

[226] OECD (2025), OECD Reviews of Labour Market and Social Policies: Romania 2025; European Commission, Country Report Romania 2025, COM(2025)223.

[227] Eurofound own calculations.

the labour market are important factors contributing to the high NEET rate.

Employment opportunities are limited for persons with disabilities, and Roma people remain underrepresented in the labour market. The disability employment gap is far above the EU average (44.8 pps vs 24.0 pps in 2024) and increased to 45.4 pps in 2025. There are insufficient incentives and support for persons with disabilities to look for work in Romania. The severity of disability also affects employment outcomes. The labour force participation rate for persons with disability is one of the lowest in the EU, also at the end of the career (age 55-66) (29.3% vs 56.4% in 2024). Moreover, in 2024, 48.0% of them faced in-work poverty, which is a share among the highest in the EU (vs 27.7% as the EU average). The difficulties faced by persons with disabilities in terms of labour market integration relate, among others, to weak quota enforcement, limited support for accommodation, and working conditions. The situation of Roma remains a matter of concern, particularly in terms of labour market participation, including for the youth. In 2024, Roma participation in paid work was estimated at 59%, below the level observed for the general population, and 42% of young Roma were NEETs[228]. This is notably due to persistent discrimination, spatial segregation and unequal access to quality education. Overall, 27% of Roma report discrimination when looking for a job (+17 pps since 2016) and 24% do so while at work (+18 pps)[229].

Workers in Romania experience relatively high in-work poverty risks and still relatively low access to training, weighing on job quality. Nominal wage growth peaked at 17.3% in Romania in 2024 and is projected to slow to 8% in 2025 and 5.5% in 2026. Real wage growth surged in 2024 to 10.8% but is set to decelerate sharply to 1.2% in 2025, and turn negative in 2026. The statutory minimum wage rose by around 59% between 2022 and 2025 (over 16% in real terms). Yet, in-work poverty in Romania is sizeably higher than the EU average (at 10.9% in 2024, vs 8.2% in the EU, and 10.8 in 2025). In-work poverty is mainly driven by a large share of low-wage earners[230] (23.9% vs 14.7% in the EU in 2024), low adequacy of social benefits, and labour market segmentation. As many as 40.6% of employed people (15–64) work atypical hours (evenings, nights, weekends, or shifts) in Romania, above the EU average of 33.9%, which is generally associated with higher work pressure. Overall, in 2022, despite a 17.3 pps increase since 2016, only 23.8% of employed adults participated in learning, which is well below the EU average of 44.7%. This poses challenges in relation to skills development and career progression.

Romania faces low collective bargaining coverage and limited social dialogue. According to data reported under Article 10(2) of the Directive on Adequate Minimum Wages, the coverage rate stands at just 27.96%. While the new Social Dialogue Law (a reform supported by the country's Recovery and Resilience Plan) aims to address deficiencies with the social dialogue process and to increase collective bargaining coverage, further efforts are needed. Specifically, there is scope for an increase in coverage, further involvement of social partners in policymaking, and capacity building, in addition to the EUR 78 million from ESF+ already directly supporting the capacity of social partners. Moreover, social partners have limited opportunities for timely and meaningful involvement in policymaking and reform implementation. Too often, the consultation of social partners is formalistic without sufficient time of providing genuine input.

b) Relevant planned and ongoing policy responses

The National Employment Strategy (NES) 2021-27 aims to boost employment by strengthening labour market integration. The 'Education and Employment' programme, supported by ESF+, focuses on leveraging young people's potential (including of NEETs), modernising labour market institutions, and aligning adult vocational training with evolving labour market needs. The strategy's overall goal is to achieve a 75% employment rate (20-64) by 2027, thereby ensuring that Romania meets its 2030 national target. While the strategy includes broad measures addressing the deficiencies of the Romanian labour market, there is scope for further improving the effectiveness of active labour market policies, including by improving outreach and targeting.

[228] Data on Roma communities in Romania are primarily collected on a voluntary self-identification basis, in full compliance with data protection and confidentiality standards. As a result, the available data may not fully capture the diversity and size of Roma communities and are reported only in aggregated form to prevent stigmatisation.

[229] All data come from the Fundamental Rights Agency (FRA) 2024 Roma Survey, except where explicitly mentioned otherwise.

[230] 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.

Public employment services (PES) in Romania are on the path of modernisation but important challenges remain. In the period 2014-20, ESF supported three projects aimed at enhancing PES services and tools. The eSPOR project, completed in December 2023, introduced an online platform for employers, reducing administrative burden and improving data efficiency. The Case Management project, finalized in June 2023, introduced new profiling procedures for jobseekers, enabling more targeted support, which already benefited over 500 000 people. The ReCONECT project, also completed in December 2023, introduced tools for monitoring the labour market integration of graduates and evaluating employment policies. An objective of ReCONECT was to improve the anticipation of labour force demand in line with labour market needs, including at the local and regional levels. These initiatives helped improve PES, but there remains scope for further efforts. In 2025, Romania launched a comprehensive reform, with EUR 153 million invested through ESF+, to enhance PES capacity by hiring 600 new staff and improving service quality and visibility. Despite delays in the start of the implementation, the project remains key for improving Romania's labour market outcomes. Maintaining the commitments on the modernisation of the labour market institutions, set out in the ESF+ 'Education and Employment' programme, is key to improving labour market outcomes. The programme is refining the approach to identifying, motivating and activating young people. EUR 133 million is being invested by the ESF+ in Romania for establishing a network of youth workers and mobile teams. Tailored support services will be delivered to young NEETs through enhanced local collaborations between the PES and other key stakeholders, aiming to smoothen transitions into the labour market. There is further scope for anchoring youth work and mobile teams into the core activities of the PES ensuring their continuation also once the ESF+ support comes to an end.

Romania is stimulating employment by facilitating the integration of vulnerable and marginalised groups with ESF+ support and legislative changes. Since June 2025, the ESF+ funded project "PROACTIV – Support for access to and retention in the labour market" is stimulating employment with hiring incentives for long-term unemployed, low-skilled, persons with disabilities, people from marginalised groups including Roma and people over 55 years old. Under the ESF+, EUR 155 million is allocated until June 2026 to finance actions across Romania benefiting more than 37,000 jobseekers. There remains nonetheless scope for greater emphasis on strengthening active labour market policies, especially through better targeting and tailored support. In July 2025, Romania amended the Law 76/2022 on the unemployment system and promotion of employment, giving more beneficiaries, particularly among women, access to active measures. The Law expanded the categories of beneficiaries to include victims of domestic violence and human trafficking. These groups have now access to the full range of active labour market measures provided under the law, including information services, professional counselling, training, job mediation and financial incentives.

Romania took some actions to improve coordination between employers, public authorities, and non-governmental organisations, and facilitate employment of persons with disabilities. A joint order, introduced in 2025 by the National Authority for the Protection of the Rights of Persons with Disabilities and the Public Employment Services, aims to tackle the unemployment of persons with disabilities. Employers are required to communicate their hiring intentions to the two services and specialised NGOs, which inform persons with disabilities about existing opportunities and employment conditions. This unified procedure and the annual reporting of filled positions are expected to increase the transparency and effectiveness of the professional integration process for persons with disabilities and strengthen collaboration between institutions and associations. According to Law 448/2006, employers with at least 50 employees are already obliged to employ 4% persons of disabilities or pay a monthly contribution equal to the gross minimum salary per unfilled position. However, more ambitious activation measures, together with support for persons with disabilities and their employers to put in place the needed adaptations and address stigma, would contribute to address the labour market challenges faced by persons with disabilities. The National Strategy for the Rights of Persons with Disabilities 2022-27 focuses on enhancing employment opportunities and training quality. The cohesion policy funded 'Social Inclusion and Dignity' programme supports an innovative inclusion cluster for the labour market integration of persons with disabilities. Effective implementation of the planned measures, involving all stakeholders, is key to reducing the disability employment gap.

Recent legislative developments aim to modernise active labour market policies and improve the labour market integration of vulnerable groups. The 2025 amendments to the unemployment insurance legislation[231] increased the coherence and targeting of active labour market measures, including the alignment of definitions for long-term unemployed and NEETs, and the explicit inclusion of vulnerable groups in line with the social economy framework. Additional measures support labour market participation and retention, notably through financial incentives for young people entering employment, with a focus on job stability rather than only initial access. The reforms also broaden support for social enterprises and expand eligibility for hiring subsidies to additional vulnerable categories. Recently, the structure of the Ministerial Commission for Roma has been strengthened by ministerial order within the Ministry of Labour, Family, Youth and Social Solidarity. The Commission's role is to coordinate and consolidate working and consultation mechanisms for the implementation of the Romanian Government's Strategy for the Inclusion of Romanian citizens belonging to the Roma minority (2022–27).

2.8.2 Education and Skills

a) State of play and developments on social convergence risks

Participation of children in early childhood education and care (ECEC) remains low, particularly in rural areas. In 2024, participation for children below 3 was at 11.4% in vs 39.2% in the EU and it decreased to 11.1% in 2025. This is notably driven by the limited availability of ECEC services in oversubscribed urban areas and isolated localities[232]. At the same time, participation of children aged 3 to compulsory primary school entry rose slightly to 75.7% in 2023 (vs 94.6% in the EU) and to 76.5% in 2024. There are also wide territorial disparities: in 2023–24, enrolment for children aged 3–5 was 72.7% in rural areas vs 95.5% in urban areas[233]. Participation remains much lower for Roma children, with only 40% of those aged 3–5 attending in 2024[234]. Persistent shortages of facilities and staff, especially in small and rural localities, continue to limit participation and deepen inequalities.

Low basic skills and weak alignment between education, training and labour market needs undermine competitiveness. The 2022 OECD Programme for International Student Assessment (PISA) shows persistently large shares of 15-year-olds with low basic skills: 48.6% lacked proficiency in mathematics, 41.7% in reading, and 44% in science (compared to 29.5%, 26.2%, and 24.2% on average in the EU)[235]. Likewise, 74% of eight-graders lacked basic computer and information literacy skills, as tested in the IEA's International Computer and Information Literacy Study (ICILS) (vs 43% on average in the 22 EU countries analysed). These gaps reflect chronic underfunding as well as challenges related to the teaching profession, including shortages in rural areas and in STEM and initial and continued training unaligned with teachers' needs and competence-based curricula. Although a high share of upper- and post-secondary students attend vocational education and training (VET) (61.3% vs 52.4% in the EU in 2023), slow uptake of work-based learning and dual VET limits its labour market relevance. In 2024, only 65.7% of recent VET graduates were employed (vs 80.0% in the EU), due to a weak involvement of businesses and limited use of skills intelligence. In higher education, tertiary attainment among 25–34-year-olds rose to 23.2% in 2024 (from 22.5% in 2023), still well below the EU average of 44.1%. With high-skills jobs expected to grow strongly by 2035, persistent skill gaps put at risk innovation, productivity and competitiveness.

