

Employment and Social Developments in Europe

Unlocking the potential of people:
promoting higher employment in the EU



2025

Annual review

Employment and Social Developments in Europe 2025

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Abstract

Addressing labour shortages and bolstering the sustainability of labour supply in the EU require increased labour force participation alongside combating unemployment and underemployment. This report analyses the 51 million EU residents (aged 20-64) outside the workforce. It identifies women, older persons, and migrants as the primary groups, comprising over 80% (about 41 million people) of the total population currently kept out of the labour market by various obstacles. These include disability, care responsibilities, early retirement, and benefit traps. Effective policies to enhance participation require person-centred and holistic approaches. Women benefit from affordable care services, addressing institutional work disincentives, and from equal sharing of unpaid work. Pension reforms and flexible work arrangements contribute to increased labour market participation of older workers. Migrant integration can be facilitated through skills development and recognition and simplified access to work. Persons with disabilities benefit from supported employment and quotas. Addressing part-time to full-time employment barriers could unlock an additional labour supply potential of 2.3 million, enhancing EU labour market sustainability.

Keywords: labour force participation - active labour market policies –women – migrants - older workers- persons with disabilities

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Foreword



Last fall the Commission set an ambitious course towards sustainable prosperity and competitiveness, to ensure that our social market economy supports the transformation of the EU's industries and societies and the completion of the Single market, delivering quality jobs and more equality, and lifting more Europeans out of poverty. Building on years of achievements through targeted initiatives of the European Pillar of Social Rights, the EU has put record numbers of people in employment and has brought more people into the labour force. In 2024, the EU reached a historically high employment rate of 75.8%, with migrants, older people and women contributing the most to this achievement. Unemployment declined to a new record low of 5.9%. This robust labour market performance, coupled with easing living costs, supported the EU's economic rebound and a reduction of poverty and social exclusion.

These achievements are the result of coordinated efforts – policymakers, businesses and trade unions working together, guided by solid evidence like the Social Convergence Framework and always focused on what people really need. The annual *Employment and Social Developments in Europe* (ESDE) review is part of that effort.

This year's review shines a light on one of the most pressing challenges we face: at a time when labour shortages affect many sectors all over Europe, over 50 million people in the EU remain outside the workforce – mostly women, older people and migrants – and as a result face higher risks of poverty and social exclusion.

Among the main barriers to joining the labour market for these underrepresented groups: the disproportionate share of unpaid work undertaken by women, early retirement among older persons, gaps in language skills of migrants and issues with recognizing their qualifications, and the lack of adaptation of workplace environments and hiring processes for persons with disabilities.

This large untapped potential calls on us to put forward concrete actions. This is both a social and economic priority. For example, expanding childhood education and care could raise women's employment rate substantially, while boosting EU GDP by up to 1.7%. Flexible work arrangements, in line with the [2020-2025 Gender Equality Strategy](#), can also remove barriers and support women's full participation in the labour market.

Pension reforms, phased retirement, expanded long-term care, skills training and career guidance can prolong and improve working lives for older people. The Commission's [Demography Toolbox](#) outlines an array of policies that promote longer, healthier working lives, ensuring that older workers can remain in the workforce.

Similarly, well-designed financial incentives to employers, job search assistance, language training and simpler work permits can boost migrants' participation, attracting essential skills in sectors with acute labour shortages. The upcoming [Skills Portability Initiative](#) will explore common rules to simplify recognition of qualifications from third countries, making better use of migrants' talents. At the same time, our Fair Labour Mobility package will ensure fair, transparent and effective labour mobility for all, including third-country nationals.

Quota schemes, anti-discrimination measures and targeted job placement are more consistently effective than financial incentives for employers to integrate persons with disabilities. On this, the [EU Strategy for the Rights of Persons with Disabilities 2021–2030](#) is promoting inclusive work environments, while the [Union of Skills](#) can support inclusive skills pathways.

Finally, the ESDE clearly shows that quality jobs help to bring more people into the labour force while reducing in-work poverty. This is why we will present a [Quality Jobs Roadmap](#) and an [EU Anti-Poverty Strategy](#), in addition to supporting people through the European Affordable Housing Plan.

These and other findings strengthen our commitment to implement the European Pillar of Social Rights through a [new Action Plan](#). This report gives us the insights we need to keep building a fairer, stronger and more united Europe. I invite you to read it – and join us in shaping a future where everyone has a fair chance.

Executive Vice-President Roxana Mînzatu

Social Rights and Skills, Quality Jobs and Preparedness

A stylized signature of Roxana Mînzatu.

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Executive Summary

UNLOCKING THE POTENTIAL OF PEOPLE:

PROMOTING HIGHER EMPLOYMENT IN THE EU

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

Chapter 1: Main economic, labour market and social developments

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

Progress on employment shows the EU is on track to achieve its 2030 target of 78% employment rate among people aged 20 to 64. Increasing by 0.8% in 2024, the employment rate reached 75.8%, with older people aged 55-64, women, and migrants contributing the most to this increase. Seven countries have already met or exceeded their national 2030 targets. Meanwhile, employment growth is set to decelerate in the coming years, due to a decline in

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

+1.7 million people in jobs in 2024

the job intensity of growth.

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

Unemployment drops to record low 5.9%

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

still face higher unemployment rates of 14.9%, 11.8%, and 10.5%, respectively.

Labour shortages remained high, in particular in some sectors, despite a decline of the job vacancy rate to 2.4% (-0.4 pp), suggesting some easing in 2024. More people in the labour force have university

degrees, a record of 44.1% in 2024 (49.9% for women), which can lead to a reduction in skill shortages. Yet, skill mismatches, as measured by the overqualification rate, remain elevated, and are particularly high in administrative and support services (45.8%), transportation and storage (50.5%), accommodation and food (66.5%) and agriculture (71.2%).

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

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

Fewer people faced poverty or social exclusion, but challenges persist for children. Since 2019, the number of people at risk of poverty or social exclusion (AROPE) has decreased by 2.2 million, reaching 93.3 million. However, the number of children at risk has increased by 446,000, calling for more efforts to meet the 2030 EU target of lifting 15 million people, including 5 million children, out of poverty. The AROPE decline in 2024 reflects fewer people in severe material and social deprivation as well as fewer people living in households with low work intensity. AROPE rates vary widely across Member States – from 11.3% in Czechia to 30.3% in Bulgaria – and regions. Migrants, those with lower education and persons with disabilities continue to face higher AROPE rates of 38.2%, 33.9% and 28.7%, respectively. Employment remains a key factor for escaping poverty, increasing the likelihood of exiting at-risk of poverty by 33 percentage points for men and 30 percentage points for women. While monetary poverty remained stable in 2024, material and social deprivation decreased to 12.1%, with severe deprivation affecting 6.4% of the population. People with low education, the unemployed and those outside of the labour force are the most vulnerable to chronic monetary poverty.

2.2 million lifted out of poverty or social exclusion since 2019

Energy poverty, or the inability to keep homes warm, declined from 10.6% in 2023 to 9.2% in 2024, reflecting lower energy prices. However, nearly one-fifth of people at risk of poverty still faced energy poverty. Lower inflation, higher incomes, and lower interest rates eased housing costs in 2024. The share of income spent on housing costs fell to 19.2%, and the housing cost overburden rate, measuring housing affordability, fell to 8.2%, but challenges remain, particularly for women, migrants, and persons with disabilities.

Energy poverty falls to 9.2%

Chapter 2: Untapped Labour Potential In the EU

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

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

Among those outside the labour force, about 10 million would like to work. However, personal preferences, external obligations, such as caregiving, health issues, discrimination and financial incentives (e.g. joint taxation and benefit traps) limit the ability and motivation to join or return to the labour market. In addition, only 13

million individuals outside the labour force have some recent work experience, while around 20 million have never worked, making entry into employment more difficult.

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

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

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

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

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

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

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

Chapter 3: Unlocking Europe's Talent

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

Effective policies to help more people get into employment provide both incentives and opportunities for inclusion into the workforce. This can include adjusting tax-benefit systems, for instance, by reducing income taxes or social security contributions so that people have more disposable income. On the employer side,

it is important to address hiring biases and offer flexible work such as telework. It is also essential to tackle discrimination, set hiring quotas for underrepresented groups, and improve working conditions. In addition, public employment services, skills training, and active labour market policies help people become more adaptable to changes in the job market including in the context of the green and digital transitions.

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

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

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

among migrants and younger people, in particular. Well-designed tax-benefit systems also encourage part-time workers to increase hours. For example, Bulgaria, Estonia, and Cyprus have strong financial incentives for increasing working hours.

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

Better care policies can bring more women into the workforce. Increasing participation in early childhood education and care from current levels (lower than 40%) to 50% for children under 3 could raise mothers' employment rate up to 30%, depending on the country. Part-time work is common among women, and some tax-benefit systems can disincentivise full-time work. Flexible work, family leave, and equal sharing of unpaid work within households also play a role. These factors are also considered in the EU's 2020-2025 Gender Equality Strategy to support greater labour market participation for women.

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

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

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

78.2% of pensioners have retired at the statutory pension age

Migrants' labour market participation is improved with comprehensive approaches.

Comprehensive migrant support improves integration

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

integration. The EU Action Plan on Integration and Inclusion 2021-2027 promotes a holistic approach to integration and the upcoming Skills Portability Initiative will explore whether to propose common rules for simpler procedures for handling the recognition and validation of qualifications and skills acquired in third countries.

Supporting persons with disabilities into work requires personalised approaches. Tailored support — like job placement, educational and vocational rehabilitation, and skills training — are vital for persons with disabilities. The Union of Skills can build inclusive skills development pathways that could help tap the potential

of persons with disabilities, contributing to a more competitive EU. Digital tools and telework can help reduce mobility barriers but may also create social isolation and add further obstacles if digital accessibility is not ensured. Financial incentives for employers, like subsidies, have a limited effect, whereas well-designed employment quota schemes and anti-discrimination measures, for instance, through awareness campaigns, have a greater impact. The EU Strategy for the Rights of Persons with Disabilities 2021-2030 promotes inclusive work environments and supports better transition into jobs.

Main employment and social developments

1. INTRODUCTION⁽¹⁾

In 2024, the EU economy expanded by 1.1%, amidst robust economic growth and easing inflation in the rest of the world.⁽²⁾ The global economy expanded by 3.3% in 2024, boosted by stronger than expected growth in China and a robust performance in the US. Global inflation eased to 5.7% in 2024,⁽³⁾ notably due to the continued decline in goods price inflation and some moderation in energy prices in the second part of the year. However, ongoing geopolitical tensions, notably in the Middle East and Ukraine, still weighed on investor sentiment and global supply chains.

Albeit at a slowing pace, employment continued to rise in nearly all EU countries in 2024, resulting in an EU employment growth of 0.8%. This allowed the employment rate (people aged 20-64) to reach 75.8%, placing the EU on track to meet its 2030 target of 78%. During the last year, labour force and employment improvements have largely benefitted from an increased participation of migrants, women and older individuals, who however still have below average employment rates. In parallel, the unemployment rate (people aged 15-74) in the EU reached its lowest level since 2009, at 5.9%, but worsened for young people (aged 15-24).

Labour shortages showed signs of easing, with the job vacancy rate declining to 2.4% in 2024 compared to 2.8% in 2023. However certain sectors continued to experience elevated labour shortages. Despite record-high tertiary attainment levels, the significant overqualification rate (21.5%) points towards inefficiencies regarding the allocation of the labour force and skills underutilisation, in particular for non-EU born individuals. At the same time, latest figures from the EU-Labour Force Survey (LFS) show that participation in education and training over the last 12 months rose by 3.4 pp between 2022 and 2024.

Easing inflationary pressures on real wages improved households' real disposable income, whose growth was mainly driven by stronger increases in the compensation of employees compared to 2023, but also supported by a sustained, albeit slower, employment growth. Increasing real incomes allowed easing financial pressures on households. However, the lowest income quintile still faces elevated levels of financial distress as prices of some essential items remain high.

As people at-risk of poverty or social exclusion (AROPE) declined by 2.2 million from 2019 to 2024, and children AROPE increased by 446 000, further effort is needed to achieve the 2030 target. Young

⁽¹⁾ This chapter was written by Gaëlle Debree, Marieke Delanghe, Lorise Moreau and Aleksander Rutkowski, with contributions by Eva Schoenwald, Argyrios Pisiotis, and Alina-Mihaela Sandor and Shaun-Mark Da Costa from Eurofound. The cut-off date on data updates is 18 August 2025.

⁽²⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

⁽³⁾ (International Monetary Fund, 2025)

people, children, women, migrants, persons with disabilities and those with a low educational attainment are particularly vulnerable to poverty and social exclusion. In 2024, material and social deprivation declined in the EU, reflecting the recovery in purchasing power among households.

Housing costs eased in 2024 amid electricity and gas disinflation, lower interest rates and rising real incomes. Recovery in households' purchasing power allowed them to allocate a lower share of their disposable income into housing costs, leading to a declining housing costs overburden rate. Additionally, energy poverty declined for the first time since 2021 in the EU. Despite positive improvements, ensuring housing affordability and adequacy for all groups remains a challenge as housing and rental prices continue to increase and the overcrowding rate persists over time.

This chapter explores latest employment and social developments in the EU. The next section discusses the macroeconomic context, preceding a section on labour market developments and trends in participation in adult learning, and the final section explores income and living conditions.

2. MACROECONOMIC DEVELOPMENTS

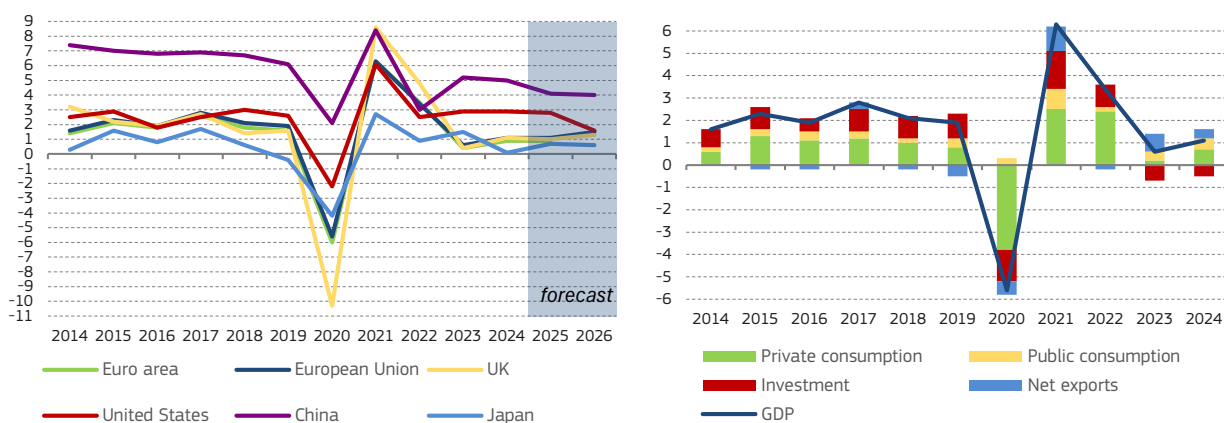
Supported by a strong labour market and easing inflation, the EU real GDP growth increased to 1.1% in 2024, up from 0.6% in 2023.⁽⁴⁾ Growth performance varied significantly across the Member States, ranging from -1% in Austria, -0.4% in Latvia to 3.9% in Croatia, 3.7% in Denmark and 5.9% in Malta. Compared to its main trading partners, the EU economy fared worse than China whose growth surprised on the upside in late 2024, reaching 5% for the whole year, with net exports providing a boost and domestic demand held back by a struggling property sector and weak consumer confidence. At 2.9%, the US also registered higher growth than the EU, while Japan faced stagnation (0.1%) and the UK exhibited the same rate as the EU (1.1%).