Educational inequalities persist, with rising early school leaving and out-of-school rates. In 2024, 16.8% of 18-24-year-olds left education and training early, following an upward trend since the COVID-19 pandemic, compared to a steady decline at EU level (9.4% in 2024). Rural/urban disparities are strong, with rates of early school leaving reaching 26.3% in rural areas vs 5.0% in cities. Moreover, Roma students face higher dropout risks. Over 61.6% of young people (18–24) with disabilities were early leavers in 2024, well above the EU average of 24.6%. The education system struggles to promote equal opportunities: only 4%

[231] Government Emergency Ordinance No. 11/2026 amending and supplementing Law No. 76/2002 on the unemployment insurance system and employment stimulation, published in the Official Gazette of Romania, No. 181 of 9 March 2026.

[232] OECD, 2025.

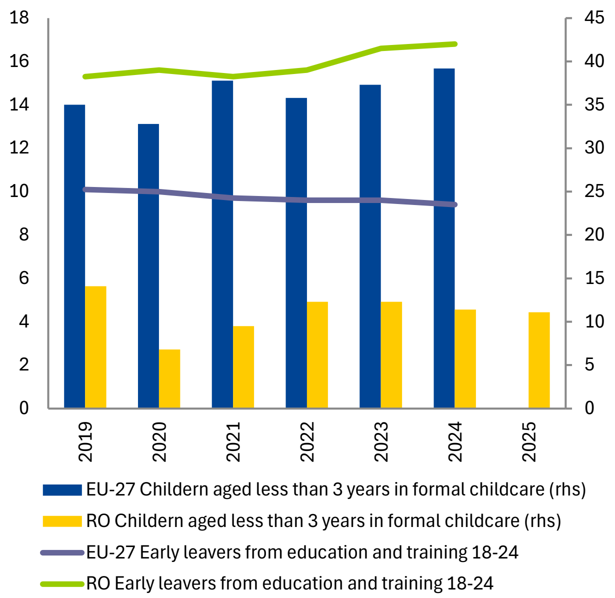
[233] Ministry of Education (2024), State of Education Report for Pre-University Education 2023/2024 Raport_Stare_invatamant_preuniv-2023-2024.pdf.

[234] Fundamental Rights Agency, 2025.

[235] OECD (2023), PISA 2022 Results (Volume I): The State of Learning and Equity in Education. https://doi.org/10.1787/53f23881-en.

of 25-64-year-olds with parents lacking upper secondary studies completed tertiary education, compared to 90% with at least one parent holding a tertiary degree[236]. Moreover, school attendance of children is declining. In 2022, only 83.9% of children aged 6-10 were enrolled in school (vs 90.5% in 2015)[237]. Poor education correlates with higher poverty risks and labour market disadvantage, underscoring the need to close educational gaps for greater social cohesion.

Figure 2: Children less than 3 years in childcare and Early leavers from education and training (%)



Source: Eurostat [tepsr_sp210, sdg_04_10].

Adult learning remains low. Between 2016 and 2022, adult learning participation (25-64) in Romania rose from 5.8% to 19.1%. This is above the national target of 17.4% that had been set for 2030, but well below the EU average of 39.5% in 2022 (based on the Adult Education Survey, AES). More recent Labour Force Survey (LFS) data point to an increasing trend between 2022 and 2024. Participation is much lower among the unemployed, rural residents and those with lower-secondary education**.** Overall, only 17.5% of enterprises provided training in 2020 (vs 67.4% in the EU), reflecting both weak private-sector engagement and a limited culture of continuous learning. In 2025, only 31.8% of 16–74-year-olds had at least basic digital skills (vs 60.4% in the EU). The gap widened since 2021, especially affecting rural areas and older people. Despite strong digital connectivity, slow digitalisation of education and businesses is also behind this. While Romania has a high share of ICT post-secondary graduates (6.9%), it has a low share of employees in ICT (2.8% vs 5.0% in the EU in 2024), underscoring talent retention issues.

b) Relevant planned and ongoing policy responses

A comprehensive reform of the education and training system is being implemented. New laws on pre-university and higher education, based on the "Educated Romania" strategic vision, took effect in September 2023. Supported by EU funding (over EUR 5 billion, for the period 2021–27), these laws aim to improve teaching quality, reform school and university governance, and direct more resources to disadvantaged schools and students. The full implementation of these laws depends on the entry into force of secondary legislative acts, which has been progressing with delays[238]. Moreover, the 2025–28 Government Programme plans reforms to strengthen early childhood education, implement competence-based curricula, improve assessments, restructure schools for better quality and efficiency, and enhance teacher careers.

Romania is rolling out measures to improve access to quality early childhood education and care, but there remains scope for further efforts in this domain. In 2020, nurseries were transferred from the social protection system to the educational system to unify services and improve quality. In 2019[239] new curricula and in 2021[240] new reference standards for the early education system were introduced, and the budget for ECEC has been increased. To boost participation, the last two pre-school years are now compulsory, with mandatory attendance for 3-year-olds set for 2030. In addition, over 110 new crèches and 25 complementary services for children aged 0–6 in remote and disadvantaged areas are planned by the end of 2026, supported by the RRF. Romania has also allocated a total amount of EUR 95 million of ERDF investments in early education and care infrastructure. To address quality challenges,

236 OECD (2024), Education at a Glance 2024 - Country Notes: Romania, https://www.oecd.org/en/publications/education-at-a-glance-2024-country-notes_fab77ef0-en/romania_50189b64-en.html.

237 INSSE, scl102a.

238 Order No 3.069 of 15 January 2024 of the Minister of Education, Official Gazette of Romania No 124 of 13 February 2024.

239 Order No 4.694 of 2 August 2019 of the Minister of Education, Official Monitor No 686 of 20 August 2019.

240 Decision No 993 of 18 November 2020 of the Government of Romania, Official Gazette of Romania No 1225 of 14 December 2020.

Romania is implementing an ESF+ project ("SU-ETIC") to develop an enhanced quality assurance framework, improve local capacities, and support the system of initial and continuous training for ECEC. To address the shortage of teaching staff in ECEC, Romania launched in 2023 the "Curricularfor Early Childhood Education" training programme and adopted in 2024 the Professional Profile and Standards for Pre-university Teachers, creating a Bachelor's and Master's programme and supporting initial and continuous learning for teachers. . Finally, the "Integrated Services and Professionals in Early Childhood Education" project, with support from the RRF, completed the training of 6,000 teachers and staff in nurseries and kindergartens. However, there is scope for further efforts, particularly in light of the downsizing of the relevant targets under the RRP and delays in implementing ESF+ projects developing crèches services at the local level.

Efforts to improve educational outcomes and reduce inequalities are under way. With ESF+ support, Romania is implementing a national programme to improve basic skills, covering an analysis of underachievement, teacher training and support, and school pilots aimed at national scaling. With Technical Support Instrument (TSI) and UNICEF support, a framework to monitor and prevent school segregation is in place, and a new study on student well-being will guide policies to improve the school environment. Through a multi-country project funded by the TSI, Romania benefits of support to design and deliver their curriculum reforms for primary, lower secondary and upper secondary education, through a review of priority needs and formulation of tailored recommendations on improving the design, implementation, monitoring, and evaluation of the curriculum, including an analysis on the benefits and risks of technology use, as well capacity building actions. Key programmes supporting school attendance, like the "National Programme to Reduce School Dropout", the "Healthy Meal" programme for over half a million disadvantaged children, are being implemented. The provision of material support and scholarships for disadvantaged students and underaged mothers, including with support from ESF+, also contribute to reduce school dropout. However, many vulnerable children currently not attending schools are not targeted by these programmes. To ensure equal opportunities and prevent a further increase in the number of out-of-school children, the establishment of a system that supports and enforces school attendance could be beneficial, involving all authorities responsible for children's rights.

Romania is slowly addressing barriers to higher education and modernising its vocational education and training system (VET). The ESF+ funded 'First Student in the Family' programme (EUR 88 million) supports 10,000 disadvantaged students, including Roma, with baccalaureate support, university scholarships, housing, meals, career counselling, and remedial education. VET modernisation has advanced through measures to improve quality, relevance, access, flexibility and participation. A key step is the creation of 29 regional dual-education consortia (partly RRF-funded), connecting schools, universities, local authorities, and employers to increase dual VET participation. However, transitioning all secondary VET programmes to dual VET by 2029-30 will require much stronger employers' involvement, especially in rural areas[241]. In view of the considerable downsizing of the relevant targets in the RRP, there is scope for further efforts in this area.

Romania is tackling adult learning challenges under a new strategic framework. In 2024, the Ministry of Labour and the Ministry of Education strengthened the implementation of adult learning strategies, largely supported by ESF+. Programmes for employees (e.g., "Keep Up" and "Digital Skills for the Labour Market") and for the low-skilled ("Basic Package for People with Low or No Education") are ongoing and could reach over 100,000 participants. The strategies also include pilots of individual learning accounts, roll out of micro-credential certifications, the improvement of quality assurance and the modernisation of systems for skills recognition and validation. Nevertheless, there is still scope for stronger inter-ministerial and cross-sectoral coordination, as well as greater private sector engagement in upskilling and reskilling.

The digitalisation of education is progressing, while the digital upskilling of adults remains a particular challenge. RRF investments provide digital equipment, smart labs, and digital pedagogy training for over 100,000 teachers and grants to 61 universities have improved universities' digital ecosystem, the digital skills of staff and students and improved curricula. Yet, for adults, Romania's Digital Decade roadmap mainly targets public employees, leaving most of the

[241] Cerkez et al., Implementing European priorities in VET – Romania, Cedefop, 2024.

workforce training to the private sector. Although strategies prioritise digital skills support for the unemployed and disadvantaged groups, efforts remain fragmented and reach out limited. With major gaps in rural areas and among older people, there is scope for more coherent and ambitious digital skills policies to prevent exclusion and support productivity and competitiveness.

The need to address fiscal challenges has driven efficiency reforms, including in the education sector. In July 2025, the Romanian Parliament endorsed Law 141/2025 with fiscal-budgetary measures[19] including in the education sector, entering into force in the 2025-26 school year. The law announced notably a reorganisation of school networks by merging schools, increasing the weekly didactic teaching norm by 2 hours and the minimum number of students per class. While the law preserves transport solutions for students affected by school closures, it reframes them as targeted compensatory measures. Additionally, student financial support has been streamlined with the abolition of "resilience scholarships" while needs-based ("social"), merit-based and technological scholarships have been retained[242]. ESF+ resources under the Education and Employment Programme 2021-27 will be deployed to guarantee the continued provision of social scholarships. Finally, Law 141/2025 also envisages the postponement until 2027/28 of certain key measures included in the education laws, such as the reform of school inspectorates, the launch of a national remedial learning programme or the 25% increase in funding to disadvantaged schools.

2.8.3 Social protection and social inclusion

a) State of play and developments on social convergence risks

Poverty or social exclusion risks decreased in 2024, while remaining among the highest in the EU. In 2024, the at-risk of poverty or social exclusion rate (AROPE) declined by 4.1 pps overall and by 5.2 pps for children, to 27.9% and 33.8%, respectively. In both cases the shares are much higher than the EU average (of 21.0% and 24.2%, respectively). In 2025, the AROPE rates decreased to 27.4% overall and to 32.4% for children. AROPE rates were also significantly higher in rural areas in 2025 (39.8%) compared to cities (13.7%), with a gap that grew over the last 10 years. They tend to be higher for the low-educated (54.7%) and the self-employed (55.7%), related to their more vulnerable labour market situations and reduced access to social protection. Among children, those in households with low-educated parents or with more than one dependent children are relatively more affected by poverty. Despite slow but steady progress, persons with disabilities still faced significantly higher poverty risks too (38.4% in 2024, vs 28.8% in the EU, which decreased to 37.0% in 2025). Finally, in 2024, 68% of Roma were at risk of poverty, with a reduction of 10 pps compared to 2021 compared to 2021 and markedly higher than the national rate. Roma children are disproportionately affected, with 75% at risk of poverty. Romania is therefore at risk of not meeting its 2030 targets for Roma inclusion. Overall, the number of people at risk of poverty or social exclusion declined by around 1.9 million since 2019 (reaching 5.2 million in 2025). This progress brings Romania closer to its target of reducing the number of people at risk of poverty or social exclusion by 2.5 million, including 500 000 children, by 2030.

The effectiveness of social transfers in reducing poverty increased while remaining well below the EU average. In 2024, the impact of social transfers (excluding pensions) on poverty reduction improved by 3.2 pps reaching 18.8% (and further up to 21.7% in 2025), still well below the EU average of 34.2%. In 2024, social protection spending was, at 16.7% of GDP (vs 27.3% in the EU), one of the lowest in the EU. Also, social protection coverage remains limited for workers in non-standard forms of employment (including casual and seasonal workers) and the self-employed (for whom coverage is only voluntary). In 2024, less than 10% of the people employed and at risk of poverty (before social transfers) received benefits. This rate falls to below 1% for the self-employed. Furthermore, only 7.9% of the unemployed (since less than 12 months) received unemployment benefits in 2024 (vs 36.9% in the EU). About 60.3% of the unemployed face material and social deprivation (vs 36.9% in the EU), and 77.1% of people living in quasi-jobless households experienced poverty risks vs 62.7% in the EU. In Romania, in income year 2023, a single person household receiving minimum income benefits had a net income of only 9.5% of the at-risk-of-poverty (AROP) threshold (smoothed over 3 years), and only 8.2% of the net income of a minimum-wage

[242] Previously provided as a motivation to students achieving average to good performance at school, but below the top 15% of the class (in which case merit scholarships are granted).

earner (vs the EU averages of 56.3% and 50.0% respectively). The aggregate pension replacement ratio (excluding other social benefits) fell to 0.47 in 2025 (it was 0.60 in 2024 in the EU)[243].

Romania made progress on housing affordability, but poor housing conditions remain widespread and the social housing stock is limited despite high demand. In 2024, 4.7% of the population was overburdened by housing costs (vs 9.1% in 2023), well below the EU average (8.2%). This increased to 5.0% in 2025. Yet, 40.7% of people in 2024 lived in an overcrowded household (vs 16.9% in the EU) and this decreased slightly to 40.4% in 2025. This share was higher, at 53.7% in 2024 (and 52.6% in 2025), among people at risk of poverty (vs 28.9% in 2024 in the EU). Moreover, Romania still has one of the highest severe housing deprivation rates[244] in the EU, particularly in rural areas (14.5% vs 3.5% in the EU in 2023), and for households under the poverty threshold (26.2% vs. 9.9% in the EU in 2023). The housing conditions for persons with disabilities remains marked by inequality and limited access to accessible housing.[245] This largely reflects inadequate infrastructure and limited access to services, especially in informal settlements, for Roma people and persons with disabilities. 56% of Roma households experience housing deprivation, 86% face overcrowding (vs 76% in 2016) and 28% of Roma live in households without tap water inside the dwelling. Meanwhile, in 2024, 15.3% of people faced arrears on utility bills, which is more than twice the EU average (6.9%). This increased to 18.5% in 2025. The social housing stock remains limited in Romania and under the control of local authorities. Yet, according to 2025 estimates, only 14.4% of all local authorities own or administer social housing, amounting to only about 0.018%[246] of the total housing.

Despite improvements, challenges persist in relation to access to and quality of healthcare and long-term care (LTC) due to a hospital-centred system, limited services and staff shortages. The share of the population reporting unmet needs for medical care fell to 2.2% (vs 2.5% in the EU) in 2024, down from 5.2% in 2023, but it increased to 2.9% in 2025. Access remains limited in less developed regions and for vulnerable groups, such as the Roma, with insufficient infrastructure and staff[247]. In the South-East, unmet medical needs are four times higher than in the West (5.9% vs 1.4% in 2025). The workforce is unevenly distributed, with 8 doctors per 1000 people in Bucharest/Ilfov vs 1.7 in South Muntenia in 2023. Moreover, Romania's health spending remains among the lowest in the EU (4.7% of GDP vs 7.2%), is skewed towards inpatient care, and characterised by high out-of-pocket spending (23% vs 14.9% in the EU). Moreover, public health and primary prevention efforts are still limited, with only 1% of total health spending allocated to prevention in 2023[248]. Romania has one of the lowest public expenditure levels on LTC (0.3% GDP vs 1.7% in the EU). Shortage of qualified staff (0.6 workers per 100 people aged over 65 vs 3.2 in the EU), very low access to homecare, and weak spending for LTC lead to high self-reported unmet needs for LTC and high burden on informal carers[249]. Community-based care is still scarce and often not affordable, delaying the deinstitutionalisation and transition to independent living of persons with disabilities. Access to mental health support is a growing need, especially among children.

b) Relevant planned and ongoing policy responses

Romania set up a far-reaching strategic framework to address its social challenges. This includes the National Strategy on Social Inclusion and Poverty Reduction 2022-27[250], and sectoral strategies targeting specific vulnerable groups[251]

[243] The aggregate pension replacement ratio (excluding other social benefits) is defined as the gross median individual pension income (for the age group 65–74) relative to the gross median individual earnings from work (for the aged 50–59). Source: Eurostat online database [ilc_pnp3].

[244] The severe housing deprivation rate corresponds to the share of the population living in a dwelling which is considered as overcrowded, while also exhibiting at least one of the housing deprivation measures. Housing deprivation is a measure of poor amenities and is calculated by reference to households with a leaking roof, neither a bath, nor a shower, nor an indoor flushing toilet, or a dwelling considered too dark.

[245] EDE, Accessible and sustainable housing for persons with disabilities, to be published.

[246] ESPON report 2025 european-compendium-of-housing-policies.pdf.

[247] Romania Ministry of Social Affairs, Report on the implementation of the Council Recommendation on access to high quality and affordable long-term care.

[248] Country Health Profile Romania, 2025.

[249] Eurostat, EHIS wave 3, 2019. Special extraction.

[250] Strategia naţională privind incluziunea socială şi reducerea sărăciei pentru perioada 2022—2027 (mmuncii.ro).

[251] National Strategy "Protected Children, Safe Romania" 2023-27; National Strategy for the Inclusion of the Homeless 2022-27; National Strategy on Preventing the Institutionalisation of Adults with Disabilities and Accelerating the De-institutionalisation Process; National Strategy on Long-Term Care and Active Aging 2023-30;

(children, homeless, persons with disabilities, older people) or sectors (health, employment, housing). Ensuring their effective implementation is important. At the same time, additional efforts are needed to strengthen the effectiveness and efficiency of social protection. Romania has strengthened the social protection of employees in strategic enterprises by expanding and adapting the coverage of the Wage Claim Guarantee Fund (FGPCS) [252]. The Minimum Inclusion Income (VMI) programme began in January 2024, aiming to combine a redesigned social benefit system with support services. The social reference indicator was raised in line with inflation in March 2024 and set for annual indexation. However, the suspension of the 2025 update, in a context of severe challenges for public finances, risks eroding benefit adequacy. Between 2022 and 2025, 2.5 million social cards provided food aid under the "Sprijin pentru Romania" programme[253].

Romania is tackling child poverty through the European Child Guarantee (ECG) national plan. EU cohesion policy funds and the Recovery and Resilience Facility support measures such as school meals, day-care, educational aid, and material support for deprived children. Yet, a community-level integration of services is needed to improve access to non-segregated services for children in rural areas and for Roma children. Sufficient budget allocations and an evidence-based monitoring system are key to deliver on the ECG plan commitments.

Continued commitment is needed to sustain progress in quality and access to social services. In 2024, Romania adopted a reform to strengthen the financing and quality in social assistance and care services[254]. The reform complements the 2022–30 deinstitutionalisation strategy under the RRP. Its success depends, among others, on institutional support, adequate funding, and secondary legislation, especially for the "funds follow the beneficiary" mechanism. Moreover, around EUR 2.5 billion from the European Social Fund Plus (ESF+) is available to enhance service accessibility and quality. The 2021-27 Social Inclusion and Dignity Programme aims to deliver integrated social, health, and educational services in 2 000 disadvantaged rural communities. Cooperation across government levels and stakeholders is instrumental to ensure the correct implementation of the programme. A comprehensive approach for abuse prevention and support to abuse victims could also be beneficial. There is scope for coordinated, targeted actions involving NGOs and Roma communities, aimed at enhancing access to services and ensuring sustainable social inclusion for Roma people.

Romania has launched initiatives to improve housing affordability and availability. The 2022 National Housing Strategy under the RRP sets ambitious targets to reduce housing deprivation, overcrowding, and informal settlements. Through the 2021-27 ESF+/ERDF funded Social Inclusion and Dignity Programme, more than EUR 300 million are available to improve access to social housing for marginalized communities and groups. Additional ERDF and JTF resources were also allocated following the mid-term review. Romania will further benefit from the Social Climate Fund to support vulnerable households impacted by the ETS2 Directive. Legislative and zoning reforms requiring affordable or social housing to be integrated in new infrastructure developments could further help address housing challenges together with making the purchasing of social housing more flexible and fostering public-private partnerships and civil society involvement. A TSI 2024 project is supporting Romania in the design and implementation of a comprehensive social housing regulatory framework. The country is also implementing the national strategy to address homelessness 2022-27.

National strategies aim to improve access to healthcare and long-term care. The 2023-30 National Health Strategy aims to enhance the availability, quality and resilience of the health system. RRP and cohesion policy investments support primary care, and family doctor practices, integrated community centres, mental health, palliative care and cancer therapies, as well as the construction and refurbishment of hospitals. The 2021-27 Health Programme includes a series of screening programmes in cancer, chronic diseases, and newborns/mothers' wellbeing targeting vulnerable groups. Further efforts are nonetheless needed given the considerable reduction of the relevant targets in the RRP for these types of services. The Long-Term Care strategy aims to support independent living and improve access to LTC services for those in need. Better coordination

National Health Strategy; National Strategy for Employment 2021-27, including its 2021-27 Action Plan.