Real GDP growth in the EU was mainly driven by private consumption (contributing 0.7 pp compared to 0.2 pp in 2023), while investment continued to weigh negatively on growth (albeit less than in 2023). Private consumption growth was driven by solid increases in disposable income as the economy added over 1.7 million jobs, and nominal wages recovered the purchasing power lost to previously surging inflation. Increased public consumption was the second positive GDP growth component (contributing 0.5 pp, up from 0.4 in 2023), mainly through employment growth in the government sector, whereas the role of net trade has declined (to 0.4 pp, from 0.8 in 2023) (Chart 1.1).

Chart 1.1

Real GDP growth was lower in the EU than in other economies in 2024, with private consumption as main contributor

Left chart: GDP, volume (% change on previous year), global; Right chart: Contribution to real GDP growth, % change on previous year, EU



Note: Note: European Commission (DG ECFIN) Economic Forecast in the shaded area.
Left chart: the 2024 figure for China is DG ECFIN's estimate.

Source: Eurostat [nama_10_gdp, naida_10_gdp], Ameco, UK Office of National Statistics (for UK)

[Click here to download chart.](#)

Going forward, GDP growth is expected to stabilise at 1.1% in 2025 and slightly accelerate to 1.5% in 2026.⁽⁵⁾ In 2025, the EU economy is expected to grow modestly due to weak investment, subdued external demand, and heightened uncertainty from US trade tariffs. In 2026, growth is forecast to improve as investment and consumption rebound amid easing uncertainty and better financing conditions. In 2025, despite a worsening economic outlook, every country but one is projected to steer clear of a recession, with the lowest growth rates in

⁽⁴⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

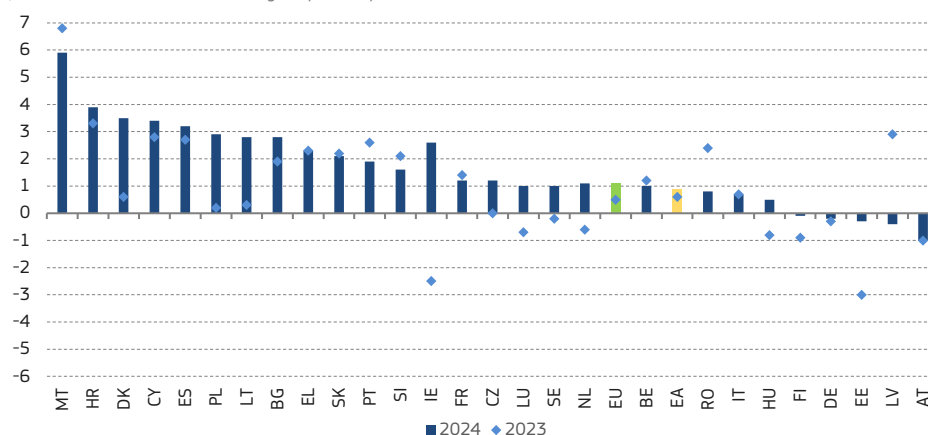
⁽⁵⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

Austria (-0.3%) and Germany (0%), and the highest ones in Malta (4.1%) and Denmark (3.6%). In 2026, the situation is expected to improve with the lowest growth forecast in Italy and Belgium (0.9% each) and the highest in Malta (4%), followed by Lithuania (3.1%) and Poland (3%).

Chart 1.2

Real GDP growth improved in most Member States in 2024 compared to 2023

Real GDP growth, EU, 2023 (dots) and 2024 (bars) (% change on previous year)



Note: Note: 2023: data provisional for Belgium, Germany, Greece, Spain, France, Croatia, Portugal and Romania
2024: data provisional for Belgium, Bulgaria, Germany, Greece, Spain, France, Croatia, Hungary, Luxembourg, Portugal and Romania
Source: Eurostat [nama_10_gdp]
[Click here to download chart.](#)

The EU remained on a disinflationary path in 2024, with inflation declining in all Member States except in Belgium.⁽⁶⁾ The annual inflation rate fell from 6.4% in 2023 to 2.6% in 2024, mostly driven by price deflation of electricity, gas and other fuels. The disinflation process eased pressure on households, as reflected in declining financial distress, housing difficulties and energy poverty levels (Section 4.). Nonetheless, in 2024, annual inflation remained elevated for insurance (+8.5%), water supply (+7.3%), services for the elderly and disabled (+6.2%), education (+4.9%), and health (+4.0%).⁽⁷⁾ This reflects the relatively strong impact of a high growth in wages – representing a larger share of costs in these sectors – and the delayed reaction to past inflationary shocks on goods used in the provision of these services.⁽⁸⁾ Inflation was most elevated in Romania (5.8%) and Belgium (4.3%) and lowest in Lithuania (0.9%), Finland (1.0%), and Italy (1.1%) (Chart 1.3).

In the first half of 2025, the EU inflation was on a downward path, shaped mainly by decreases in services (from 4.2% to 3.6%), stability for non-energy industrial goods (around 0.7-0.8%), and deflation for energy goods. After moderating in late 2024, food inflation rebounded as of February 2025, fuelled by strong momentum in unprocessed food (Chart 1.3).

⁽⁶⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

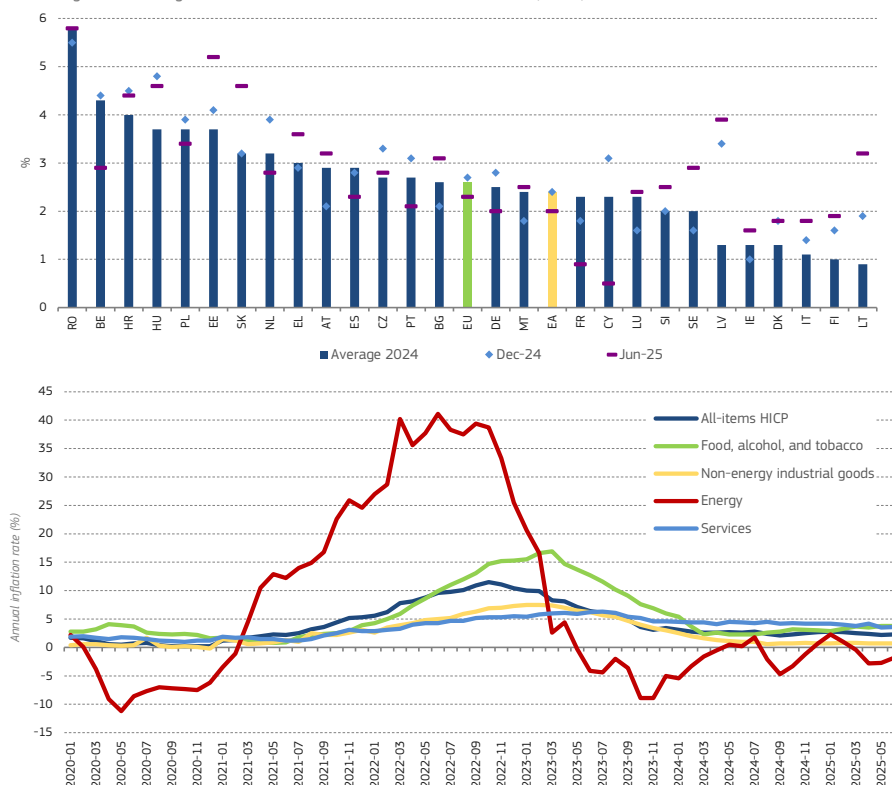
⁽⁷⁾ Eurostat [prc_hicp_aind]

⁽⁸⁾ (European Central Bank, 2025a)

Chart 1.3

Inflation decreased in almost all Member States in 2024 compared to 2023

Top chart: All-items annual average rate of change of the Harmonised Index of Consumer Prices (HICP), 2024; Bottom chart: Annual inflation rates for selected items, EU



Source: Eurostat [prc_hicp_aind; prc_hicp_manr]

[Click here to download chart.](#)

For the whole EU, inflation is set for a gradual decline from 2.6% in 2024 to 2.3% in 2025 and 1.9% in 2026, with a similar profile and slightly lower rates in the euro area.⁽⁹⁾ The forecast is influenced by the downward correction of energy prices, competitive pressures from diversion of Chinese goods away from the US market and appreciation of the euro and other EU currencies. These factors are assessed as stronger than the opposite pressures from higher-than-previously-expected food inflation and higher price growth in services with higher wages and tighter labour market compared to previous forecasts.

3. LABOUR MARKET DEVELOPMENTS

3.1. Context

Employment rose in the EU in 2024, albeit more moderately than in 2023, contributing to GDP growth by boosting household disposable income and consumption. The growth of employment was concentrated in the euro area, with rates at 0.8% in the EU and at 1.0% in the euro area, leading to 219.2 million (+1.8 million) employed people in the EU, of which 170.8 million (+1.7 million) in the euro area. Employment was stable or increased in all but five EU countries. A growth exceeding 2.0% was recorded in Cyprus (+2.0%), Spain (+2.2%), Ireland (+2.7%), Malta (+5.3%) and Croatia (+6.1%) while employment declined in Finland (-1.1%), Latvia (-0.9%), Poland (-0.7%), Sweden (-0.3%) and Slovakia (-0.2%). Employees were the main drivers of employment growth (+0.9% to 187.8 million) followed by the self-employed (+0.2% at 31.4 million).⁽¹⁰⁾ In 2025 and 2026, employment growth is expected to expand by about 0.5% each year in the EU due to a decline in the job intensity of growth,⁽¹¹⁾ which reflects a normalisation of the trend. While most countries are forecasted to experience employment creation, losses are expected this year in Latvia (-0.4%), Germany, France (-0.2% in both countries), Estonia and Slovakia (both -0.1%), with a return to employment creation in 2026 in three of them (+0.2% in both Germany and Estonia, and +0.5% in France).⁽¹²⁾

⁽⁹⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

⁽¹⁰⁾ [nama_10_pe]

⁽¹¹⁾ Ratio of employment growth to economic activity growth. It measures the extent of the conversion of economic growth into employment growth.

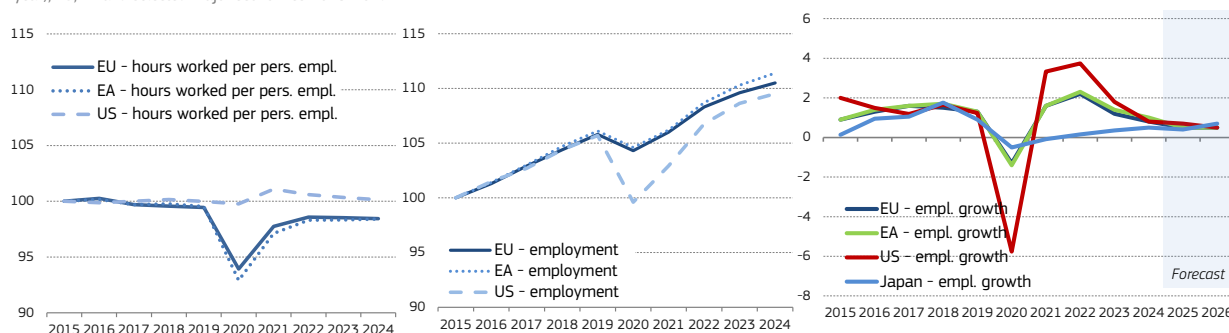
⁽¹²⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

Despite the economic slowdown, employment still grew at the same pace than in the US (0.8%) and more than in Japan (0.5%) in 2024. For 2025, the employment growth is expected to moderate further in these countries, reaching 0.4% in Japan and 0.7% in the US.⁽¹³⁾ Overall, since the pandemic, cumulative employment growth in the US did not get back to the previous trend and remained below EU levels (Chart 1.4).

Chart 1.4

Continuous employment growth, while number of hours worked per person decreased

Left chart: Number of hours worked per person employed (2015=100); Middle chart: Headcount employment (2015=100); Right chart: Headcount employment (% change on previous year); EU, EA and selected major economies 2015-2027



Note: EA = euro area. European Commission (DG ECFIN) Economic Forecast in the shaded area

Source: Eurostat [nama_10_a10_e, nama_10_pe, naida_10_pe, nama_10_lp_ulc], Ameco, European Commission (DG ECFIN) Economic Forecast in the shaded area

[Click here to download chart.](#)

The number of hours worked per employed person remained relatively stable in 2024, underpinned by a slight decrease in actual weekly hours of work in the main job over the last years (36 hours per employed person aged 20-64 in 2024; -0.1 hour).⁽¹⁴⁾ This was driven by a continued downward trend of working time of full-time workers (38.8 hours; -0.2 hour compared to 2023), while part-time workers reported a slight increase in actual hours (21.8 hours per week; +0.1 hour).⁽¹⁵⁾ Fewer employed persons (6.6%; -0.5 pp) also performed long working hours (more than 49 hours per week), reflecting structural shifts in the labour market, such as the increased participation of women in the labour market, who tend to have more limited possibilities for overtime due to care responsibilities. At the same time, growing concerns about psychosocial risks, well-being and work-life balance, as well as digitalisation and the intensification of work are also a factor.⁽¹⁶⁾

While declining in 2023, real labour productivity⁽¹⁷⁾ rebounded in 2024, although at a modest pace. In the EU, it increased by 0.3% per employed person and 0.4% per hour. Cyclical factors behind increased labour hoarding, weak real wages and robust labour force growth are expected to subside,⁽¹⁸⁾ leading to a moderate rise in labour productivity in 2025 before accelerating in 2026, while the job-intensity of growth is set to return to lower levels.⁽¹⁹⁾

⁽¹³⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

⁽¹⁴⁾ The number of hours worked per employed person is based on national accounts, while the average number of weekly hours of work in the main job is collected through the labour force survey.

⁽¹⁵⁾ In 2024, the share of part-time work for employed persons aged 20-64 was 17.1% (stable compared to 2023), with levels at 7.7% for men (stable) and 27.8% for women (-0.1 pp). This share has been decreasing over the long run for both men and women.

⁽¹⁶⁾ (Eurofound, 2024c)

⁽¹⁷⁾ GDP in chain-linked volumes divided by the number of employed persons (domestic concept) or by the hours worked. At sectoral level, GDP is replaced by Gross Value Added (GVA).