[252] Government Emergency Ordinance No. 6/2026 amending and supplementing Law No. 200/2006 on the establishment and use of the Wage Claim Guarantee Fund, published in the Official Gazette of Romania, No. 137 of 20 February 2026.

[253] GEO no. 115/2023 and GD no. 70/2024.

[254] Law 100/2024.

is crucial to improve access to healthcare and LTC, with further steps needed to expand home care provision for those at risk of poverty, tackle workforce challenges in the sector, as well as address growing mental health challenges. There is scope for progress with the deinstitutionalisation of persons with disabilities.

2.8.4 Concluding remarks

The available quantitative and qualitative evidence in this second stage analysis points to challenges in the labour market, with employment remaining among the lowest in the EU, despite improvements, and large regional disparities. In particular, women's labour market participation remains low, and young people struggle to enter employment, while persons with disabilities and Roma remain underrepresented. Relatively high in-work poverty risks and limited access to training weigh on job quality. In the area of education and skills, low participation of children in early childhood education and care, low basic skills and weak alignment of education and training with labour market needs, high and increasing early school leaving as well as low adult learning and low levels of digital skills point to further challenges that impact negatively on competitiveness, employability and the twin transition. In the area of social protection and inclusion, at risk of poverty or social exclusion rates decreased for the overall population as for children, while levels remained among the highest in the EU. At the same time, the effectiveness of social transfers in poverty reduction increased, while remaining well below the EU average. Despite improvements, challenges in access to and quality of healthcare and long-term care persist, as well as in the process of deinstitutionalisation.

The measures implemented or planned so far, such as the modernisation of labour market institutions, the development of a competence-based approach in education and a teacher competence framework as well as the provision of integrated social, health, and educational services, in particular in disadvantaged rural communities, are expected to contribute to addressing existing challenges. This will nonetheless also crucially depend on the effective implementation of planned measures and better support to vulnerable groups. Despite progress made, more efforts are needed for Romania to address in full the challenges that country is facing in relation to the labour market, education and skills, and social protection and inclusion.

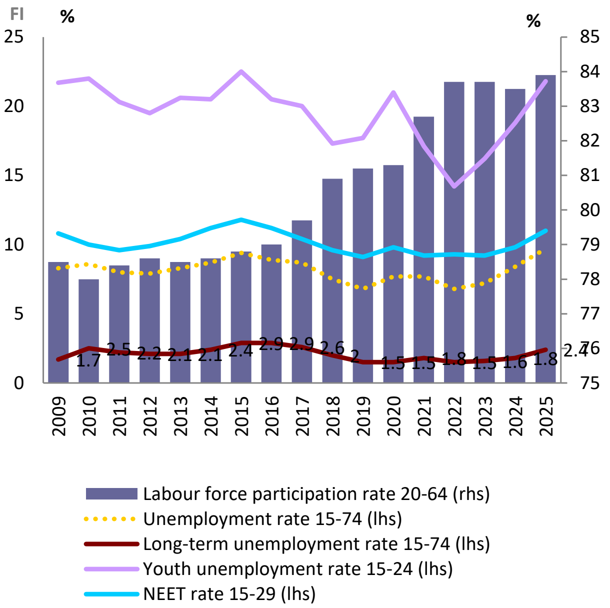
2.9 FINLAND

In the first-stage analysis in the JER 2026, Finland was identified as facing potential risks to upward social convergence based on 5 headline indicators of the Social Scoreboard flagging, including one that deteriorated over time. The risks identified concern the labour market, notably the increasing **unemployment rate**, higher **long-term unemployment rate**, deteriorating **employment rate** and lagging growth in **gross disposable household income per capita**. Additionally, in the area of social protection and inclusion, the high and increasing **self-reported unmet need for medical care** was identified as a criticality.

2.9.1 Labour market

a) State of play and developments on social convergence risks

Figure 1: Key labour market indicators



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a, lfsi_neet_a, une_ltu_a]

Finland's labour market is facing challenges with weakening employment and high unemployment. The unemployment rate increased to 8.4% in 2024 and then reached a historically high level[255] of 9.7% in 2025, marking the third consecutive year of increase. In contrast, the EU average unemployment rate is close to its all-time low, at 6.0% in 2025. Unemployment in Finland is now among the highest in the EU. Regional disparities persist, with national data showing the highest unemployment rates in Päijät-Häme (15.9%), Central Finland (15.6%), North Karelia (15.4%) and Kymenlaakso (15.1%)[256]. Alongside overall unemployment, the long-term unemployment rate rose substantially from 1.5% in 2020 to 2.4% in 2025, above the EU average of 1.9%. As a share of the total number of unemployed, the long-term unemployed increased in 2025 but remained broadly at the level recorded after the COVID pandemic. The number of unemployed with tertiary education reached 61,000 in 2025, with an increase of 9,000 people from 2024. Still, the people with lower secondary education or below accounted for the largest share of the increase in unemployment in the last three years, with their unemployment rate reaching 22.9% in 2025. Among those with upper secondary and post-secondary but below tertiary education, unemployment stood at 10.3%. The employment rate decreased by 0.7 pps to 76.3% in 2025, moving away from the 2030 national target of 80%. Contributing factors behind these labour market developments include the prolonged economic downturn, high interest rates, which have hurt in particular sectors like construction, as well as fiscal constraints that have weighed on public employment since Q4 2024. Moreover, in 2025, exports of goods, which amounted to 28.6% of Finland's GDP, continued to face headwinds due to the economic uncertainty surrounding EU-US trade and the weak growth performance of key European export markets such as Germany. Beyond the economic downturn, the higher unemployment rates arguably reflected also higher labour force participation rates caused by the stronger incentives for labour market participation following the recent social security reforms, as well as an inflow of non-EU citizens that face higher unemployment rates.

Lower labour demand hinders entrance to the labour market, disproportionately affecting the youth and disadvantaged groups. With labour demand dropping, the newcomers to the labour market and disadvantaged groups experienced more difficulty to find a job. Since mid-2022 the share of newly hired (less than three months) and the job vacancy rates have been on a downward path, signalling lower job creation. 21.8% of the Finnish labour force aged 15-24 were unemployed in 2025, which was 6.6 pps higher than the EU average and up from 18.8% in 2024. The share of

[255] At its previous peak in 2015, Finland's annual average unemployment rate reached 9.4%.

[256] KEHA-keskus (2025) Työllisyyskatsaus - Helmikuu 2026.

young people neither in employment nor in education and training (the NEETs) saw an increase from 9.2% in 2023 to 11.0% in 2025 (vs 10.9% in the EU) possibly also partly reflecting supply-side issues, such as discouragement and mismatches. The highest NEET rates in 2024 were reported in the North and East Finland (11.8%), contrasting to the Helsinki-Uusimaa region (8.9%). Immigrants and foreign-born face significantly higher unemployment rates than the native-born population: for women from non-EU countries the unemployment rate averaged 22.3% over the four quarters of 2025, against 13.7% for women from other EU countries and 6.4% for native Finnish women. Among men, unemployment was 8.7% for Finnish nationals, 17.3% for EU nationals and 13.9% for non-EU nationals. The lower educational level of foreign-born people aged 25-29 contributes to the high unemployment rates in this group. Only 21.5% of them hold a higher education degree in Finland, compared to 36.7% of the native-born.

Overall job satisfaction is relatively high, but there are some concerns over job security for vulnerable groups. In 2023, Finland had among the highest average job satisfaction scores in the EU (7.9 out of 10 vs 7.4 in the EU). However, involuntary temporary contracts remain relatively common, accounting for 10.3% of total employment (and 65.6% of all temporary contracts) in 2024, above the EU average of 6.4%. This raises concerns about labour market duality. Following recent legislative changes and proposals[257], the use and termination of fixed-term contracts has been made easier for employers[258], raising concerns over reduced job security[259]. The share of involuntary part-time employment has also remained above the EU average since 2020 (4.6% vs 3.4% in 2024).

External factors, combined with domestic challenges, weigh on disposable income expansion. While the export industries continued to struggle, domestic consumption was also held back by the pressure on household incomes and weak consumer confidence. Despite moderate growth of 0.3%, the gross disposable household income (GDHI) per capita index was at 108.7 in 2024 vs an EU average of 114.3 (index 2008 = 100). GDHI per capita only recovered the post-pandemic losses by 2025, catching up to 2019-20 levels. The weaker income dynamics fundamentally reflects long-standing problems with the stagnation in labour productivity growth. Apart from the overall lacklustre productivity dynamics across sectors, the gradual shift of employment to non-tradeable services is a further drag on aggregate productivity, together with the underutilised innovation potential. The stagnation of disposable household income growth is reflected, for instance, in consumer confidence and the very high propensity of households to save and withhold non-essential purchases[260].

The expected recovery in economic activity in the next two years, supported by higher real wages, is set to bring about moderate employment gains and reduction in unemployment. According to the European Commission's 2025 Autumn Economic Forecast, Finland's economy is expected to stagnate in 2025 and then grow by around 1% in 2026 and 2027, supported by all demand components. With employment growing at 0.4% in 2026 and 0.6% in 2027, unemployment is set to decrease to 9.3% in 2026 and 9.0% in 2027. The significant wage increases agreed by social partners for 2025-27, totalling approximately 8%, will support growth in real disposable income.

b) Relevant planned and ongoing policy responses

Finland's reform of public employment services (PES) that emphasises active labour market policies (ALMPs), improved support and individual responsibility, should bear fruit. The Nordic model of employment services, part of Finnish RRP, implemented in 2022, strengthened active job-seeking incentives through job search obligations and personal interviews with public employment services[261]. The model was expected to encourage labour market participation especially for the long-term unemployed and people with low labour market attachment. However, studies point to shortcomings in the system especially for vulnerable jobseekers to receive individualised support, mainly due to insufficient staff resources or limited ability to

257 Government's labour market reforms - Ministry of Economic Affairs and Employment.

258 With the new legislation, employers can offer fixed-term contracts of up to one year without providing a specific reason. Under current law, a valid justification is required.

259 ETUC Women's Committee statement on the Finnish government's working life reforms on gender equality and on women's position in the labour market | ETUC.

260 Statistics Finland Consumer confidence continued weak in December 2025 – consumption intentions low

261 Ministry of Finance (2021) Individual services to support job search in the Nordic labour market service model.

provide targeted services at the employment agencies[262].

The responsibility for organising public employment services was transferred on 1 January 2025 to municipalities and municipal employment areas. Municipalities became responsible for a larger share of unemployment costs, incentivising them to shorten the unemployment span and effectively employ jobseekers. The uneven allocation of resources across employment areas, combined with an estimated EUR 100 million funding shortfall[263], makes it nonetheless challenging for municipalities to manage their new responsibilities. While tight budget constraints may achieve better efficiency, they may also lead to underserving of vulnerable groups. According to national statistics, the ALMP participation rate of jobseekers (covering activities such as training, education or subsidised employment) has declined from 29.2% in 2022 to 18.9% in 2025, corresponding to a decline of 25,000 participants[264]. The direct employment effect of the reform was estimated ex ante at 7,000–10,000 people.

The government is committed to take measures to rapidly facilitate employment, including support for youth and vulnerable groups. In the September 2025 budget review, the government allocated EUR 30 million for a youth employment voucher, with a focus on young people who have little or no work history or education and training. The purpose of the employment voucher is to incentivise employers to hire people between 18 and 29 years old for a period of at least six months[265]. The implementation of the voucher programme has nonetheless occurred alongside broader government cuts to financial aid for students, housing allowances[266] and other social security benefits.

While the government prioritises the employment of jobseekers that are already in Finland, some measures to promote work-based immigration are planned. In June 2025, the government transposed the EU directive[267] to simplify and harmonise the procedures for the admission of workers from third countries along with clarified unemployment conditions[268]. At the same time, the government has proposed[269] to amend the monitoring of education-based residence permits. The reform envisages to withdraw the residence permit for students who would rely on social assistance. At the same time, restrictive measures have been introduced for third-country nationals, including an EUR 1 600 income threshold for residence permits[270] and stricter unemployment period rules[271]. Further measures have been announced to raise financial thresholds, postpone family reunification and introduce language tests for non-EU students[272].

Finland has implemented and planned several tax relief measures to encourage labour market participation, focusing mainly on low- and middle-income households. The indexation of tax brackets for personal income tax, and the income credits for earned and employment income tax were increased in 2024 and 2025. Further measures were announced in the autumn 2025 budget review to support employment[273]. Incentives to work include easing taxation on labour for low- and middle-income wage earners, by EUR 520 million starting in 2026, and by EUR 125 million starting in 2027, raising the child increment for earned income deductions and lowering the highest marginal tax rate to around 52%.

Developing skills of working-age people through reskilling and upskilling, including for the low-skilled, in areas relevant to the labour

262 National Audit Office (2023) Employment services for persons who are difficult to employ.

263 Finnish Association of Municipalities (2025) Työllisyystilanteen heikkeneminen kasvattaa kuntatalouden paineita.

264 The drop in the number of job seekers participating in ALMPs may be overestimated due to technical problems and legal reforms in data provision.

265 Finnish Government (2025) Budjettiriihen työllisyyspaketti.

266 Since 1 August 2025, students have been moved from the general housing allowance to the less generous student housing supplement, resulting in lower support amounts of EUR 50 to over EUR 100 per month depending on location.

267 (EU) 2024/1233 of the European Parliament and of the Council. A single application procedure for issuing a single permit for third-country nationals to reside for the purpose of work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State.

268 Ministry of Economic Affairs and Employment (2025) Three-month unemployment rule.

269 Ministry of Economic Affairs and Employment (2026) Consultation round: Monitoring of residence permits for international students to be enhanced.

270 Ministry of Economic affairs and Employment: Income limit of EUR 1,600 for a residence permit for an employed person set

271 Three-month unemployment rule: Ministry of Economic Affairs and Employment: Three-month unemployment rule

272 Hallitus linjasi keinoista puuttua ulkomaalaisten opiskelijoiden lupien ja toimeentulon haasteisiin - Valtioneuvosto

273 Finnish Government (2025) Orpo Government: Decisions in mid-term policy review session will strengthen Finland's competitiveness and security.

market strengthens employability. Finland is implementing a large-scale continuous learning reform under its RRP that is expected to improve employment opportunities of working-age people by developing their skills and competences and to support the long-term growth potential in the private sector and the vitality of the regions. Efforts on strengthening skills development will be further addressed in the new national work-life development strategy until 2035, to be finalised in spring 2026. Moreover, in 2026, the financing model for VET will be reformed to better incentivise quick graduation and transitions to employment. An Action Plan to prevent unnecessary accumulation of degrees is being implemented[274]. A three-year study voucher pilot programme that offers free open university studies to young people who have graduated from secondary education but have not secured a place of study is being implemented.

EU cohesion policy funding is supporting employment, up and reskilling. Under the European Social Fund Plus (ESF+), Finland is allocated EUR 326 million for the 2021-27 period to fund programmes that promote employment, upskilling and reskilling including among vulnerable groups. ESF+ funding is increasingly relevant to support the population affected by high unemployment. Funding also supports the implementation of the Youth Guarantee, which provides job seekers under 30 with an offer of employment, training, or apprenticeship within three months, helping specifically the NEETs. Targeted measures support the labour market integration of the long-term unemployed, youth and migrants/non-EU nationals.

2.9.2 Social protection and social inclusion

a) State of play and developments on social convergence risks

Self-reported unmet needs for medical care have increased considerably since 2021 and remain above the EU average since 2015. Although self-reported unmet need fell by 0.7 pps to 7.8% of the population aged 16 or over in 2025, this remains around three times above the EU average. Fundamental factors driving this include the growing need for services as the population continues to age, shortages of skilled labour, and budgetary constraints that introduced pressures for consolidation in the social and healthcare services sector, including through staff reductions. In addition, perceptions on access to medical care may also have deteriorated because of the transition from physical to online services, the changes in the types of care provided in the public sector and the strengthened role of nurses for evaluating the urgency of cases. Although clients are very satisfied with the service that they have received at health centres[275], trust in health and social services has weakened[276].

The relatively high old-age dependency ratio puts strain on social protection. The ratio reached the level of 42.0 people aged 65 or older for every 100 people aged 20-64 (vs an EU average of 37.7). Forecasts suggest that the old-age dependency ratio will reach 50.3 in 2050 (vs 55.2 in the EU), and the total dependency ratio will reach 82.5 (vs 90.0 for the EU)[277]. The Finnish Institute for Health and Welfare estimates that expenditures on social and healthcare services will increase by 20% by 2040, almost exclusively due to the rising expenditures on old-age care and treatment[278].

The legislation steering the wellbeing services counties requires them to strike a challenging balance between economic efficiency and the delivery of services[279]. Due to larger than anticipated costs, counties ended up with cumulative deficits of EUR 2.5 bn in their first two years of operation, which the legislation mandated them to cover by the end of 2026[280]. In spring 2026, the steering legislation was amended to permit a 1-3 year extension beyond 2026 for reaching budget neutrality, conditional on serious and active efforts to gain control of the financial situation which continues to be challenging.

[274] European Commission (2025) 2025 Country Report - Finland.

[275] Finnish Institute for Health and Welfare (2024) Asiakkaat erittäin tyytyväisiä palveluun terveysasemilla.

[276] Finnish Institute for Health and Welfare (2025) Luottamus terveys- ja sosiaalipalveluihin heikentynyt – asiakastyytyväisyys säilynyt korkealla tasolla.

[277] European Commission (2024) 2024 Ageing Report. Economic and budgetary projections for the EU Member States (2022-2070).

[278] THL (2025) Uusi ennuste väestön palvelutarpeen kehityksestä: työikäisten palvelutarve kasvaa etenkin kasvukeskuksissa.

[279] Section 115 of the Act on Wellbeing Services Counties (661/2021) mandates the counties to draw up financial plans that are in balance or in surplus over each three-year monitoring period.

[280] In 2023, costs grew by 12%, driven by the negotiated wage agreement, rising cost of external services including outsourced staff, and increasing rents (StVL 11/2025: 7).

Substantive cost-saving efforts helped counties reach an estimated aggregate surplus of EUR 600 million in 2025. However, financial results vary considerably across counties, with nine still in deficit. For more indebted counties, the scale of savings required in the short time frame may create a risk of "seriously endangering" their ability to provide social and healthcare services[281].

Delays in access to care remain a widespread challenge, despite some efficiency gains and economies of scale following from the RRF supported reform of wellbeing services counties[282]. Despite some improvements to the previous year, in 2024 the 14-day legal limit for access to primary healthcare services was occasionally exceeded in all wellbeing services counties and the city of Helsinki. From 1 January 2025, the deadline for access to primary healthcare was prolonged from two weeks to three months for people over 23. Delays on the effective provision of primary healthcare services also lead to growing pressures on specialist care and child protection services. The situation is more critical in non-urgent specialist care, where the lack of skilled workers and the differences across counties contribute to persistent delays[283]. At the same time National sources report that access to non-urgent primary care has improved.

National authorities recognise severe deficiencies in the availability of support services for children and young people with mental health difficulties or substance abuse issues. This is due to lack of harmonisation at the national level and staff shortages for psychologists, psychiatrists and specialist social workers, while demand has grown considerably[284]. Between 2010 and 2023, social security spending on the treatment of mental health issues more than doubled among young adults (16-34) and tripled among children and young people under 16[285].

The increase in the share of the population facing risks of poverty or social exclusion requires close monitoring. The share of the population at-risk-of poverty or social exclusion (AROPE) rose to 17.2% in 2025 (21% for the EU in 2024), following an increase of 2.7 pps from 2019. The AROPE rate for children has increased by 3.3 pps from 2023 to 17.1% in 2025 (24.2% in the EU in 2024). The number of people experiencing poverty or social exclusion has increased by 164,000 since 2019, including an increase of 26,000 children. This puts Finland far away from reaching its national poverty reduction target of 100,000 by 2030.

b) Relevant planned and ongoing policy responses

The Recovery and Resilience Facility has provided financing to address the unmet need for medical care, including in rehabilitative services. Finland's RRP supports the reform of social and healthcare services with EUR 356.8 million, including significant investments into digital innovations in the social and healthcare sectors. RRP-developed best practices include a multi-stakeholder service model providing support for migrant youth and families, and advisory service models for seniors[286].

Wellbeing services counties have pursued savings through the concentration of the service network, expansion of remote services and staff reductions[287]. Many service points have been closed or opening hours reduced, and in-person services replaced with digital or mobile consultations. The number of hospitals providing 24-hour reception services was reduced in October 2025 to one in each county[288]. Several counties have launched or concluded staff-management negotiations to save on personnel costs[289]. In 2025, counties achieved EUR 403 million in staff expenditure savings, with an additional savings

[281] Ministry of Social Affairs and Health (2025): Selvitys hyvinvointialueiden sosiaali- ja terveydenhuollon järjestämisvastuun toteutumisesta 2024, p22.

[282] In 2023, the responsibility for social, healthcare and rescue services was transferred from municipalities to 21 newly created wellbeing services counties, the city of Helsinki and the Åland regional government.

[283] Ministry of Social Affairs and Health (2025) Selvitys hyvinvointialueiden sosiaali- ja terveydenhuollon järjestämisvastuun toteutumisesta 2024, pp8-9.

[284] National Audit Office (2024) Nuorten mielenterveys- ja päihdepalvelut hyvinvointialueilla: Palvelujen saatavuus, saavutettavuus ja yhteensovittaminen.