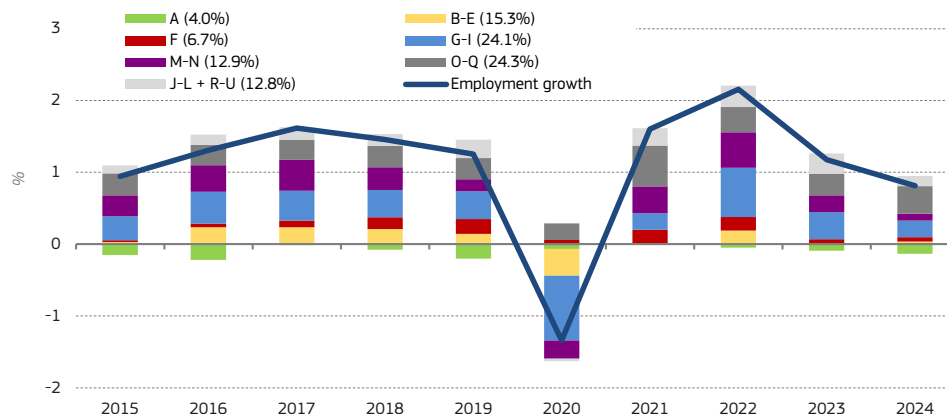
⁽¹⁸⁾ (European Central Bank, 2025b)

⁽¹⁹⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

Chart 1.5

Public and social security sectors are significant contributors to employment growth

Employment growth (%) and contribution of main sectors, EU 2015-2024



Note: Figures in brackets in the legend indicate the sector's share of employment in the EU economy

A: Agriculture, forestry and fishing; B-E: Industry (except construction); F: Construction; G-I: Wholesale and retail trade, transport, accommodation and food service activities; J: Information and communication; K: Financial and insurance activities; L: Real estate activities; M-N: Professional, scientific and technical activities; administrative and support service activities; O-Q: Public administration, defence, education, human health and social work activities; R-U: Arts, entertainment and recreation; other service activities; activities of household and extra-territorial organizations and bodies

Source: Eurostat, National Accounts [nama_10_a10_e]

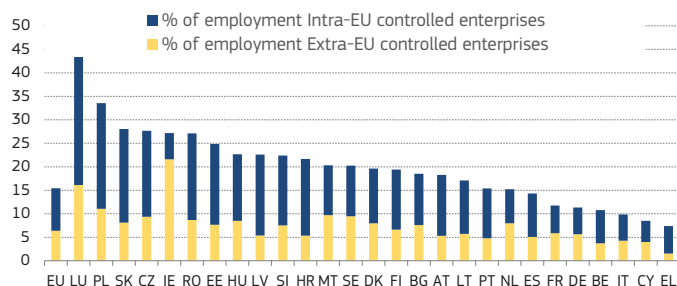
[Click here to download chart.](#)

The public and social security sectors (O-Q) have been a consistent source of additional employment and the main provider in 2024, adding 833 000 jobs in 2024 as opposed to 647 000 in 2023. By contrast, other sectors, such as trade, transport, accommodation and food service activities (G-I) only added 503 000 new jobs against 813 000 in 2023. At the same time, the agriculture, forestry and fishing sector (A) continued to lose employment (-293 000 employed people; -3.3%), while the information and communication sector (J) grew by 2.4% (+176 000 employed people), highlighting the elevated demand for specialised skills (Chart 1.5). In addition, around 6.4% of EU employment⁽²⁰⁾ is in extra-EU-controlled enterprises (2022 data), although these companies only account for 0.5% of total EU companies. Employment in foreign-controlled enterprises ranges from 21.6% in Ireland to 1.5% in Greece (Chart 1.6).⁽²¹⁾

Chart 1.6

EU employment in foreign controlled enterprises

Share of employment (%) in foreign controlled enterprises, 2022



Note: Employment in industry, construction and market services (except public administration and defence; compulsory social security; activities of membership organisations). Intra-EU controlled enterprises stand for enterprises over which an ultimate controlling institutional unit resident in another EU country has control.

Source: Eurostat [fats_activ]

[Click here to download chart.](#)

Amidst heightened global uncertainties, particularly concerning international trade policies and geopolitical risks, the Employment Expectations Indicator (EEI) continued to decline in 2025. From January to July, the EEI decreased by 2.1 points to 97.4, which signals growing concerns about jobs prospects. Retail trade, services and industry exhibit lower levels of employment expectations than the construction sector (Chart 1.7). At the same time, since January 2025, the Economic Uncertainty Indicator (EUI) peaked to 20.4 in April before declining until June, but rebounding in July to 17.3 (+1 points compared to the previous month). Uncertainty is particularly high in industry where it hit a 27-month high in April.

At the same time, consumers' uncertainty about their future financial situation also rose strongly, but declined between May and July.⁽²²⁾

⁽²⁰⁾ In industry, construction and market services (except public administration and defence; compulsory social security; activities of membership organisations).

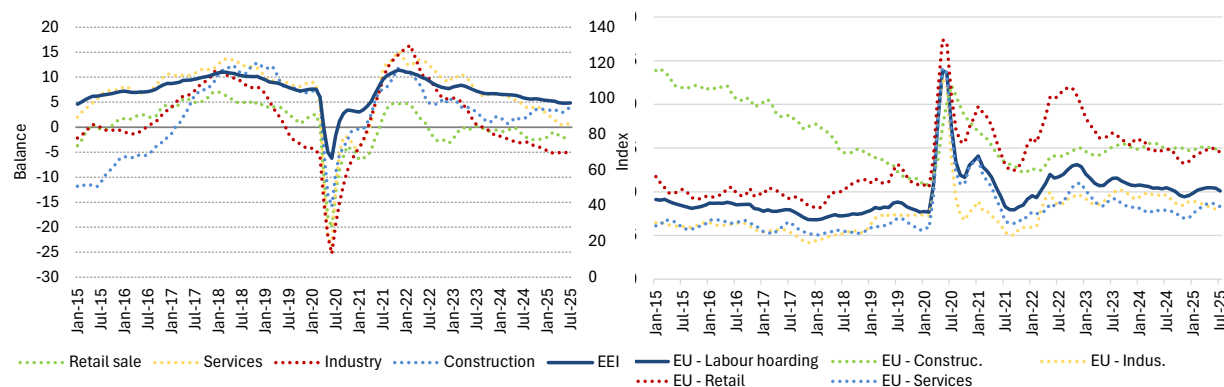
⁽²¹⁾ Figures from February-March 2025 confirms the exposure to foreign market of a large share of EU firms, with only 40.5% of all enterprises identifying themselves as fully domestic businesses (11.3% in manufacturing, 47.2% in retail, 56.6% in services, and 60.5% in construction) (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

⁽²²⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025a)

Chart 1.7

Despite declining employment expectations, companies continue to retain their workforce

Employment expectations (left chart) and labour hoarding by sector (right chart)



Note: Both charts: Data seasonally adjusted, moving average over the last 3 months.

Chart on employment expectations: retail sale, services, industry and construction indicators are on the left-hand scale (balance between the share of respondents who expect higher unemployment and those who expect a lower one). The EEI is a composite measure (right-hand scale, average=100)

Source: European Commission, Business and Consumer Surveys

[Click here to download chart.](#)

Despite rising uncertainties, companies continue to retain their workforce, especially in the first months of 2025. The EU Labour Hoarding Indicator climbed to 10.7% in April 2025, indicating that about one in ten companies aim to retain or increase employment despite slowing expected activity (Chart 1.7), before declining to reach its long-term average of 9.7 in July. Labour hoarding could be due to the costs associated with rehiring, or the shortage of skilled labour, which incentivizes businesses to keep their employees.⁽²³⁾ Previously observed labour hoarding is one of the reasons why employment is not expected to pick up despite the forecast expansion of GDP in 2025-2026.⁽²⁴⁾

Potential trade disruptions might have an impact on employment. As European economies are highly integrated into the global marketplace, shifts in trade policies have effects on exports and imports, ultimately influencing business investment decisions and impacting employment levels. Sectors that are particularly reliant on international trade, such as manufacturing and technology, might face heightened challenges.

Around 33.6 million jobs in the EU are supported by extra-EU exports in 2023. Exporting enterprises play a significant role in job creation across Europe. As illustrated in Chart 1.8, the share of jobs supported by exports to countries outside the EU⁽²⁵⁾ ranges from about 11% in Croatia to nearly 30% in Ireland,⁽²⁶⁾ with an EU average of 15.4%.⁽²⁷⁾ Moreover, data confirm the interconnection of EU countries as employment in a given EU country, is supported by exports outside the EU, not only from this country, but is also bolstered by exports originating from other EU Member States. This is particularly evident in Luxembourg, where the reliance for employment on extra-EU exports from other EU countries is high.

Employment in the manufacturing sector is more heavily dependent on exports to countries outside the EU than other sectors. In 2023, the share of employment in manufacturing supported by extra-EU exports amounted to more than 40% in six Member States,⁽²⁸⁾ with the highest level in Ireland and the lowest in Croatia, and an EU average of about one third. At the regional level, employment is particularly dependent on jobs in the manufacturing sector supported by extra-EU exports in some EU countries, such as Ireland, Germany, Italy, Slovakia, Czechia, Austria, Slovenia and Hungary (Figure 1.1). This reliance underscores the pivotal role that non-EU markets play in sustaining manufacturing jobs within EU economies. In addition to manufacturing, other sectors like transportation and storage, mining and quarrying, professional, scientific and technical activities, information and communication, or administrative and support service activities also exhibit a significant portion of employment supported by extra-EU exports (more than 20%). The high share of employment in manufacturing supported by exports raises concerns about the vulnerability of this sector to recent changes in trade agreements. Similarly, employment in countries and regions that highly rely on extra-EU exports is also largely exposed to such changes.

⁽²³⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025b)

⁽²⁴⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

⁽²⁵⁾ For an analysis of the sectoral and regional exposure of EU employment to trade with the US, see (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025e).

⁽²⁶⁾ Ireland is a headquarter location for many multinational companies, which may affect the figures, if a substantial share of employment, accounted as domestic, is not physically located in this country.

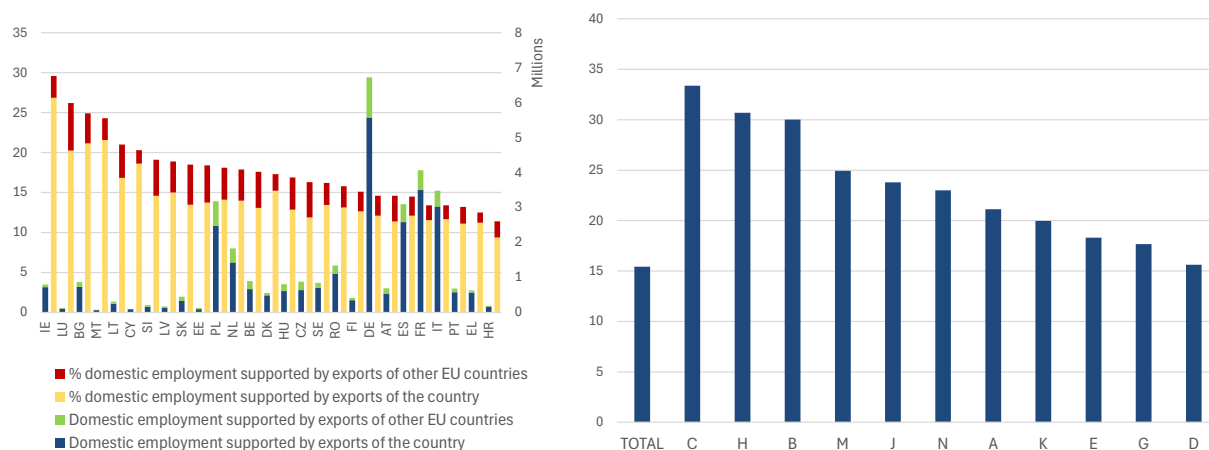
⁽²⁷⁾ This reflects the number of jobs in a specific country employed in the production of products that are exported.

⁽²⁸⁾ Ireland, Malta, Lithuania, Denmark, Sweden and Finland.

Chart 1.8

Employment is largely supported by exports to non-EU countries

Domestic employment supported by exports to non-EU countries (share and absolute figures) (left chart) and share of EU employment in selected sectors supported by all exports from EU countries to non-EU countries, 2023



Note: On the right, A: Agriculture, forestry and fishing; B: Mining and quarrying; C: Manufacturing; D: Electricity, gas, steam and air conditioning supply; E: Water supply; sewerage, waste management and remediation activities; G: Wholesale and retail trade; repair of motor vehicles and motorcycles; H: Transportation and storage; J: Information and communication; K: Financial and insurance activities; M: Professional, scientific and technical activities; N: Administrative and support service activities.

Source: Eurostat, Figaro [naio_10_fgdee and parquet files] and National accounts [nama_10_a10_e], own calculations

[Click here to download chart.](#)

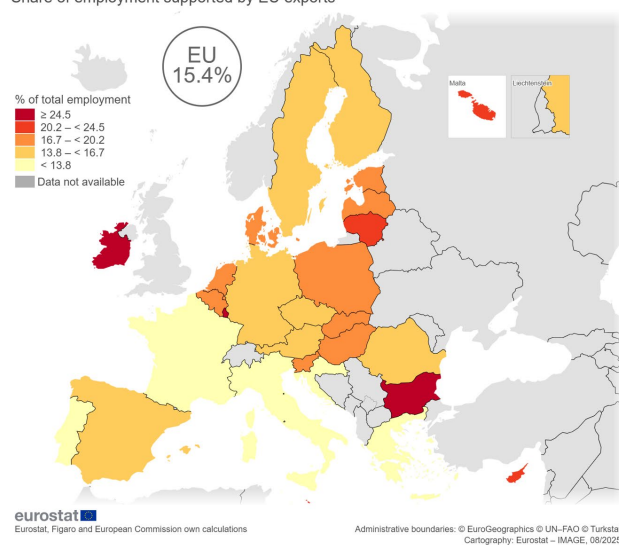
Figure 1.1

Industrial regions in countries highly dependent on extra-EU exports

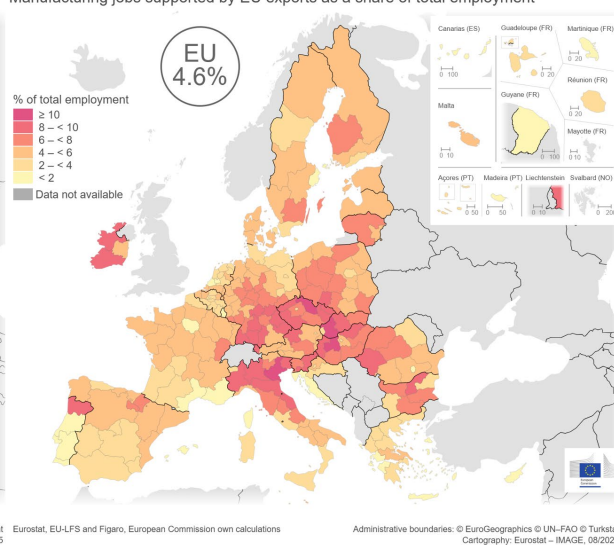
Share of employment supported by extra-EU exports (left map) and employment in manufacturing supported by extra-EU exports as a share of total employment (NUTS2 regions) (right map)

Total economy

Share of employment supported by EU exports

**Manufacturing**

Manufacturing jobs supported by EU exports as a share of total employment



Note: The share of employment supported by all extra-EU exports at national level in 2022 was applied to all regions of the same country to estimate the exposure of manufacturing jobs as a share of total employment at regional level in 2024

Source: Eurostat, Figaro parquet files (2023) and EU-LFS ad-hoc extraction (2024), own calculations

[Click here to download figure.](#)

3.2. The labour force

Over the last decade, the composition of the EU labour force has undergone significant structural changes, marked by an increased participation of women, older individuals, and people born outside the EU (Chart 1.9). Unemployment and non-participation in the labour market have decreased across most age groups and demographic categories (Chart 1.9). In 2024, labour market participation remained higher in cities than in rural areas; yet, cities faced higher unemployment.⁽²⁹⁾ While demographic change and positive labour market developments have led to an increase in the labour force for prime-age individuals (25-54), higher education and population ageing have increased the number of younger individuals (15-24) and older people

⁽²⁹⁾ In 2024, the labour market participation rate in cities was 76.2% against 74.6% in rural areas. On the other hand, cities exhibited an unemployment rate of 6.7% vs 5.1% in rural areas. Eurostat [lfst_r_aredcobu] and [lfst_r_lfur2gacu]

(65+) outside the labour force. ⁽³⁰⁾ At the same time, over the period 2014-2024, both the EU old-age and total dependency ratios⁽³¹⁾ increased by 5.6 pp (from 28.3% to 33.9%) and 5.2 pp (from 51.6% to 56.8%), respectively.