[285] Finnish Social Insurance Institution (2024) Kela maksoi yli 1,7 miljardia euroa etuuksia mielenterveyden ja käyttäytymisen häiriöiden sekä neurokehityksellisten oireyhtymien perusteella.

[286] Ministry of Social Affairs and Health (2025) Suomen kestävän kasvun ohjelman tulokset STM:n hallinnonalalla halutaan pysyvään käyttöön.

[287] Since 2023, social, healthcare and rescue services are organised by 21 wellbeing services counties, the City of Helsinki and the Åland regional government in their respective areas (https://stm.fi/en/wellbeing-services-counties).

[288] Ministry of Social Affairs and Health (2025) Päivystys- ja sairaalaverkon sekä sairaaloiden leikkaustoiminnan uudistaminen.

[289] Finnish Medical Association (2025): Hyvinvointialueiden palvelut vaarassa – jäykkä alijäämän kattamismenettely johtaa holtittomiin leikkauksiin.

target of EUR 475 million for 2026. The staff composition has changed considerably, with a large number of dismissals counter-balanced by the adoption of in-house service providers. In 2025, municipal and county authorities have dismissed approximately 1,600 people due to adverse economic circumstances, with an estimated 12,200 county staff being temporarily laid off[290]. One half of Finnish municipalities and every wellbeing services county is planning to further reduce staff expenditures and procurement of services in 2026. Staff costs make up nearly one half of the operational expenditures in counties, amounting to EUR 13.7 billion in 2024[291]. In summer 2025, the Ministry of Finance initiated the evaluation procedure for the three worst-performing counties (Lapland, Central Finland and Eastern Uusimaa). The procedure aims to help the counties recover their budgetary situation while safeguarding essential services[292].

The government is preparing legislative amendments that would permit the deadline for covering the deficits to be extended to 2027, 2028 or 2029. The deadline extension is conditional on serious efforts by the wellbeing services county to reach budget neutrality, including a balanced or surplus budget in 2025[293]. This follows amendments introducing a local contribution to the ex-post financing of counties. The central government contribution to the difference between estimated and real costs will decline from 95% in 2026 to 70% in 2029. This aims to strengthen the effective use of central government financing. A third reform package is under preparation to take effect in 2027 to reinforce the needs-based funding model[294]. As central government financing is allocated on the basis of service needs, it is essential for the responsible national and local authorities to address the recently identified deficiencies in the collection of comparable county-level data on diagnostics[295].

Counties are improving the continuity of primary healthcare services with the personal doctor model, starting in spring 2025. Designating a personal doctor and/or personal nurse for each patient provides efficiency gains and ensures continuity of treatment, particularly for persons with long-term or multiple illnesses[296]. In early 2026 the government launched a one-off EUR 40 million call for government grants, enabling wellbeing services counties to develop the models for personal doctors, personal teams and practitioners to strengthen availability and continuity of care. From 1 May 2025, children and young people under 23 have the right to access free-of-charge mental health services within one month of the identification of need under the therapy guarantee[297].

Finland continues to promote the international recruitment of professionals in shortage occupations, including in social and healthcare services. A medium-term forecast suggests that the demand for nurses will increase by 20,000 by 2030 and 45,000 by 2040[298]. International recruitment therefore plays an important role in addressing current and future needs. Social partners in the Finnish social and healthcare services sector are working on updated ethical guidelines for international recruitment[299]. In addition, the Good Work programme (2024-2027) aims to strengthen the retention and recruitment of social and healthcare professionals, especially in under-served regions, and to improve well-being at work[300].

In 2024 and 2025, over 40 legislative amendments were made to the Finnish social protection system. The two main aims of the reform package are to achieve savings in public

[290] Local Government and County Employers (2026) Hyvinvointialueet irtisanoivat viime vuonna lähes 1300 henkilöä, kunnat 340.

[291] Local Government and County Employers (2025) Kunta- ja hyvinvointialalle lähes kolmen vuoden työrauha.

[292] Ministry of Finance (2025) Hyvinvointialueen arviointimenettely käynnistyy kolmella alueella.

[293] Ministry of Finance (2025) Talouttaan tasapainottaville hyvinvointialueille harkinnanvarainen määräajan jatkaminen alijäämien kattamiseen.

[294] Ministry of Finance (2025) Hallituksen esitys eduskunnalle laiksi hyvinvointialueiden rahoituksesta annetun lain muuttamisesta (vaihe III).

[295] Finnish Government (2025) Ministeri Ikonen nimittää selvityshenkilön läpivalaisemaan sote-rahoituksen diagnoositietojen toimittamista ja tietopohjan varmennusta.

[296] Ministry of Social Affairs and Health (2025) Omalääkäri, omahoitaja, omatiimi vai ammatinharjoittaja? – Hoidon jatkuvuuden monet mallit.

[297] Ministry of Social Affairs and Health (2025) Lasten ja nuorten terapiatakuu.

[298] Prime Minister's Office (2024) Sosiaali- ja terveyspalvelujen henkilöstötarpeen ennakointi.

[299] Finnish Local Government and County Employers (2025) Kunnat ja hyvinvointialueet tarvitsevat työperäistä maahanmuuttoa

[300] Ministry of Social Affairs and Health (2024) Hyvän työn ohjelma 2024-2027.

expenditures and reinforce the incentives to work. At the same time, analysis indicates that the reforms have resulted in disposable income losses, particularly for unemployed households with children. Increased take-up of social assistance has cushioned the income losses for vulnerable households either partially or in full[301].

The comprehensive reform of social assistance, a key reform in Finland's medium-term fiscal-structural plan, took effect in early 2026[302]. This reform clarified the last-resort nature of social assistance, directing people to the benefits and social services most applicable to their life situation. People who refuse to take a job offer or comply with other guidance from social services could be sanctioned with a 50% reduction to the basic amount of social assistance[303]. In addition, the basic amount was cut by 2-3% for all beneficiaries, to stand at EUR 578.43per month for a person living alone. The reform is expected to strengthen public finances by EUR 70 million[304].

Finland is introducing the first stage of the general social security benefit[305] and simplifying the employment services process for jobseekers[306]. The general social security benefit replaces two existing unemployment benefits, the basic unemployment allowance and labour market subsidy, reducing bureaucracy and improving the client experience. Amendments to the employment services process will simplify administrative procedures, introduce digital jobseeker profiles and platforms, and strengthen jobseekers' obligations to comply with guidance from the employment services, including with a strengthened sanctioning mechanism.

Ex-ante impact assessments suggest that the reforms implemented in 2024 and 2025 may have a negative impact on poverty alleviation via social transfers. The cumulative impact of the social security reforms has been estimated to be particularly strong on young people, immigrants, low-educated, long-term unemployed and men[307]. Those negatively affected by the reforms see them as a weakening of the protection of rights. The share of the population at risk of poverty may increase by 2.2 pps and by 3.0 pps among children[308]. Estimates including the reform of social assistance suggest that the at-risk-of-poverty gap may increase by 3.0 pps[309].

2.9.3 Concluding remarks

The available quantitative and qualitative evidence in this second stage analysis points to challenges in the labour market area, such as the high unemployment rate, including long-term unemployment, the deteriorating employment rate and the low growth in gross disposable household income per capita. In the area of social protection and inclusion, self-reported unmet needs for medical care continue to present a significant challenge, and the increase in the at risk of poverty or social exclusion rate requires close monitoring.

The measures implemented or planned so far, such as the reform of public employment services, the continuous learning reform as well as the youth employment voucher and the revised legislation on the financing of the wellbeing services counties, are expected to help Finland address the challenges identified. This will nonetheless also crucially depend on the effective implementation of planned measures, as well as close monitoring of the situation of vulnerable groups.

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301 THL (2025) Perusturvan riittävyys 2023-2025: Hallituskauden väliarviointi.

302 HE 116/2025.

303 The basic amount could only be reduced if it would not endanger the means of support necessary for a life in dignity and if the reduction could not be considered otherwise unreasonable.

304 HE 116/2025, p51.

305 HE 112/2025.

306 HE 108/2025.

307 Ministry of Social Affairs and Health (2025) Hallituksen sosiaaliturvamuutosten yhteisvaikutuksia arvioivat muistiot julkaistu

308 Ministry of Social Affairs and Health (2025) Arvio hallituksen sosiaaliturvamuutosten yhteisvaikutuksista toimeentulotuen käyttöön sekä tulonjakoon

309 Ministry of Social Affairs and Health (2025) Arvio hallituksen sosiaaliturvamuutosten yhteisvaikutuksista toimeentulotuen käyttöön sekä tulonjakoon

Annexes

Annex 1 – Social Scoreboard headline indicators

Indicator	Definition	Eurostat code
Equal opportunities		
Adults’ participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64)	Participation in formal and non-formal education and training during the last 12 months is considered to provide the most appropriate measure of adult learning. It provides information of the number of people who were involved in education and training during a year. Non-formal education and training excludes guided on-the-job training (GOTJ). The indicator is based on the Adult Education Survey (AES).	[none, from special computation available online]
Early leavers from education and training (% of population aged 18-24)	The indicator measures the share of the population aged 18 to 24 with at most lower secondary education who were not involved in any (formal or non-formal) education or training during the four weeks preceding the survey. Lower secondary education refers to ISCED (International Standard Classification of Education) 2011 level 0-2 for data from 2014 onwards and to ISCED 1997 level 0-3C short for data up to 2013. The indicator is based on the EU Labour Force Survey.	[edat_lfse_14]
Share of individuals who have basic or above basic overall digital skills (% of population aged 16-74)	The Digital Skills Indicator 2.0 (DSI) is a composite indicator which is based on selected activities related to internet or software use that individuals aged 16-74 perform in five specific areas (Information and data literacy, Communication and collaboration, Digital content creation, Safety, and Problem solving). It is assumed that individuals having performed certain activities have the corresponding skills. Therefore, the indicators can be considered as proxy of individuals digital skills. The indicator is based on the EU survey on the use of ICT in households and by individuals.	[tepsr_sp410]
Young people not in employment, education or training (% of total population aged 15-29)	The indicator measures the share of the population aged 15 to 29 who is not employed and not involved in education or training. The numerator of the indicator refers to persons who meet the following two conditions: (a) they are not employed (i.e., unemployed or outside the labour force according to the International Labour Organisation definition) and (b) they have not received any education or training (i.e., neither formal nor non-formal) in the four	[lfsi_neet_a]