Chart 1.9

Structural changes in population and labour force, with increase participation of women, older people and migrants

Composition of the population (in thousands) by characteristics (sex, age, country of birth) and status on the labour market, EU 2014 and 2024



Note: Break in series in 2021

Source: Eurostat [lfsa_pgacws]

[Click here to download chart.](#)

In 2024, increases in the labour force (20-64) have been driven primarily by higher employment of migrants (1.45 million), people aged 55-64 (1 million), and women (around 0.9 million). Despite significant increases in the migrant population, their relative share in the population aged 20-64 remains small compared to the non-migrant population, at around 12% (31 million) in 2024. The factors influencing changes in the labour force and employment are diverse and complex and are explored in depth in Chapter 2, which provides an overview of the participation of underrepresented groups in the labour market and analyses the barriers they face.

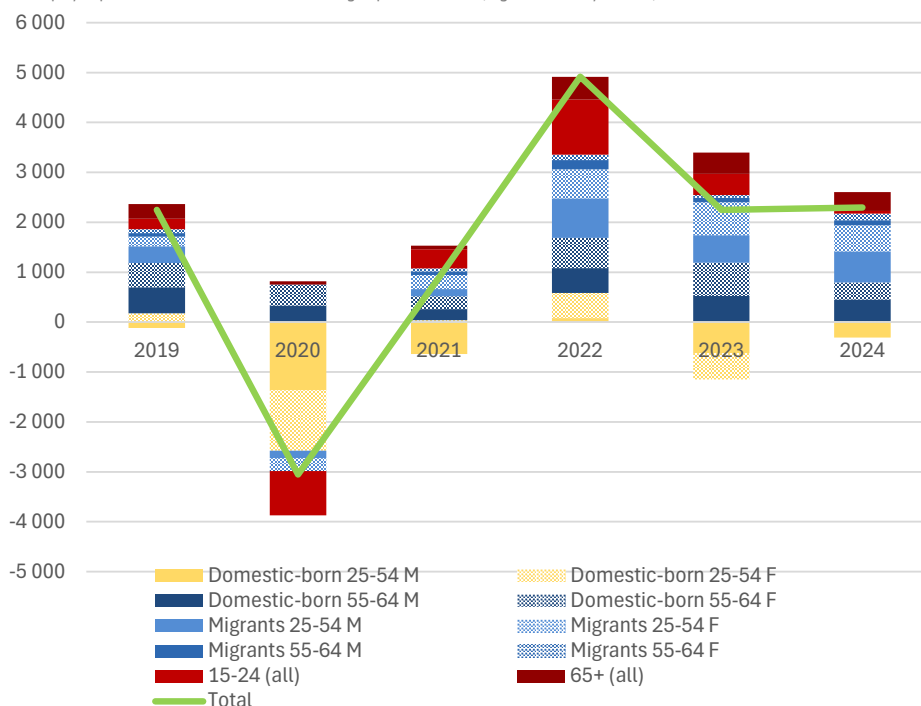
⁽³⁰⁾ More young people study longer and complete tertiary education.

⁽³¹⁾ The total-age-dependency ratio is the ratio of the number of persons under 15 years or aged 65+, who are generally outside the labour market and likely economically dependent of their family or the society, to the number of persons of working age (i.e. aged 15-64). The old-age-dependency compares the number of persons aged 65 and over to the number of people of working age.

Chart 1.10

Older people, women and migrants contributed the most to the increase in the number of employed persons in 2024

Change in the number of employed persons and contribution of selected groups based on sex, age and country of birth, 2019-2024



Note: Break in series in 2021. Migrants are non-EU-born persons.

Source: Eurostat [lfsa_pgacws]

[Click here to download chart.](#)

3.3. Employment

The EU is on track to meet its 2030 target of having 78% of people aged 20-64 in employment. In 2024, the employment rate continued its upward trend in both the EU and the euro area, reaching 75.8% (+0.5 pp) and 75.3% (+0.6 pp), respectively (Chart 1.11). This reflects the steady recovery from the pandemic, as well as the resilience and robustness of the labour market in recent years, despite increasing uncertainties. It also shows the positive impact of supportive and adaptative policies, structural changes aimed at enhancing labour market participation, measures and initiatives promoting skills development and training. At national level, seven countries have already reached or surpassed their 2030 national targets:⁽³²⁾ the Netherlands (83.5%), Czechia (82.3%), Estonia (81.8%), Denmark (80.2%), Ireland (79.8%), Poland (78.4%), and Slovakia (78.1%). In contrast, Belgium (72.3%), Italy (67.1%), and Romania (69.5%) still fall short of their targets by more than five percentage points. Furthermore, eight countries have achieved an employment rate above 80%, while three countries have rates below 70%.⁽³³⁾

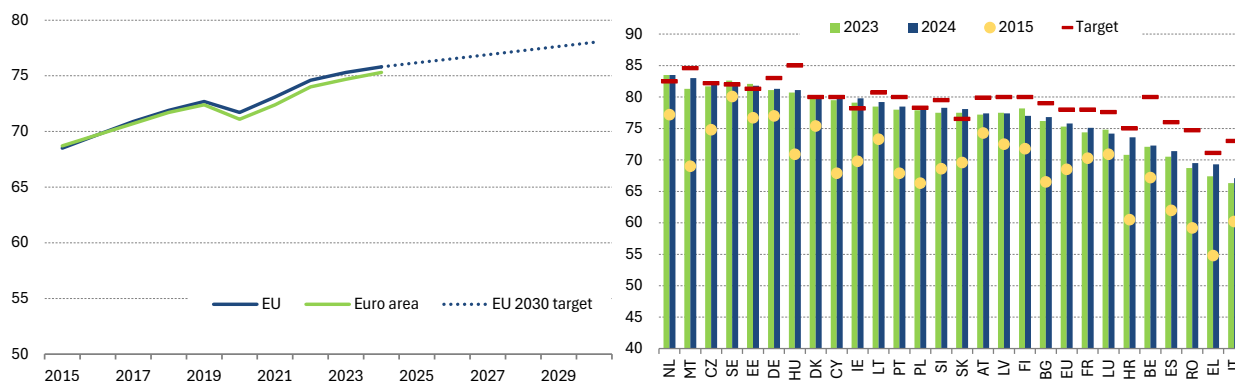
⁽³²⁾ 2030 national targets vary between 71.1% (Greece) and 85.0% (Hungary).

⁽³³⁾ The Netherlands, Malta, Czechia, Sweden, Estonia, Germany, Hungary and Denmark are above 80%. Romania, Greece and Italy are below 70%.

Chart 1.11

Employment rates reached historic high levels in 2024, more countries surpassed their national target

Employment rate (% of people aged 20-64)



Note: Break in series in Bulgaria

Source: Eurostat [lfsi_emp_a]

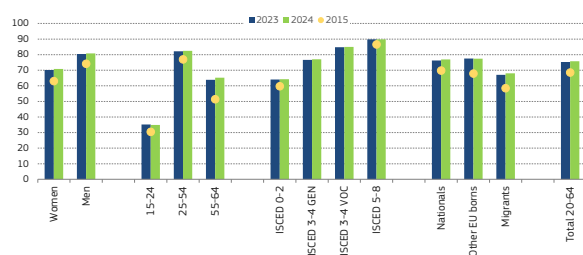
[Click here to download chart.](#)

The employment rate exhibited broadly positive trends across all population groups, with the notable exceptions of young people aged 15-24 experiencing a slight decline of 0.3 pp to 34.9% (Chart 1.12). Both cities and rural areas saw their employment rate increase to 76% from 2023 to 2024, while it slightly declined to 75.4% for towns and suburbs.⁽³⁴⁾ In terms of gender equality, the employment gap between men and women continued to narrow slowly, decreasing by 0.2 pp to 10 pp, due to a faster employment growth for women (+0.6 pp to 70.8%) than for men (+0.4 pp to 80.8%), indicating only modest progress towards greater parity in the labour market and to the EU target to halve this gap by 2030, and highlighting the need for further improvement and supporting policies.

Chart 1.12

Employment rates rose in almost all population groups

Employment rate by sex, age group, educational attainment level and citizenship (% of population of respective group), EU



Note: % of population aged 20-64 for all groups, except by educational attainment (% of population aged 25-54). No data for International Standard Classification of Education (ISCED) 3-4 GEN and VOC before 2021. ISCED (0-2) less than primary, primary and lower secondary education; ISCED (3-4 GEN) general upper secondary and post-secondary non-tertiary education; ISCED (3-4 VOC) upper secondary and post-secondary non-tertiary education; ISCED (5-8) tertiary education. Break in series in 2021 Eurostat [lfsa_ergaedn]

Source: Eurostat [lfsi_emp_a, lfsa_ergaedn]

[Click here to download chart.](#)**Despite registering positive developments, certain demographic groups continue to face challenges in the labour market.**

Specifically, people aged 55-64, individuals aged 25-54 with low levels of education (ISCED 0-2) and migrants still lag behind other groups in terms of employment rate. For these specific groups, the rate stood at 65.2%, 64.2%, and 64.3%, respectively. In addition, the disability employment gap continued to exhibit high levels (24%, +2.5 pp), notably for men (27.2%, +4 pp) and for those with severe limitations (45.5%, +3.1 pp). In contrast, other groups have high levels of employment, above 80.0%: men (80.8%), individuals aged 25-54 (82.5%), those aged 25-54 with vocational education (85%) or with higher educational attainment (89.8%).⁽³⁵⁾

3.4. Unemployment

In 2024, the EU achieved a record low unemployment rate of 5.9%.⁽³⁶⁾ This represents a 0.2 pp decrease from the previous year and marks the first time the unemployment rate has fallen below 6% since the series began in 2009 (5.7% for men and 6.2% for women). At national level, the values ranged from 2.6% (stable) in Czechia to 11.4% in Spain (-0.8 pp). At the same time, long-term unemployment (over one year) and very long-term unemployment (over two years) experienced declines of 0.2 pp, reaching respectively 1.9% and 1% (Chart 1.13). In 2025, unemployment is forecasted to stabilise to 5.9% in the EU and to experience an additional slight decrease in the euro area to 6.3% (-0.1 pp).⁽³⁷⁾ However, despite these favourable developments,

⁽³⁴⁾ Eurostat [lfst_r_eredcobu]; Applying the Degree of Urbanisation — A methodological manual to define cities, towns and rural areas for international comparisons — 2021 edition - Products Manuals and Guidelines - Eurostat

⁽³⁵⁾ Among individuals with an educational attainment equivalent to ISCED 3-4, those with vocational education exhibit higher employment rates (78.5%) compared to those holding a general diploma (65.0%).

⁽³⁶⁾ Individuals aged 15-74.

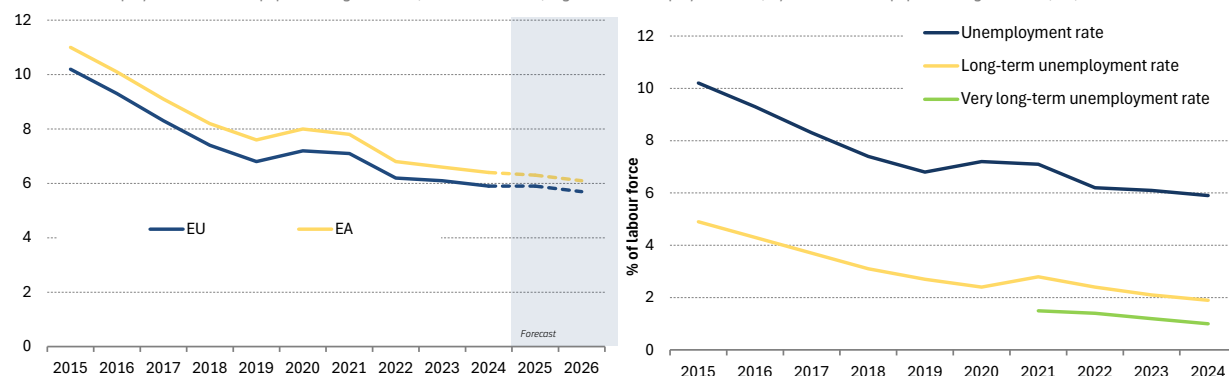
⁽³⁷⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

unemployment persists as a socioeconomic challenge with consequences for individuals such as financial instability and social exclusion but also for society and the economy more broadly.

Chart 1.13

Unemployment rates reached record lows in 2024 and declined for all durations

Left chart: Unemployment rate (% of population aged 15-74), EU and euro area; Right chart: Unemployment rate, by duration (% of population aged 15-74), EU, 2015-2024



Note: European Commission (DG ECFIN) Economic Forecast in the shaded area

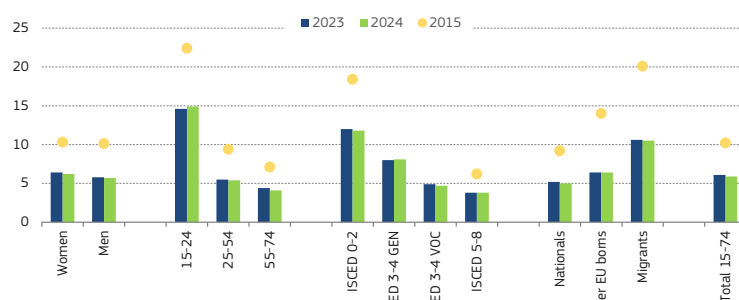
Source: Eurostat [une_rt_a, lfsa_ugadra], Ameco

[Click here to download chart.](#)

Chart 1.14

Unemployment rates declined in most population groups, but remained high for certain disadvantaged groups

Unemployment rate, by specific groups of population (% of population participating to the labour market aged 15-74), 2015, 2023, 2024, EU



Note: No data for ISCED 3-4 GEN and VOC before 2021. Break in series in 2021 Eurostat [lfsa_urgaed, lfsa_urgan]

Source: Eurostat [une_rt_a, lfsa_urgaed, lfsa_urgan]

[Click here to download chart.](#)

decreased slightly, dropping by 0.2 pp to 9.3%, as did the rate of 15-29 years old neither in employment nor in education and training (NEETs), which also fell by 0.2 pp to 11%.

The broader measure of labour market slack, capturing the unemployed and those with an attachment to the labour market, was at its lowest in 2024, amounting to 26.7 million people. The unemployed comprised almost half of the EU labour market slack, while the rest consisted in individuals aged 15-74 available to work but not seeking employment, part-time workers wishing to work more hours, and those seeking work but not immediately available.

In 2024, more than one quarter of the unemployed exited the labour force, while only 36.9% managed to find a job. At the same time, 8.1% of those who were out of the labour market returned to work, and 3.5% became unemployed, meaning they were available to work and actively seeking a job (Figure A1.1 in A1.2.). The likelihood of transitioning from unemployment to employment is at its highest during the first year of unemployment, significantly declining thereafter in all EU countries. This highlights the critical need for sustained support for job seekers during their first year of unemployment, as well as the necessity to enhance measures targeting the long-term and very long-term unemployed.

Financial incentives to work remained broadly unchanged for single low wage earners⁽³⁹⁾ in 2024, with large disparities across countries. The tax wedge,⁽⁴⁰⁾ which affects incentives to work, as well as

⁽³⁸⁾ Unemployment rates for young people (15-24) are above 20% in Spain (26.5%), Sweden (24.3%), Romania (23.9%), Greece (22.5%), Luxembourg (21.6%), Portugal (21.6%) and Italy (20.3%).

⁽³⁹⁾ Single persons without children earning 67% of the average wage (gross earnings). All figures presented here focus only on this type of household. These indicators are influenced by many factors related to taxation and social transfers, limiting direct cross-country

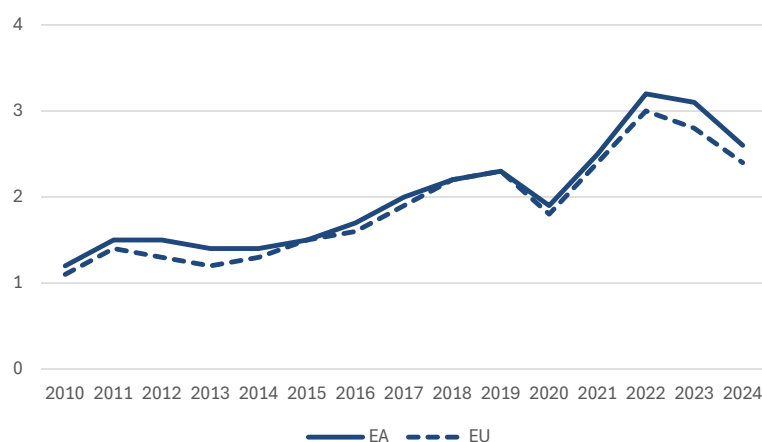
incentives to hire, was at 38.8% at the EU level (+0.2 pp), with the lowest level found in Cyprus at 23.3% and the highest in Belgium at 45.8%. At the same time, the unemployment trap⁽⁴¹⁾ (the part of the additional gross wage that is lost due to taxation when a person returns to work from unemployment) remained substantial with an average of 74.4% (+0.3 pp), ranging from 44.1% in Greece to 102.2% in Lithuania, signalling that in this country the entire additional gross wage further to entry into work, compared to previous income from unemployment and other social transfers, would be taxed away. The inactivity trap (additional gross wage lost due to taxation if a person out of the labour market finds a job) was on average at 57.1% (-0.2 pp), varying from 13% in Estonia to 86.9% in the Netherlands. Last, the low wage trap (share of gross earnings lost due to taxation when an individual increases their income from work from 33% to 67% of the national average wage for single persons without children was on average at 38.5% in the EU with rates starting from 11.4% in Cyprus and reaching 59.2% in Belgium. High levels point to disincentives to work, especially for very low earners that would have reduced social transfers combined with higher income taxes and social contributions if increasing their income from work.

3.5. Labour demand and skills

Chart 1.15

Job vacancies continued to decline in 2024

Job vacancy rate (% of vacancies and occupied posts)



Note: NACE rev2 B-S Industry, construction, and services (except activities of households as employers and extra-territorial organisations and bodies)

Source: Eurostat, Job Vacancy Statistics [jvs_a_rate_r2]

[Click here to download chart.](#)

The job vacancy rate⁽⁴²⁾ continued to decline in 2024, both in the EU and the euro area, suggesting that labour shortages eased somewhat while remaining high in certain sectors. The job vacancy rate reached 2.4% (-0.4 pp) in the EU, reflecting a reduction of hiring plans over the year (Chart 1.15).⁽⁴³⁾ By economic activity,⁽⁴⁴⁾ the highest job vacancy rates in the EU were recorded in administrative and support service activities (4.0%),⁽⁴⁵⁾ followed by professional, scientific and technical activities (3.5%), accommodation and food service activities (3.2%), construction (3.1%), and information and communication (2.9%). At the same time, according to managers labour is less than before a factor limiting their production; with 16.4%

of managers in industry reporting labour as a challenge in Q3 of 2025 (-3.2 pp compared to the same quarter of the previous year), 23.9% of managers in services (-1.9 pp) and, in July 2025, 27.7% of managers in construction (-1.2 pp compared to July 2024). Regarding skills shortages, according to the Eurobarometer, 78% of small and medium enterprises in the EU faced difficulties recruiting workers with the adequate skills.

Tertiary education attainment has reached record levels in the EU, but a substantial proportion of the population still lacks basic skills, including digital literacy. In 2024, 44.1% individuals aged 25-34⁽⁴⁶⁾

comparison without a deeper understanding of the national systems. For instance, the unemployment trap can be affected by unemployment benefits and wage levels, taxes on income, social contributions, and the availability and design of any potential additional benefits. In addition, households with similar characteristics must be compared, which adds another layer of complexity to the analysis

⁽⁴⁰⁾ The tax wedge is the difference between the total costs of a worker (gross wage plus social security contributions paid by the employer) and their net earnings (wages net of personal income tax and social security contributions paid by the employee, plus any family benefits). The cited figures reflect the situation of a worker earning 67% of the average wage and living alone. For further analysis, see (OECD, 2025b)

⁽⁴¹⁾ For a production worker in manufacturing when in work. Regarding unemployment benefits, the person is previously assumed to have had earnings equal to 67% of the average wage level and an uninterrupted (full-time) employment record of 22 years. The computed benefit is the amount received immediately after becoming unemployed but after any "waiting period". See https://ec.europa.eu/eurostat/cache/metadata/Annexes/earn_net_esms_an_3.pdf Eurostat illustrative calculation of the unemployment trap for more details. The level of the unemployment trap also depends on the duration of the benefits and evolves over time. In many EU countries, the reciprocity of unemployment benefits is limited in time. For more information on each national system, see the Mutual Information System on Social Protection (MISSOC).

⁽⁴²⁾ The job vacancy rate measures the gap between the number of job vacancies and the sum of the vacancies and occupied posts.

⁽⁴³⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025d)

⁽⁴⁴⁾ In sections B to N of the NACE Rev. 2 classification, for which data are available for all EU countries.

⁽⁴⁵⁾ Includes temporary employment agencies.

⁽⁴⁶⁾ And reaching 49.9% for women.

(+1 pp compared to 2023) had a tertiary education diploma. However, despite these positive developments, 13.9% of individuals of the same age group have not reached more than lower secondary education and the EU recently experienced a decline in the basic skills of young people.⁽⁴⁷⁾ Furthermore, the lack of digital skills remains a significant issue, with only 55.6% of the EU population aged 16-74 possessing at least a basic level in 2023.

Overqualification remains at significant levels suggesting an inefficient allocation of labour and underutilisation of skills. Skills mismatch, as measured by the overqualification rate,⁽⁴⁸⁾ has barely decreased in 2024 (-0.5 pp to 21.5%) and is particularly high in administrative and support services (45.8%), transportation and storage (50.5%), accommodation and food (66.5%) and agriculture (71.2%), while low in health and social work activities (12.1%), professional, scientific and technical activities (7.4%), information and communication (5.7%) and education (5.4%). The overqualification rate is also particularly high among migrants.⁽⁴⁹⁾ In 2024, 35.1% of non-EU born individuals aged 20-64 were overqualified for their job, compared to 19.8% among the domestic-born.

To mitigate skills shortages and mismatches and empower workers to update and reinforce their skill sets further efforts are needed. In 2024, the participation in education and training of people aged 25-64 in the EU over the last 12 months was 28.5%, 3.4 pp higher than in 2022, as reported in data from the Labour Force Survey.

3.6. Contractual and working arrangements

Around one third of the employed had atypical working arrangements, working during evenings, nights, weekends or in shifts (Chart 1.16). In the EU, 4.6% of employed people usually work during the night and 12.7% during the evening, while 22% work over the weekend and 18% in shifts.⁽⁵⁰⁾ At the same time, 6.6% of employed people performed long-working hours.⁽⁵¹⁾ These non-standard working hours can have a profound impact on work-life balance and overall well-being, as they can affect the ability to rest and maintain a healthy life. On the other hand, more than one worker out of five (23%) has the possibility to work from home at least sometimes,⁽⁵²⁾ a share that has increased since 2019 (14.7%), reflecting a structural change and the broader accessibility to telework, but also highlighting the risk of blurring boundaries between professional and private life.

A substantial share of the workforce was engaged in atypical or precarious work in 2024. Notably, 17.1% of individuals were working part-time, with a significant disparity between men (7.7%) and women (27.8%).⁽⁵³⁾ Among these part-time workers, 18.9% were in an involuntary situation, as they were seeking but were unable to find full-time employment opportunities, a situation that affected more men (24.3%) than women (17.2%). Furthermore, 4% hold at least two jobs, which may indicate a lack of sufficient hours or stable income from a single job. Moreover, 11.7% of the employed persons were in a temporary contract (10.8% of men and 12.7% of women)⁽⁵⁴⁾ and a small, but still significant, share of the workforce was in very short-term arrangements, with 2.2% being temporary employment agency workers and 1.3% having a contract of a duration of maximum 3 months. In 2021, dependent self-employed⁽⁵⁵⁾ were estimated to be 3.7% of the self-employed.⁽⁵⁶⁾

⁽⁴⁷⁾ This was highlighted by results of the 2022 PISA, see (European Commission: Directorate General for Employment, Social Affairs and Inclusion., 2024)

⁽⁴⁸⁾ Share of persons with a tertiary level of educational attainment (ISCED levels 5–8) that are employed in occupations for which a tertiary level of education is not required (ISCO groups 4–9).

⁽⁴⁹⁾ See (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025a) for in-depth analysis of the situation of migrants.

⁽⁵⁰⁾ Figures for those working during the night, the evening, and over the weekend refer to 2023 values. All other figures relate to 2024.

⁽⁵¹⁾ 49 hours or more per week.

⁽⁵²⁾ Working at home encompasses telework, but not only. It also covers situations such as self-employed working at home or teachers preparing their work, etc.

⁽⁵³⁾ Eurostat [lfsi_pt_a]

⁽⁵⁴⁾ Fixed-term contracts, in relative terms, involve disproportionately elementary occupations and service and sales workers.

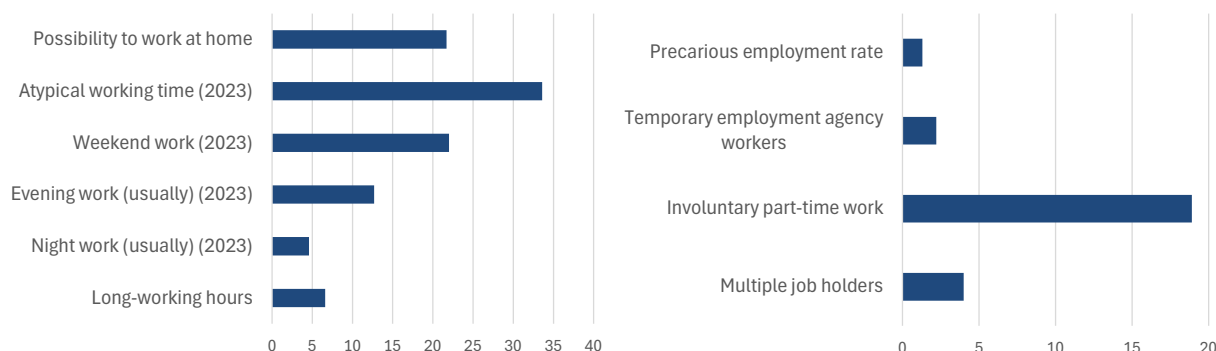
⁽⁵⁵⁾ Self-employed who rely on single or dominant client.

⁽⁵⁶⁾ (European Labour Authority, 2023)

Chart 1.16

Substantial proportion of the workforce is in non-standard working-time or contractual arrangements

Selected indicators related to working-time arrangements (left) and to precarious work (right)



Note: Latest year available is 2024 unless indicated otherwise into parenthesis
Involuntary part-time is expressed as a share of part-time workers

Source: Eurostat [lfsa_qoe_3a2, lfsa_ewpnig, lfsa_ewpeve, lfsa_qoe_3b3, lfst_hhwahchi, lfsa_esegatyp, tqoe3a5, lfsa_epgar, lfsa_qoe_4a6r2, lfsa_qoe_4ax1r2]

[Click here to download chart.](#)

3.7. Public expenditure on labour market and social policies

EU labour markets are shaped to a large extent by labour market policies (LMP), such as training, job subsidies, and income support. These policies are systematically recorded in the EU LMP database,⁽⁵⁷⁾ which provides harmonised data on public spending, participant numbers, and policy types across Member States. It serves as a key resource for understanding how governments invest in active and passive labour market strategies within the EU.

Total spending recorded in the LMP database fluctuated around 2% of GDP in the EU since 2014,⁽⁵⁸⁾ dropping to about 1.7% of GDP just before the Covid pandemic and jumping up temporarily to around 3% of GDP during the pandemic and decreasing to approximately 1.5% of GDP afterwards. As regards the components, starting from **LMP measures**, expenditure on *employment incentives* was the largest in Sweden (nearly 0.5% of GDP in annual average), followed by Luxembourg and the Netherlands (0.35% of GDP in each). *Training* was a significant spending item in Austria (0.45% of GDP), Finland (0.39% of GDP), and France (0.31% of GDP), while *direct job creation* was particularly important for Hungary (almost 0.46% of GDP) and *supported employment and rehabilitation*, while low in many countries, was prominent in Denmark (almost 0.88% of GDP), followed by the Netherlands (less than 0.33% of GDP). Expenditure on *start-up incentives* was generally negligible, with a notable exception for Spain (more than 0.12% of GDP). **LMP services** were quite large in Denmark (more than 0.4% of GDP), Germany (0.35% of GDP), and then Sweden (0.26% of GDP), while, moving to **LMP support**, *out-of-work income maintenance and support* generally dominated across all the subcategories and was particularly high in France and Spain (reaching, respectively, almost 2.2% of GDP and almost 2% of GDP). Finally, spending on *early retirement* was significant in Portugal (0.31% of GDP) and Belgium (over 0.28% of GDP).

Participation in LMP measures in the latest available year has increased in 19 Member States since 2014,⁽⁵⁹⁾ whereby participation captures the number of LMP participants per 100 persons wanting to work. On the high side, this ratio reached 73.7 in Spain, followed by the Netherlands (72.7) and Ireland (70.9); on the low side, it was only 3.7 in Romania and 6.7 in Lithuania. The LMP median participation ratio across countries in the latest available years was 33.5.

In real terms, expenditure on social protection benefits declined by 5.76% in 2022, and slightly decreased by 0.24% in 2023, though rising in nominal terms by 6.1%. Following the considerable fall in 2022, mainly due to inflation-induced real declines in a variety of benefits, the real value of social protection benefits stabilised in 2023 (Chart 1.17), due to a series of measures implemented between January 2022 and January 2023 to support the income of pensioners against inflation.⁽⁶⁰⁾ As a consequence in 2023, old age and survivors' benefits showed the only year-on-year positive growth. Old age and survivors' benefits represented the highest proportion of social benefit expenditure (46.7%), followed by sickness, healthcare and disability (37%), family and children (8.6%), unemployment (3.9%), housing and social exclusion (3.8%).⁽⁶¹⁾ At national level,

⁽⁵⁷⁾ <https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/lmp>.

⁽⁵⁸⁾ These are approximate estimates due to incomplete data for some years. See Annex A1.2. for more details.

⁽⁵⁹⁾ See Annex A1.2. for more details.