Indicator	Definition	Eurostat code
	weeks preceding the Labour Force Survey (LFS). The denominator includes the total population aged 15 to 29 (excluding those who did not answer the questions on 'participation in regular (formal) education and training'). The indicator is based on the EU Labour Force Survey.	
Gender employment gap (percentage points)	The gender employment gap is defined as the difference between the employment rates of men and women aged 20-64. The employment rate is calculated by dividing the number of persons aged 20 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey.	[tesem060]
Income quintile share ratio (S80/S20)	The ratio of total income received by the 20 % of the population with the highest income (top quintile) to that received by the 20 % of the population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income. The indicator is based on the EU-SILC (statistics on income, social inclusion and living conditions).	[ilc_di11]
Fair working conditions		
Employment rate (% of population aged 20-64)	The employment rate of the total population is calculated by dividing the number of persons aged 20 to 64 in employment by the total population of the same age group. The employment rate of men is calculated by dividing the number of men aged 20 to 64 in employment by the total male population of the same age group. The employment rate of women is calculated by dividing the number of women aged 20 to 64 in employment by the total female population of the same age group. The indicators are based on the EU Labour Force Survey.	[lfsi_emp_a]
Unemployment rate (% of labour force aged 15-74)	Unemployment rate represents unemployed persons as a percentage of the labour force. The labour force is the total number of people employed and unemployed. Unemployed persons comprise persons aged 15 to 74 who were: a. without work during the reference week, b. currently available for work, i.e. were available for paid employment or self-employment before the end of the two weeks following the reference week, c. actively seeking work, i.e. had taken specific steps in the four weeks period ending with the reference week to seek paid employment or self-employment or who found a job to start later, i.e. within a period of, at most, three months. The indicator is based on the EU Labour	[une_rt_a]

Indicator	Definition	Eurostat code
	Force Survey.	
Long-term unemployment rate (% labour force aged 15-74)	The long-term unemployment rate expresses the number of long-term unemployed aged 15-74 as a percentage of the labour force of the same age. Long-term unemployed (12 months and more) comprise persons aged at least 15, who are not living in collective households, who are without work during the reference week, who would be available to start work within two weeks following the reference week and who are seeking work (have actively sought employment at some time during four weeks ending with the reference week or are not seeking a job because they have already found a job to start within three months). The labour force is the total number of the employed and unemployed population. The duration of unemployment is defined as the duration of a search for a job or as the period of time since the last job was held (if this period is shorter than the duration of the search for a job). The indicator is based on the EU Labour Force Survey.	[une_ltu_a]
Gross disposable household income (GDHI) per capita growth (2008=100)	The real gross disposable income of households per capita (index = 2008) is calculated as the unadjusted gross disposable income of households and Non-Profit Institutions Serving Households (NPISH) divided by the price deflator (price index) of household final consumption expenditure and by the total resident population. Then the indicator is indexed with base year 2008. The indicator is based on European sector accounts.	[tepsr_wc310]
Social protection and inclusion		
At risk of poverty or social exclusion (AROPE) rate (% of total population)	This indicator corresponds to the sum of persons who are: at risk of poverty or severely materially or socially deprived or living in households with very low work intensity. Persons are only counted once even if they are present in more than one of the mentioned components. At risk-of-poverty are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). Severely materially or socially deprived persons refers to the proportion of the population experiencing an enforced lack of at least 7 out of 13	[ilc_peps01n]
At risk of poverty or social		

Indicator	Definition	Eurostat code
exclusion (AROPE) rate for children (% of population aged 0-17)	following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) have access to a car/van for personal use; vii) replace worn out furniture; viii) replace worn-out clothes with some new ones; ix) have two pairs of properly fitting shoes; x) spend a small amount of money each week on him/herself ("pocket money"); xi) have regular leisure activities; xii) get together with friends/family for a drink/meal at least once a month; and xiii) have an internet connection. People living in households with very low work intensity are those aged 0-64 living in households where the adults (those aged 18-64, but excluding students aged 18-24 and people who are retired according to their self-defined current economic status or who receive any pension (except survivors pension), as well as people in the age bracket 60-64 who are inactive and living in a household where the main income is pensions -except survivors pension) work 20% or less of their total work potential during the past year. The indicator is based on the EU-SILC (statistics on income, social inclusion and living conditions).	
Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP)	Reduction in percentage of the risk of poverty rate, due to social transfers (calculated comparing at-risk-of poverty rates before social transfers with those after transfers; pensions are not considered as social transfers in these calculations). The indicator is based on the EU-SILC (statistics on income, social inclusion and living conditions).	[tespm050]
Disability employment gap (percentage points)	The disability employment gap is defined as the difference between the employment rates of people with no and those with some or severe limitation in their daily activities, aged 20-64. The employment rate is calculated by dividing the number of persons aged 20 to 64 in employment by the total population of the same age group. The indicator is computed from the EU-SILC (statistics on income, social inclusion and living conditions), and is based on the disability status as given by the Global Activity Limitation Index (GALI). Survey respondents answer the following questions: 1) 'Are you limited because of a health problem in activities people usually do? Would you say you are … severely limited; limited, but not severely; or not limited at all?' Is answer to	[tepsr_sp200]

Indicator	Definition	Eurostat code
	question 1) is ‘severely limited’ or ‘limited but not severely’, respondents answer the question 2) ‘Have you been limited for at least for the past 6 months? Yes or No?’. A person is considered as having disability if the answer is ‘Yes’ to the second question.	
Housing cost overburden (% of total population)	Percentage of the population living in a household where total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances). The indicator is based on the EU-SILC (statistics on income, social inclusion and living conditions).	[tespm140]
Children aged less than 3 years in formal childcare (% of population under 3-years-old)	This indicator shows the percentage of children (under 3 years old) cared for by formal arrangements other than by the family. The indicator is based on the EU-SILC (statistics on income, social inclusion and living conditions).	[tepsr_sp210]
Self-reported unmet need for medical care (% of population 16+)	Self-reported unmet needs for medical care concern a person’s own assessment of whether he or she needed examination or treatment for a specific type of health care but did not have it, experienced a delay in getting it or did not seek it because one of of the following three reasons: ‘Financial reasons’, ‘Waiting list’ and ‘Too far to travel’. Medical care refers to individual healthcare services (medical examination or treatment excluding dental care) provided by or under direct supervision of medical doctors or equivalent professions according to national healthcare systems. Data refer to experiencing such unmet needs during the previous 12 months to the interview. Results are expressed as percentages within the population aged 16 years old and over living in private households. The indicator is based on the EU-SILC (statistics on income, social inclusion and living conditions).	[tespm110]

Annex 2 – Joint Assessment Framework (JAF) of EMCO-SPC

Established in 2010 jointly by the Commission, the Employment Committee (EMCO) and the Social Protection Committee (SPC), the Joint Assessment Framework (JAF) is an analytical tool to underpin evidence-based policy making. It is the main tool for monitoring the Employment Guidelines (based on Art. 148 TFEU) in the European Semester context, and is used in the dialogue between the Commission and the Member States to support the identification of key employment and social challenges and help Member States establish their priorities. Its added value resides in its EU cross-country comparative dimension, which can, for instance, help Member States evaluate the relative magnitude of their challenges.

Currently the core JAF has 11 employment and social policy areas (selected to match the themes of the Employment Guidelines), combining a large set of commonly agreed indicators (approximately 330 for those under EMCO remit, also counting breakdowns), with a quantitative and qualitative assessment, which includes:

1. A quantitative assessment by country, based on indicators:
    - For every policy area and sub-policy area, an 'overall' indicator, a limited number of corresponding 'sub-indicators' as well as 'context' indicators have been identified. The overall indicator can be interpreted as providing a representative summary of a policy objective. Sub-indicators are expected to shed light on the behaviour of the overall main indicator. Finally, 'context' indicators can provide important context information in the (qualitative) assessment, but are not immediately used in the quantitative assessment mechanism.
2. A qualitative assessment by country that qualifies and complements the findings from step 1:
    - This step complements the quantitative assessment and is based on an analysis of contextual information and additional country-specific evidence, taking also into account expert knowledge and the findings of the relevant literature.

The **policy areas** (PA) and the sub-policy areas (sub PA) monitored under the JAF are as reported in the following table (the first 10 policy areas being under EMCO remit, while PA 11 is under SPC remit, with a few indicators of joint concern in both domains). As agreed indicators, these are all fully accepted on both Commission and Member States' side for use in Semester monitoring, including in the JER, as well as in Country Reports.

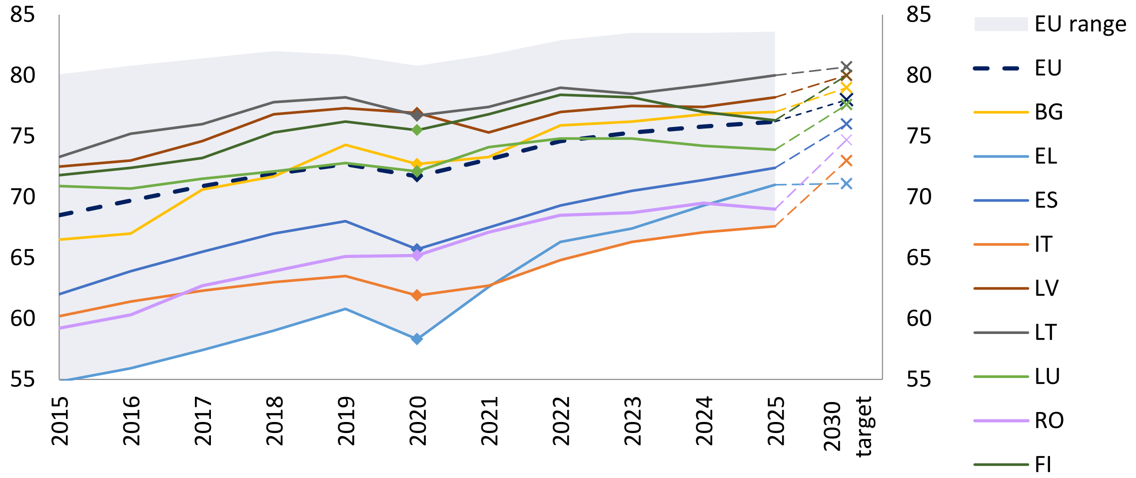
PA 1	**Increase labour market participation**		EMCO
	Sub PAs		
	1a	*Increase overall employment*	
	1b	*Improve labour market situation of youth*	
	1c	*Increase employment of older workers*	
	1d	*Increase employment of migrants*	
PA 2	**Enhancing labour market functioning; combating segmentation**		

	Sub PAs		
	2a	*Combating segmentation*	
	2b	*Labour market fluidity*	
PA 3	**Active labour market policies**		
PA 4	**Adequate and employment oriented social security systems**		
	Sub PAs		
	4a	*Adequate social security systems*	
	4b	*Make work pay*	
PA 5	**Work-life balance**		
PA 6	**Exploiting job creation possibilities**		
	Sub PAs		
	6a	*Exploiting job creation possibilities*	
	6b	*Demand creation*	
PA 7	**Gender equality**		
	Sub PAs		
	7a	*Gender employment gap*	
	7b	*Gender pay gap*	
PA 8	**Improving skills supply and productivity, effective life-long learning**		
	Sub PAs		
	8a	*Improving skills supply and productivity*	
	8b	*Lifelong learning*	