⁽⁶⁰⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion., 2024)

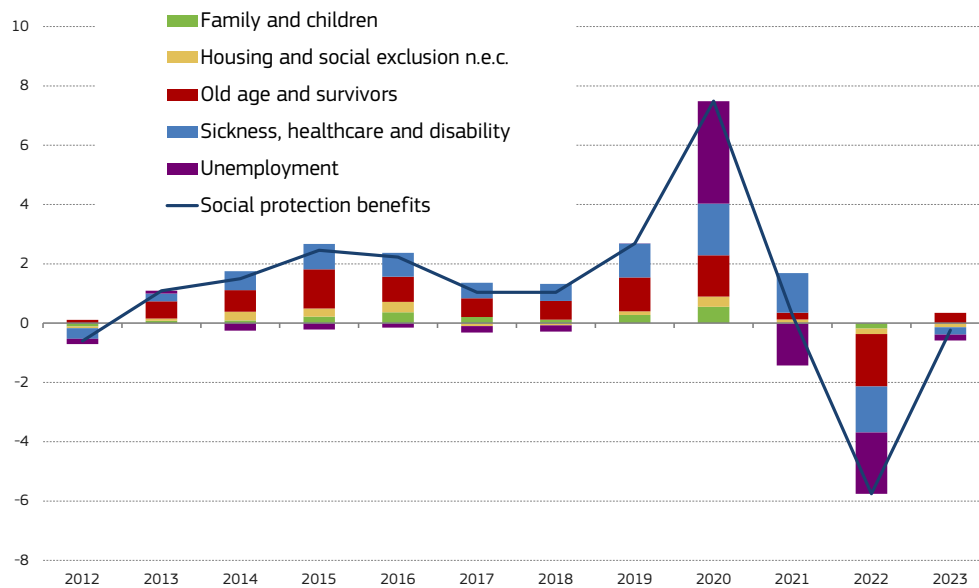
⁽⁶¹⁾ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Social_protection_statistics_-_early_estimates

estimated total expenditure on social protection benefits ranged between 12% of GDP in Ireland and 31.3% of GDP in France in 2023.⁽⁶²⁾

Chart 1.17

Real social protection expenditure almost stable year-on-year

Growth in social protection expenditure (% change on previous year, in real terms) and contribution, by function, to the yearly increase (purchasing power standards, PPS), both on the left axis, EU



Note: Nominal expenditure converted into real expenditure by deflating with HICP. The 2023 figures are early estimates from 29 April.

Source: Eurostat ESSPROS [spr_exp_func] and prices statistics [prc_hicp_aand]; DG EMPL calculations

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4. LIVING CONDITIONS, POVERTY AND INCOME DEVELOPMENTS

4.1. Income and consumptions trends

After picking up in 2023, real gross disposable household income (GDHI) expanded considerably in 2024. It rose by 2.5% in Q4 2024 (percentage change compared to the same quarter of previous year) accelerating from 1.8% in Q4 2023. With easing inflationary pressures on real wages, real GDHI grew faster than real GDP (1.5%). Its growth was mainly driven by a stronger increase in the real compensation of employees, which accounted for 2.5% out of the 2.5% increase in real GDHI in Q4 2024. Increase in real compensation of self-employed also contributed positively but to a lesser extent, while real net social benefits contributed more than in 2023 after negative changes in 2021 and 2022 due to the phase-out of the extraordinary measures of the COVID-19 pandemic. Taxes on income and wealth, on the other hand, had a slightly negative contribution (Chart 1.18).

In Q1 2025, real GDHI growth slowed down to 1.0%. Such growth was slower than real GDP (1.4%) and was supported by compensation of employees (accounting for 1.9% out of the 1.0% increase) counterbalanced mainly by net social benefits and net property income (both contributing -0.3% out of the 1.0% increase). In comparison with the real GDHI before the strong inflationary period, real GDHI increased by 4.8% (percentage change between Q1 2025 and Q1 2022).⁽⁶³⁾

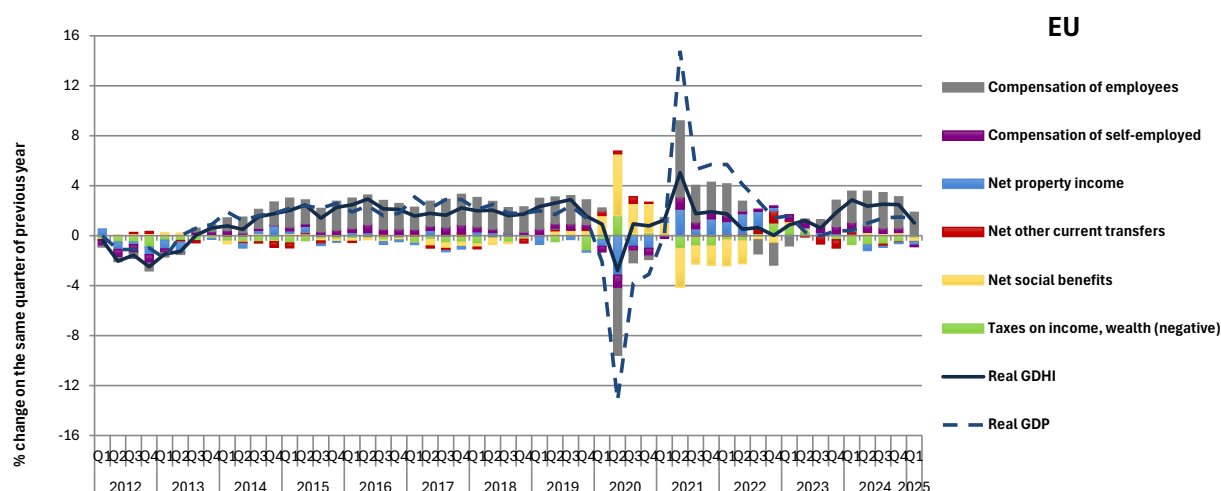
⁽⁶²⁾ 2023 figures are preliminary results based on Eurostat early estimates for expenditure on social protection.

⁽⁶³⁾ Annex A1.1.provides more information on the calculation of GDHI.

Chart 1.18

Real GDP growth, real GDHI growth and its main components

Real GDHI and real GDP (% change on previous year), and contribution of GDHI components, 2012-2024, EU



Note: Nominal GDHI converted into real GDHI by deflating it with the price index of household and NPISH final consumption expenditure Eurostat [namq_10_gdp]

Source: DG EMPL calculations based on Eurostat data, national accounts [nasq_10_nf_tr] and [namq_10_gdp], data non-seasonally adjusted

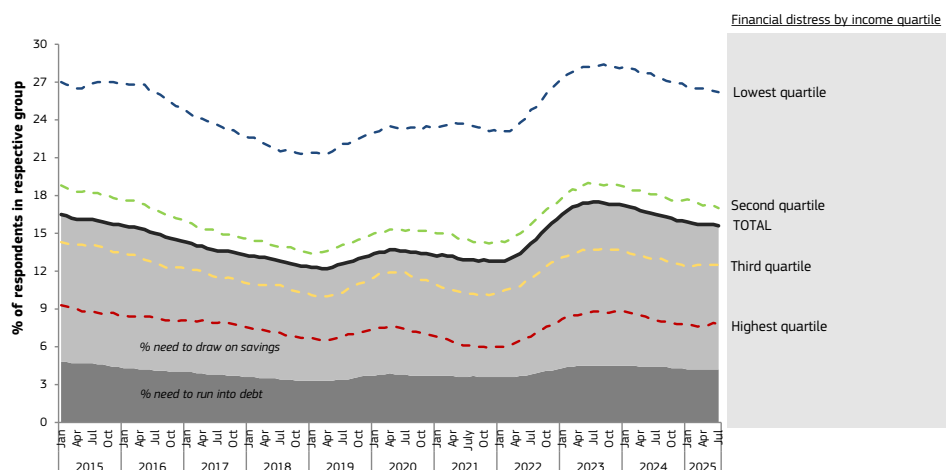
[Click here to download chart.](#)

The share of people reporting financial distress⁽⁶⁴⁾ continued to decline across all income quartiles in the beginning of 2025, although levels remain high for the poorest households. In July 2025, 15.6% of people reported financial distress in the EU, 0.9 pp less than in July 2024 (16.5%) and 1.9 pp lower than its peak in July 2023 (17.5%) (Chart 1.19). Among those reporting financial distress, 4.2% needed to run into debt, and 11.4% had to draw on savings, down from 4.4% and 12.1%, respectively, in July 2024. Despite these improvements, financial distress remains significantly more prevalent among individuals in the lowest income quartile (26.2%, -1.2 pp yoy) compared to 17% (-1.1 pp yoy), 12.5% (-0.4 pp yoy), and 7.8% (-0.3 pp yoy) for the second, third, and top quartiles, respectively. Over the same period, the average level of financial distress reported by the lowest income quartile increased in eleven Member States and decreased in ten.⁽⁶⁵⁾

Chart 1.19

Reported financial distress continues declining but remains high for the lowest income quartile

Reported financial distress by income quartile, EU



Note: Reported financial distress by income quartile and its components (share of adults reporting necessity to draw on savings and share of adults reporting need to run into debt)

Source: DG EMPL calculations based on Business and Consumer Surveys, 12-months moving average

[Click here to download chart.](#)

After increasing significantly from 2015 to 2020, real income growth slowed down considerably since 2020, amid high inflation, particularly of some essential items. Annual real median disposable

⁽⁶⁴⁾ Financial distress is defined as the perceived need to draw on savings or to run into debt to cover current expenditures, calculated as a moving average over 12 months. For more information on the Business and Consumer Surveys, see (European Commission: Directorate General for Economic and Financial Affairs, 2025b)

⁽⁶⁵⁾ The level of financial distress reported by the lowest income quartile for a given year is calculated as the average of its values from May to July.

income grew by 1.4% in 2024 as a result of rising nominal wages, employment growth and easing inflation.⁽⁶⁶⁾ Compared to pre-pandemic levels, the overall yearly growth has been slower (+1% on average from 2020 to 2024 against +3.6% from 2015 to 2020), resulting in moderate improvements in living standards for a median household. Overall, between 2015 and 2024, the real median income increase (+24%) was mostly driven by significant growth in Eastern European Member States, more than doubling in Romania (+167.2%).⁽⁶⁷⁾

During the same period, inflation of essential items particularly impacted lower-income households.

Between 2015 and 2024, overall prices increased by 29.7%, especially for electricity, gas and other fuels (+60.4%) as well as housing prices (+53%). As those items represent a particularly large share of the poorest households' consumption, this surge disproportionately impacted this group, affecting their ability to accumulate savings and wealth, and limiting their capacity to buffer against sudden economic shocks. As a result, among people at-risk-of poverty, 59.8% were still unable to face unexpected financial expenses in 2024, despite a declining share since 2015.⁽⁶⁸⁾

In 2024, income is expected to have grown in both nominal and real terms.⁽⁶⁹⁾ According to Eurostat flash estimates based on 2024 incomes, the EU median equivalised disposable income is expected to increase by 5% in nominal, and by 2.5% in real terms. Among EU Member States and compared to 2023 incomes, 2024 nominal income is projected to rise in all countries, whereas 2024 real income is expected to increase in 22 out of 25 countries, and to stagnate in Belgium, Estonia, and Luxembourg.

4.2. Income and wealth inequality

Income inequality remained stable in 2024, with the top 10% earners accounting for 23.3% of national disposable income against 23.4% in 2023.⁽⁷⁰⁾ The income quintile share ratio (S80/S20), i.e. the total income received by the top 20% relative to the bottom 20%, remained around 4.7 over the last years, ranging from 3.4 in Slovenia to 7.0 in Bulgaria.⁽⁷¹⁾ At the same time, the size of the middle-income class shrank in almost two-thirds of the Member States between 2007 and 2022, and some groups were less likely to belong to the middle class, and much more likely to be part of the lower class.⁽⁷²⁾ Tax-benefit systems, and especially non-means tested benefits continued to play a significant role in complementing households' income in 2024.⁽⁷³⁾ As a result, social transfers (excluding pensions) reduced income inequality, allowing the Gini coefficient to diminish from 34.3 before social transfers to 29.4 after their implementation in 2024 (Chart 1.20). Yet, this impact seems to have weakened since 2021 as the effect of taxes and social transfers on the S80/S20 declined continuously from a peak of 5.2 in 2021 to 4.3 in 2024, although remaining above pre-Covid levels.

Income inequality in the EU stood well below levels in the US and China, based on latest available data. Unlike the EU, where income disparities slightly decreased over the last decade, the US experienced significant fluctuations in its Gini coefficient. After diminishing from 41.5 in 2019 to 39.7 in 2021, the Gini coefficient rebounded and returned to its pre-pandemic level, reaching 41.8 and surpassing the highest level of inequality within the EU (37.2 in Bulgaria) in 2023. In parallel, income inequality in China has been declining since 2017 to 35.7 in 2021, standing above the EU but below the US (Chart 1.20).

⁽⁶⁶⁾ (European Central Bank, 2025a)

⁽⁶⁷⁾ Eurostat [ilc_di18]

⁽⁶⁸⁾ Eurostat [ilc_mdcs04]

⁽⁶⁹⁾ In June 2025, Eurostat published early estimates for 2024 incomes (2025 EU-SILC survey year). These estimates provide more timely information compared to standard information from the National Statistical Institutes, which are generally available with more delay – e.g. EU-SILC 2024 data were released in May 2025 and refer to 2023 incomes. For more information on flash estimates, see Eurostat – Statistics Explained.

⁽⁷⁰⁾ Eurostat [ilc_di01]

⁽⁷¹⁾ Eurostat [ilc_di11]

⁽⁷²⁾ (Vacas-Soriano, 2024). This report defines the middle class as households that have more than 75% but less than 200% of the median national income. Groups identified as less likely to belong to the middle-income class and more likely to be part of the lower class are young people, unemployed, women, those with lower education, and those living in single-adult households.

⁽⁷³⁾ According to The European Commission Joint Research Centre's calculations based on Euromod, in 2023 households' income was higher after benefits than before, representing 80.5% and 73.9%, respectively, of the pre-tax income in 2024 (pensions are not considered as benefits).

Chart 1.20

Income inequality remained relatively stable in the EU and lower than in other major economies

Left-chart: GINI coefficient before and after social transfers and effects of taxes and social transfers on income quintile share ratio, EU; Right-chart: Gini coefficient and S80/S20 for the EU, the US, and China



Note: GINI coefficients and S80/S20 are computed from equivalised disposable incomes. Data is not available starting from 2023 for the US, and from 2022 for China

Source: Eurostat [ilc_di11i] [ilc_di12] [ilc_di12c], World Bank [World Development Indicators]

[Click here to download chart.](#)

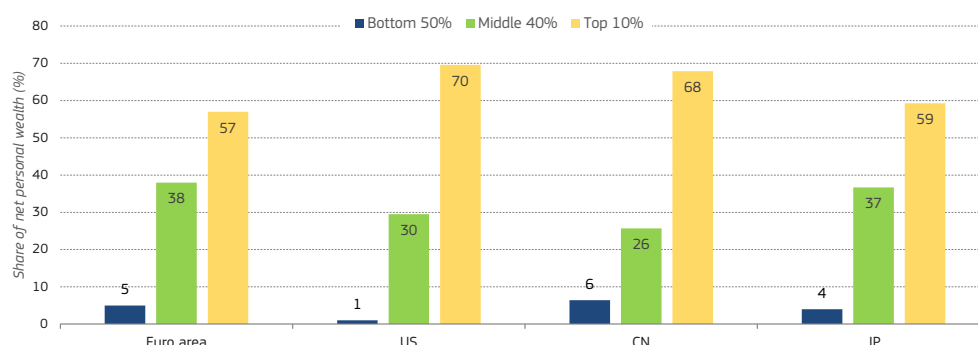
In the EU, wealth inequalities were more pronounced than income inequalities, yet they remained comparatively lower than those observed in the US and China. According to the European Central Bank 2023 data for the Euro area, the wealthiest 10% owned around 57% of total net wealth of households, whilst the bottom 50% owned around 5%. This is confirmed by estimates from other data sources covering most EU Member States.⁽⁷⁴⁾ While such low proportions of wealth owned by the bottom 50% is common across non-EU countries as well, for example in the US and China, wealth concentration at the top tends to be more pronounced, particularly in the US and China, where the wealthiest 10% account for close to 70% of total net wealth (Chart 1.21).

A recent publication by the Commission and the OECD⁽⁷⁵⁾ shows that the share of wealth held by the top 10% declined somewhat (by about 3 pp) in the EU during the 2010s. Over the past 15 years, total net household wealth in OECD countries increased significantly, and in several countries, wealth inequalities declined due to increases in housing prices. These led to growth in wealth particularly among low- and middle-wealth homeowners, for whom real estate usually constitutes most assets. At the same time, the least wealthy households who do not own properties now find themselves falling further behind homeowners. Another factor that helped reduce wealth inequalities were low interest rates, which allowed many vulnerable households to reduce their debt levels. Finally, increased savings among low-wealth households during the 2010s also improved their wealth accumulation.

Chart 1.21

Albeit lower than in some other major economies, wealth inequalities are pronounced in the EU

Distribution of net personal wealth among groups of income, 2024



Note: Net wealth is the total value of non-financial assets (housing, land, deposits, bonds, equities, etc.) held by households, minus their debts, it includes all households and private individuals (including those living in institutions), as well as unincorporated enterprises whose accounts are not separated from those of the households who own them

Source: European Central Bank for the average of Euro area quarterly figures (2024 values); World Inequality database for international comparisons (2023 values) [shwealj992]

[Click here to download chart.](#)

⁽⁷⁴⁾ The World Inequality Database and the OECD database on income and wealth distribution.

⁽⁷⁵⁾ (Balestra, Caisl and Hermida, 2025)

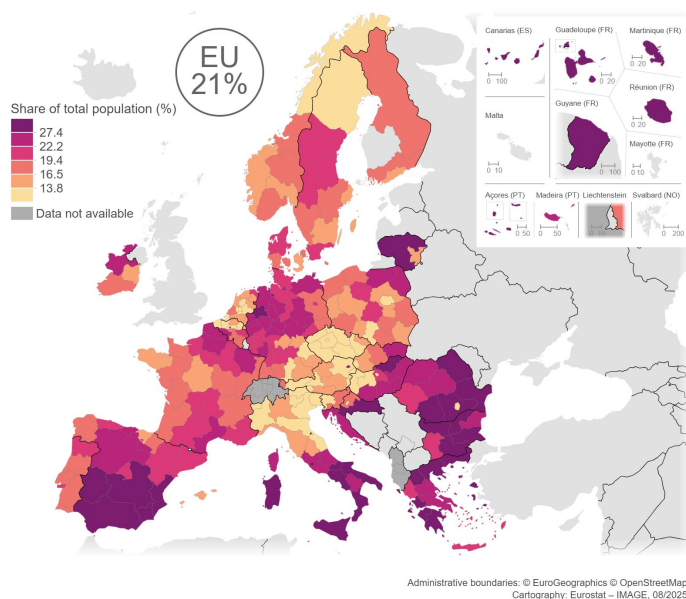
4.3. Risk of poverty and social exclusion

The share of persons at-risk-of-poverty and social exclusion (AROPE) slightly improved from 21.3% in 2023 to 21.0% in 2024, with minor declines in very-low work intensity households (from 8% in 2023 to 7.9% in 2024) and in severe material deprivation (from 6.8% to 6.4%).⁽⁷⁶⁾ Significant disparities persist across and within Member States (Figure 1.2), with AROPE rates ranging from 11.3% in Czechia (followed by 14.4% in Slovenia and 15.4% in the Netherlands) to 30.3% in Bulgaria (followed by 27.9% in Romania and 26.9% in Greece). Regional AROPE rates declined mildly and showed a slow convergence since 2015, as regional differences in the indicator declined or remained stable in most Member States for which data is available.⁽⁷⁷⁾ Within the EU, AROPE rates remain slightly higher in cities and rural areas (21.3% for both) than in towns and suburbs (20.3%).⁽⁷⁸⁾ Migrants are particularly vulnerable to poverty or social exclusion (38.2%), especially young migrants aged 18-29 (40.6%).⁽⁷⁹⁾ AROPE is also high for persons with low educational attainment (33.9%), those with disabilities (28.7%), young people aged 18-24 (26.3%) and children aged less than 18 (24.2%) (Chart 1.22).

Figure 1.2

Significant disparities in AROPE persist across and within Member States

At risk of poverty or social exclusion rate, by NUTS2 region, 2024



Note: AROPE refers to 2024 EU-SILC year, i.e. that values refer to 2023 for AROP and VLWI, and to 2024 for SMSD

Source: Eurostat [ilc_peps11n]

[Click here to download figure.](#)

poverty, including at least 5 million children. In 2024, a total of 93.3 million people, including 19.5 million children (under 18 years old), were at-risk-of-poverty or social exclusion (AROPE). This represents a reduction of 2.2 million people (-1.2 million compared to 2023) but also an increase of 446 000 children (-423 000 compared to 2023) compared to 2019.⁽⁸²⁾ Across the Member States, progress towards national targets varied significantly,

The unemployed and people outside the labour market display significantly higher AROPE rates.

In 2024, 43% of the EU population outside the labour market and 66.6% of the unemployed were living in a household at-risk-of-poverty or social exclusion, compared to 10.9% for employed people (Chart 1.22). The significantly lower AROPE rate for people in employment highlights the protective role that employment can play against poverty or social exclusion. For the unemployed and people outside the labour market, entering employment is found to increase their chances of exiting poverty by 33 pp among men, and 30 pp among women. However, not all types of employment protect against poverty to the same extent, with full-time jobs and a longer duration of employment maximising the chances of exiting poverty compared to shorter-term or part-time employment.⁽⁸⁰⁾ This allows increasing the work intensity of the household and leads to a declining number of (quasi-)jobless households,⁽⁸¹⁾ directly impacting AROPE.

While poverty levels remained broadly stable over the last year, further efforts are needed to achieve the 2030 target of lifting at least 15 million people out of

⁽⁷⁶⁾ The at-risk-of-poverty or social exclusion rate is made of three components: the at-risk-of-poverty (AROP) rate, the severe material and social deprivation (SMSD) rate, and the share of persons living in a household with very low work intensity (VLWI). Values of AROP and VLWI refer to the previous year, whereas it refers to the current year for SMSD.

⁽⁷⁷⁾ Due to data limitations and changes in the AROPE definition over time, the analysis was conducted in just 10 EU Member States between 2015 and 2022 (Czechia, Denmark, Finland, Hungary, Italy, Romania, Spain, Sweden). (European Commission: Directorate General for Employment, Social Affairs and Inclusion., 2024)

⁽⁷⁸⁾ Eurostat [ilc_peps13n]

⁽⁷⁹⁾ Eurostat [ilc_peps06n]

⁽⁸⁰⁾ (Vaalavuo and Sirniö, 2022)

⁽⁸¹⁾ (Quasi-)jobless households are those with a very-low work intensity.

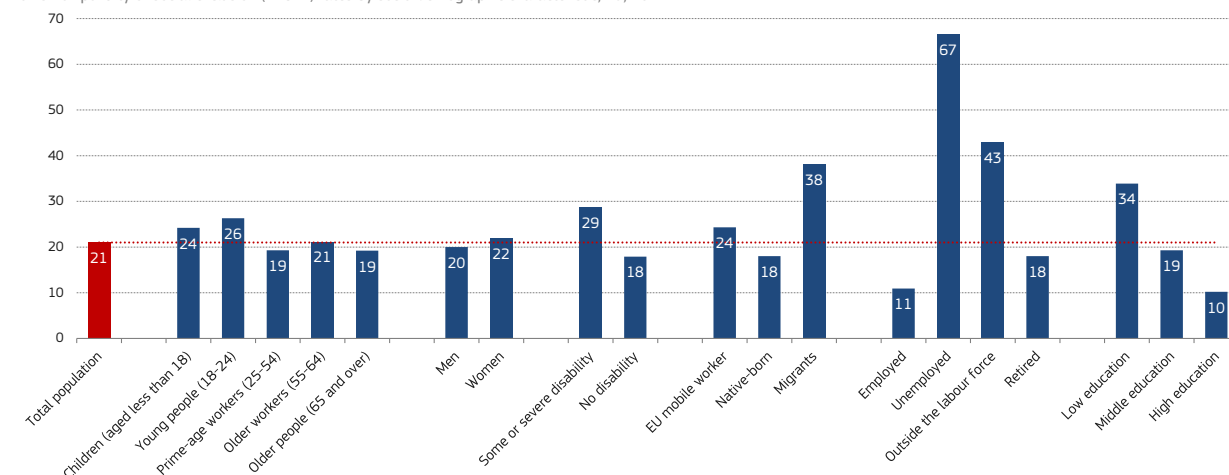
⁽⁸²⁾ Figures based on the break-free series [ilc_pecs01i] for comparisons with 2019, and based on [ilc_peps01n] for comparisons with 2023. For more information on AROPE break in series, see Eurostat information note.

with only two countries – Sweden and Ireland – achieving their target. Conversely, in 11 countries the number of persons at-risk-of-poverty or social exclusion increased since 2019.⁽⁸³⁾

Chart 1.22

AROPE highest for unemployed, persons outside the labour market, migrants, low educated and persons with disabilities

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



Note: AROPE refers to 2024 EU-SILC year, i.e. that values refer to 2023 for AROP and VLWI, and to 2024 for SMSD

Source: Eurostat [ilc_peps01n] [ilc_peps06n] [ilc_peps02n] [ilc_peps04n] [ilc_peps03n] [hlth_dpe010]

[Click here to download chart.](#)

Although the share of people at-risk-of-poverty (AROP) stagnated, the depth of poverty slightly decreased from 2023 to 2024.⁽⁸⁴⁾ In 2024, 16.2% of the EU population was below the at-risk-of-poverty threshold, defined as 60% of the national median equivalised income. It was stable compared to 2023 and continued to be supported by effective social transfers, with an AROP rate before transfers at 24.6%. Moreover, the depth of poverty – measured as the relative at-risk-of-poverty gap to the AROP threshold – slightly diminished to 22.7% (-0.3 pp yoy). In the EU, the gap was larger for working-age adults (25.4%), compared to children (23.2%) and older people aged 65 or over (17.7%). Nevertheless, some vulnerable groups face higher risks of chronic poverty (Box 1.1). According to Eurostat flash estimates for 2024 incomes, the EU AROP rate is expected to remain broadly stable compared to 2023 incomes (2024 EU-SILC survey), stagnating in 20 Member States, decreasing in Estonia and rising in Greece, Portugal, Slovenia, and Finland.⁽⁸⁵⁾

The EU continues to outperform its major economic partners in addressing monetary poverty. The share of population at-risk-of-poverty in the EU was standing well below that of the US and Japan with 25.1% and 21.3% of their respective populations being at-risk-of-poverty, compared to 16.2% in the EU.⁽⁸⁶⁾ Similarly, the relative at-risk-of-poverty gap in the US (37.2%) and in Japan (36.5%) exceeded the EU's gap by 14.5 pp and 13.8 pp, respectively.⁽⁸⁷⁾

⁽⁸³⁾ The number of persons AROPE increased in France, Germany, Spain, Slovakia, Finland, Austria, Denmark, Lithuania, Slovenia, Luxembourg, and Malta. Germany's reference year is 2020 and not 2019 as for all other EU Member States.

⁽⁸⁴⁾ Data on poverty for 2023 and 2024 are based on incomes from 2022 and 2023, respectively.

⁽⁸⁵⁾ In June 2025, Eurostat published early estimates for 2024 incomes (2025 EU-SILC survey year). These estimates provide more timely information compared to standard information from the National Statistical Institutes, which are generally available with more delay – e.g. EU-SILC 2024 data were released in May 2025 and refer to 2023 incomes. For more information on flash estimates, see Eurostat - Statistics Explained.

⁽⁸⁶⁾ Values have been extracted from the OECD [Income Distribution Database] and represent the share of the population below 60% of the national median disposable income. Due to data availability limitations, values refer to 2023 for the US (provisional data), and 2021 for Japan.

⁽⁸⁷⁾ The relative at-risk-of-poverty gap measures how far below the poverty threshold (60% of the national median disposable income) the disposable income of people AROP is. Data for the EU has been extracted from Eurostat [ilc_li11] and measures the relative median at-risk-of-poverty gap. In contrast, OECD data are used for the US, and Japan [Income Distribution Database], measuring the mean at-risk-of-poverty gap, which is more likely to be influenced by extreme values compared to the median measurement. Therefore, caution is needed when comparing the two datasets. As for the AROP rates, data refers to 2023 for the US (provisional data), and 2021 for Japan.

Box 1.1: How persistent is poverty in the EU? Longitudinal profiles of relative monetary poverty (AROP)

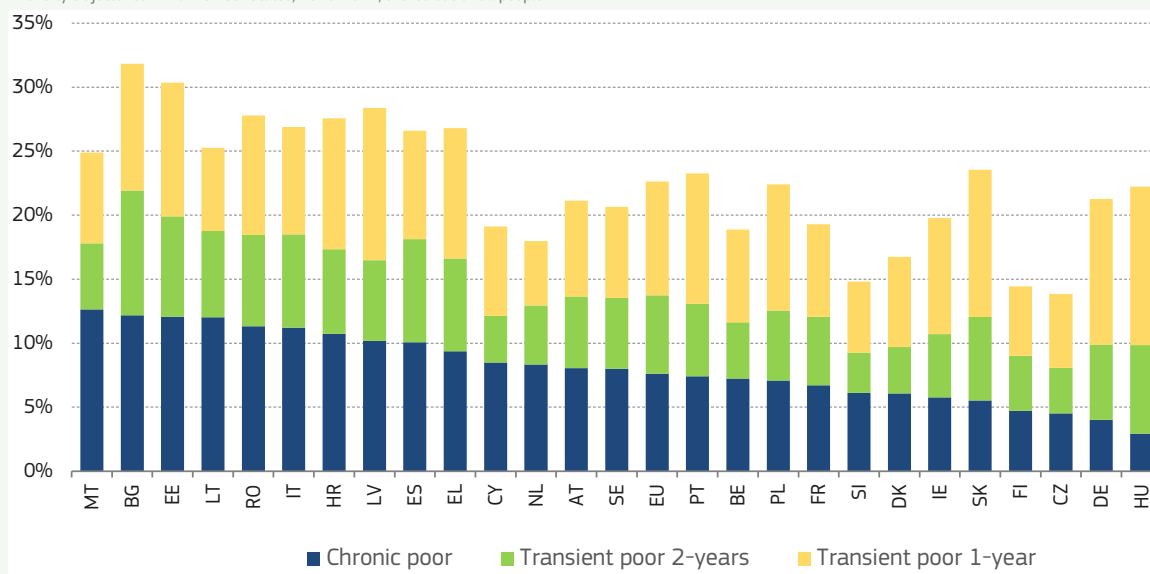
Considering recent trends in monetary poverty (AROP), using the EU-SILC longitudinal survey, can shed light on the diverse experiences of poverty. Over a three-year period, the following trends can be captured: transient 1-year poor: individuals who are poor for only one of the three years; transient 2-year poor: individuals who are poor for two years out of a three-year period; and chronic poor: individuals who are poor over three consecutive years.