PA 9	**Improving education and training systems**		
	Sub PAs		
	9a	*Improving education and training systems*	
	9b	*Improving higher education*	
PA 10	**Wage setting mechanisms and labour cost developments**		
PA 11	**Promoting equal opportunities for all, fostering social inclusion and fighting poverty**		**SPC**
	Sub-PAs		
	11a	*Tackling child poverty and exclusion*	
	11b	*Tackling poverty and exclusion in working age - active inclusion*	
	11c	*Tackling old age poverty and exclusion*	
	11d	*Inequality and inequality of opportunity*	
	11e	*Access to quality social services and benefits* (Still to be developed)	
	11f1	*Focus on poverty and exclusion of disadvantaged groups - people with disabilities*	
	11f2	*Focus on poverty and exclusion of disadvantaged groups - migrants*	
	11f3	*Focus on poverty and exclusion of disadvantaged groups - low skilled*	
	11f4	*Focus on poverty and exclusion of disadvantaged groups - (quasi-)jobless households*	
	11f5	*Focus on poverty and exclusion of disadvantaged groups - youth*	

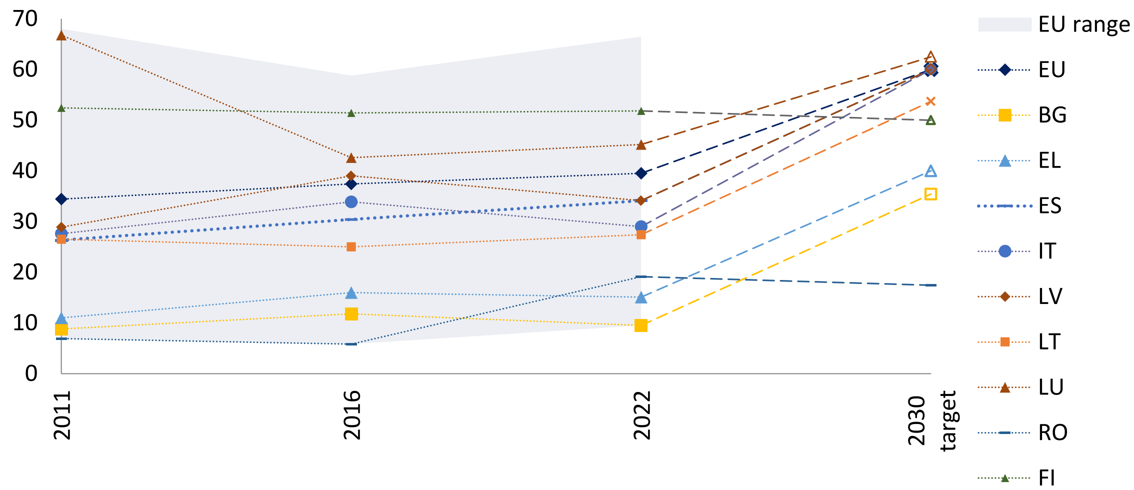
Annex 3 - Progress towards the 2030 national targets for the ten Member States in the second-stage analysis

Figure A.1: Progress towards the 2030 national employment rate targets (employment rate; %, 20-64-year-olds)



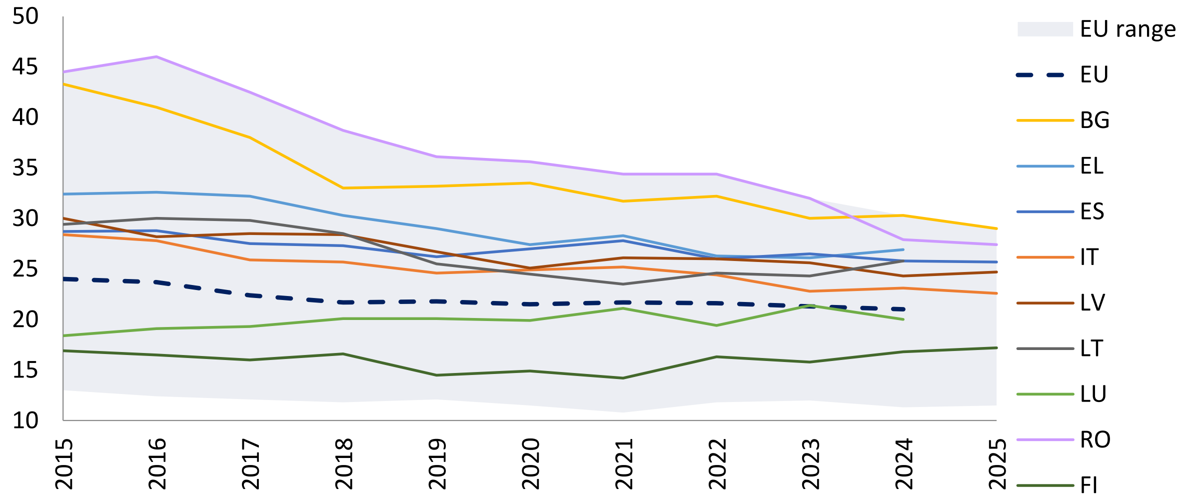
Source: Eurostat [lfsi_emp_a], EU LFS and table on 2030 national targets as in Annex 1 of the Joint Employment Report 2026. Dashed lines are linear interpolations to the national targets.

Figure A.2: Progress towards the 2030 national skills targets (adult learning participation over the past 12 months, excluding guided on-the-job training; %, 25-64-year-olds)



Source: Eurostat special extraction of the adults' participation rate in learning during the past 12 months without guided on the job training (GOJT), from the Adult Education Survey. Dashed lines are linear interpolations to the national targets.

Figure A.3: At-risk-of-poverty and social exclusion rate (% of the total population)



Source: Eurostat [ilc_pecs01], EU-SILC.

Table A.1: Progress towards the 2030 national poverty reduction targets (people at risk of poverty or social exclusion; thousands of people)

	2019	2025	2019 to 2025 change	2030 poverty reduction target (reduction compared to 2019 value)	Reduction needed to reach target (compared to 2025 value)
BG	2324	1869	-455	787	332
EL	3059	2744	-315	860	545
ES	12169	12500	331	2815	3146
IT	14803	13265	-1538	3200	1662
LV	506	454	-52	95	43
LT	712	744	32	223	255
LU	119	132	13	4	17
RO	7032	5169	-1863	2532	669
FI	788	952	164	100	264

Note: 2024 values are used for EL, LT and LU, since 2025 data are not available.
Source: Eurostat [ilc_pecs01] and table on 2030 national targets in Annex 1 of the Joint Employment Report 2026.

Annex 4 - Overview table on the findings from the assessment of risks identified and related policy responses in the second-stage analysis, per Member State (BG, EL, ES) and per policy dimension found as presenting potential risks in the first stage

Social Scoreboard headline indicator	BG		EL		ES	
	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses
Adult participation in learning (past 12 months)	Risk	Some measures	Risk	Some measures		
Early leavers from education and training					Risk	Some measures
Individuals' level of digital skills	Risk	Some measures				
Youth NEET rate						
Gender employment gap			Risk	Some measures		
Income quintile share ratio (S80/S20)	Risk	Some measures	Risk	Some measures	No risk	Some measures
Employment rate					No risk	Some measures
Unemployment rate						

Social Scoreboard headline indicator	BG		EL		ES	
	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses
Long-term unemployment rate						
GDHI per capita			Risk	Some measures	Risk	Some measures
At risk of poverty or social exclusion rate	Risk	Substantial measures	Risk	Some measures	Risk	Some measures
At risk of poverty or social exclusion rate for children	Risk	Some measures	Risk	Some measures	Risk	Some measures
Impact of social transfers on poverty reduction	Risk	Some measures	Risk	Some measures	Risk	Some measures
Disability employment gap					No risk	Some measures
Housing cost overburden			Risk	Some measures		
Children aged less than 3 years in formal childcare	Risk	Some measures				
Self-reported unmet need for medical care			Risk	Some measures		

Annex 5 - Overview table on the findings from the assessment of risks identified and related policy responses in the second-stage analysis, per Member State (IT, LV, LT) and per policy dimension found as presenting potential risks in the first stage

Social Scoreboard headline indicator	IT		LV		LT	
	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses
Adult participation in learning (past 12 months)	Risk	Some measures			Risk	Substantial measures
Early leavers from education and training	Risk	Some measures			Risk	Some measures
Individuals' level of digital skills	Risk	Some measures	Risk	Substantial measures		
Youth NEET rate	Risk	Some measures	No Risk	Some measures	Risk	Some measures
Gender employment gap	Risk	Some measures				
Income quintile share ratio (S80/S20)	Risk	Insufficient measures	Risk	Some measures	Risk	Some measures
Employment rate	Risk	Some measures				

Social Scoreboard headline indicator	IT		LV		LT	
	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses
Unemployment rate			Risk	Some measures	Risk	Some measures
Long-term unemployment rate			Risk	Some measures		
GDHI per capita	Risk	Insufficient measures				
At risk of poverty or social exclusion rate	Risk	Some measures	Risk	Some measures	Risk	Some measures
At risk of poverty or social exclusion rate for children	Risk	Some measures				
Impact of social transfers on poverty reduction			Risk	Some measures	Risk	Some measures
Disability employment gap	No risk	Some measures			No risk	Some measures
Housing cost overburden					Risk	Substantial measures
Children aged less than 3 years in formal childcare			No Risk	Substantial measures		

Social Scoreboard headline indicator	IT		LV		LT	
	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses
Self-reported unmet need for medical care			Risk	Some measures		

Annex 6 - Overview table on the findings from the assessment of risks identified and related policy responses in the second-stage analysis, per Member State (LU, RO, FI) and per policy dimension found as presenting potential risks in the first stage

Social Scoreboard headline indicator	LU		RO		FI	
	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses
Adult participation in learning (past 12 months)						
Early leavers from education and training	No risk	Substantial measures	Risk	Some measures		
Individuals' level of digital skills	No risk	Substantial measures	Risk	Some measures		
Youth NEET rate	No risk	Some measures	Risk	Some measures		
Gender employment gap			Risk	Insufficient measures		
Income quintile share ratio (S80/S20)						
Employment rate	Risk	Substantial measures	Risk	Some measures	No risk	Some measures
Unemployment rate	Risk	Substantial measures			Risk	Some measures

Social Scoreboard headline indicator	LU		RO		FI	
	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses
Long-term unemployment rate					Risk	Some measures
GDHI per capita	No risk	Some measures			No risk	Some measures
At risk of poverty or social exclusion rate						
At risk of poverty or social exclusion rate for children	Risk	Substantial measures				
Impact of social transfers on poverty reduction	Risk	Substantial measures				
Disability employment gap			No risk	Some measures		
Housing cost overburden						
Children aged less than 3 years in formal childcare			Risk	Some measures		
Self-reported unmet need for medical					Risk	Some measures

Social Scoreboard headline indicator	LU		RO		FI	
	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses	State of play and developments on risks	Policy responses
care						