For 2020-2022, these trends reveal that among Europeans at-risk-of-poverty almost 40% experienced poverty for only one of the three years, 27% experienced it for two years and 33% for all three years, with sizeable differences across countries.⁽¹⁾ While the percentage of people experiencing poverty in two out of three years is quite similar across countries, the incidence of one-year only poor and three-year poor is much more diverse. Regardless of poverty levels, in some countries (Malta, Lithuania, the Netherlands) around half of all poor people were in the 'chronic poor' category, while in others (Hungary, Germany, Slovakia) over half of all the poor experienced single poverty episode (transient poor-1 year) (Chart 1).

Chart 1

The share of people who are poor year after year vary considerably across Member States

Poverty trajectories in EU Member States, 2020-2022, shares out of all people



Note: Years refer to Eurostat EU-SILC survey years, i.e. to income from previous years

Source: JRC calculations based on Eurostat EU-SILC

At the EU level, the number of people in the most persistent ('chronic') poverty category decreased only slightly from 2017-2019 to 2020-2022. While this reduction seems modest, it is significant that it occurred between the 2017-2019 period of stability and the 2020-2022 period of uncertainty and successive or partly overlapping crises due to the pandemic, the cost-of-living crisis triggered by Russia's war of aggression against Ukraine as well as by broader geopolitical challenges. Countries such as Romania, Latvia and Spain saw the greatest decrease of chronic poverty, whereas Malta, Sweden, and Cyprus experienced an increase.

People with low education are the most vulnerable in terms of how persistently they experience poverty. People with low educational attainment (ISCED 0-2) are three times more likely than the highly educated (ISCED 5-8) and more than twice as likely as those with medium educational attainment (ISCED 3-4) to have experienced poverty. They are five times more likely than the highly educated to be chronically poor (Chart 2).

The unemployed and those outside the labour force are most exposed to poverty and particularly to chronic poverty, while children and retired people seem to experience more transient 1-

⁽¹⁾ In the context of this box, EU refers to EU-26 as data for Luxembourg are not available for EU-SILC longitudinal wave 2023.

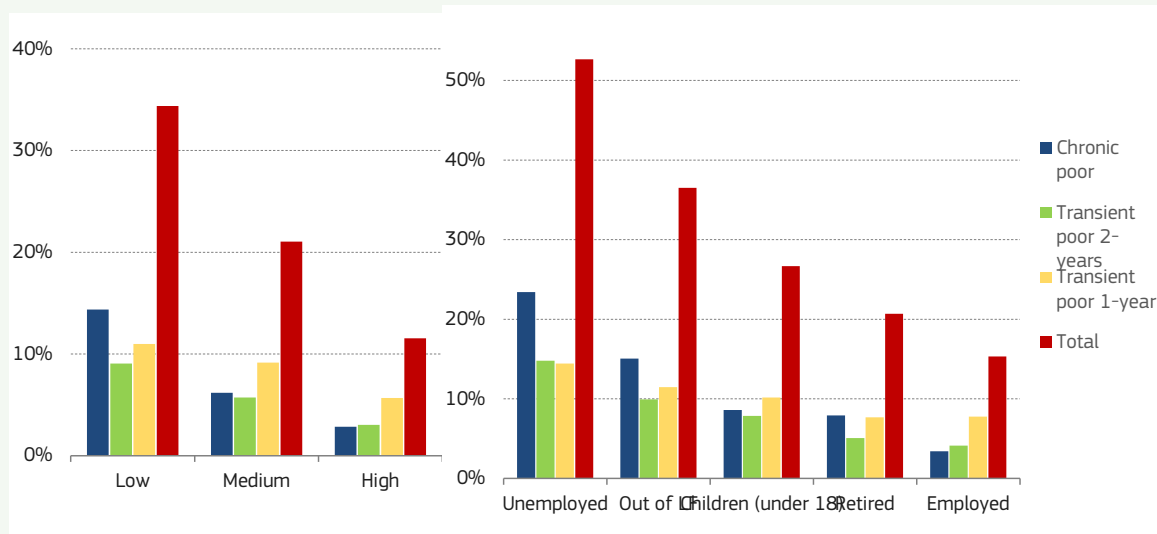
Box (continued)

year poverty trajectories. In contrast, employed people have the lowest incidence in all of the three poverty trajectories compared to people in other statuses in the labour market (Chart 2).

Chart 2

Education attainment and labour market status are the most significant influences on the variance in the persistence of poverty between socio-demographic groups

Left chart: Poverty persistence in the EU, by educational attainment, 2020-2022; Right chart: Poverty persistence in the EU, by labour-market status, 2020-2022



Note: Years refer to Eurostat EU-SILC survey years, i.e. to income from previous years. Low education attainment stands for ISCED 0-2, medium for ISCED 3-4, and high for ISCED 5-8. 'Out of LF' stands for 'Outside of the labour force'

Source: JRC calculations based on Eurostat EU-SILC

Material and social deprivation in the EU decreased from 2023 to 2024 but remains high for certain groups. It reached 12.1% in 2024 down from 13.1% in 2023, while 6.4% of the population was severely materially and socially deprived, down from 6.8% in 2023.⁽⁸⁸⁾ Important disparities remain within and across countries (Figure 1.3) but also across different population subgroups. The unemployed are the most likely to experience severe material and social deprivation (23.7%), followed by those in the lowest income quintile (18.3%), single parents (13.8%), migrants (12.9%), people with low educational attainment (11.9%), and those outside the labour force (10.7%). At the same time, the situation worsened for children (aged less than 16), with child-specific material deprivation increasing from 12.6% in 2021 to 13.6% 2024. It is the highest among children living in households composed of a single adult (24.2%) and those with low educated parents (39.1%).⁽⁸⁹⁾

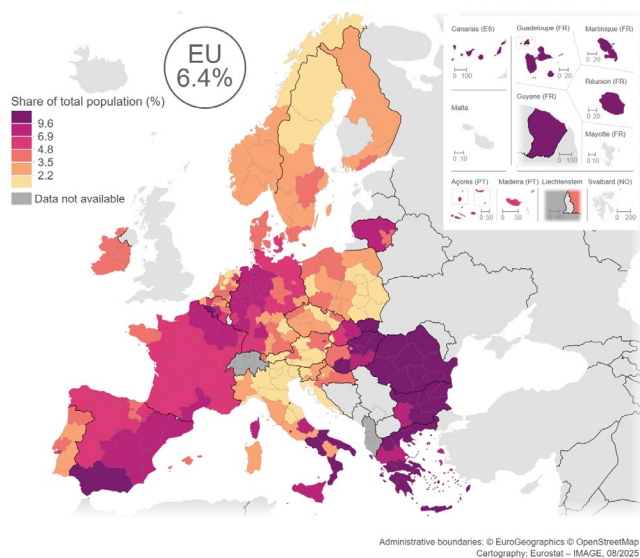
⁽⁸⁸⁾ The material and social deprivation rate is defined as the share of the population unable to afford five or more of a set of 13 specific goods, services or social activities that are considered by most people as essential for an adequate quality of life. The severe material and social deprivation rate refers to those unable to afford seven or more of these set of items. For more information, see Eurostat - Statistics explained.

⁽⁸⁹⁾ Eurostat [ilc_chmd02] and [ilc_chmd03]

Figure 1.3

Severe material and social deprivation is the highest in Romania, Bulgaria and Greece

Severe material and social deprivation rate, by NUTS2 region, 2024



Source: Eurostat [ilc_mdsl8]

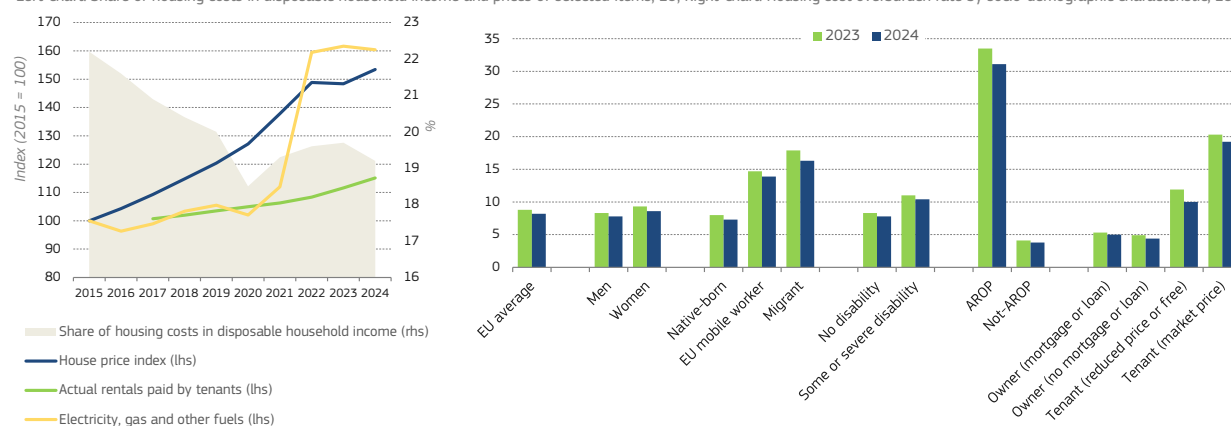
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In 2023, easing inflation for electricity and gas prices, alongside lower interest rates and rising real incomes, helped alleviate the financial burden of housing costs. In 2024, housing costs⁽⁹⁰⁾ as a share of households' disposable income decreased to 19.2% reversing a steady increase since 2020 that peaked at 19.7% in 2023 (Chart 1.23). This led to a 0.6 pp reduction in the housing cost overburden rate compared to 2023, which reached 8.2% in 2024.⁽⁹¹⁾ Despite this decline across all socio-demographic groups, the overburden rate remains higher for women (8.6% vs. 7.8% for men), migrants (16.3% vs. 7.3% for domestic-born), persons with disabilities (10.4% vs. 7.8% for those without disabilities), and those living in cities (9.8% vs 6.3% in rural areas). Additionally, 31.1% of those at-risk-of-poverty and 27.8% in the lowest income quintile continue to experience housing cost overburden (Chart 1.23).⁽⁹²⁾ Housing affordability across the EU is expected to have decreased in 2024 due to rising housing and rental prices, coupled with tightened financing conditions, in a context of protracted challenges particularly for renters (Box 1.2).⁽⁹³⁾

Chart 1.23

Housing cost overburden has been declining in the last year but remains elevated for certain groups

Left-chart: Share of housing costs in disposable household income and prices of selected items, EU; Right-chart: Housing cost overburden rate by socio-demographic characteristic, EU



Note: On the left chart, yearly average of monthly values has been computed for actual rents paid by the tenants and energy prices

Source: Eurostat [ilc_mdsl8] [prc_hicp_midx] [prc_hpi_a] [ilc_lvho07a] [ilc_lvho07c] [ilc_lvho26] [hlth_dhc060]

[Click here to download chart.](#)

⁽⁹⁰⁾ Housing costs refer to monthly costs connected with the household's right to live in the accommodation as well as the costs of utilities, gross of housing benefits. Only housing costs that are actually paid are considered. They are measured based on income from the previous year. For more information, see EU-SILC - Housing conditions (methodology)

⁽⁹¹⁾ Housing cost overburden rate refers to the share of population living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances).

⁽⁹²⁾ Housing cost overburden rate by degree of urbanisation has been extracted from Eurostat [ilc_lvho07d]

⁽⁹³⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2025c)

Box 1.2: Housing difficulties in the EU

Over the past decade, a large majority of EU households were homeowners whereas less than a third were renting their dwelling.⁽¹⁾ In 2023, 69.2% of EU households were homeowners, with 44.2% owning their homes outright and 24.9% having outstanding mortgages or housing loans. In parallel, about 30.8% of households rented their accommodations, 10.2% renting at a reduced price or for free and 20.6% renting at market prices.⁽²⁾ Homeownership has become less egalitarian across generations as the share of homeowners among young cohorts is declining compared to older generations at the same age. Furthermore, children who are growing up in homeownership households are more likely to become homeowners themselves. Housing inheritance may limit the ability of children living in vulnerable households – which have lower homeownership rates – to benefit from equal opportunities later in life.⁽³⁾

Renters are vulnerable to housing insecurity. Housing costs increased dramatically between 2010 and 2019 for tenants.⁽⁴⁾ In the past 12 months, renting difficulties affected 13% of the EU population aged 16 or over in 2023.⁽⁵⁾ In particular, the poorest populations were the most affected, with 20.1% of the lowest income quintile who experienced renting difficulties (compared to 14.4% in the second quintile and 4.1% in the highest), and 23.3% of people AROPE (vs. 8.0% for those not AROPE). Single adults with dependent children (24.6%), migrants (18.8%) and persons with disabilities (16.5%) also faced significant difficulties. In addition, 4.9% of the EU population aged 16 or over reported having experienced housing difficulties at some point in their lives.⁽⁶⁾

Lacking energy efficiency remains a key concern in the EU, with 17.9% of households reporting that their housing unit's insulation or heating did not allow them to live comfortably warm in winter in 2023. Escalating energy prices in 2021-2022⁽⁷⁾ considerably increased financial pressure on homeowners, especially for households living in energy inefficient dwellings, as energy costs represented a disproportionately larger share of their disposable income.⁽⁸⁾ The EU supports Member States to address these challenges through initiatives such as the European Regional Development Fund, the forthcoming European Affordable Housing Plan and the Social Climate Fund, to support energy-efficient renovation of buildings across the EU.

⁽¹⁾ Figures in this box are based on two EU-SILC 2023 ad hoc modules: Intergenerational transmission of advantages and disadvantages and housing difficulties; and Households' energy efficiency.

⁽²⁾ Eurostat [ilc_lvho02]

⁽³⁾ (Balestra, Caisl and Hermida, 2025)

⁽⁴⁾ (Eurofound, 2025)

⁽⁵⁾ Renting difficulties are considered when the respondent (and the other household members) was unable to pay their rent using their own resources or was unable to pay on time (as scheduled) due to financial reasons, and is therefore forced to borrow money, sell assets or take out overdrafts to pay the rent.

⁽⁶⁾ Housing difficulties refer to periods when the respondent had no place of their own (either owned or rented) where they could live and therefore was forced to stay with friends/family, stay in emergency or other temporary accommodation, stay in a place not intended as a permanent home or had to sleep in a public space. It does not include temporary homelessness due to a natural disaster, fire or similar incidents.

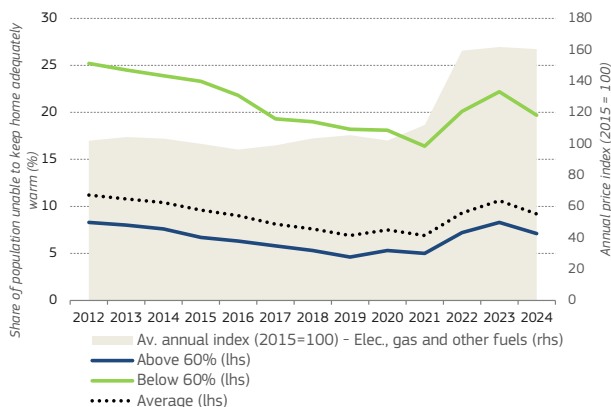
⁽⁷⁾ (European Commission, 2025)

⁽⁸⁾ (Eurofound, 2025)

Chart 1.24

Accompanied by a slowdown in energy inflation, energy poverty declined in the EU in 2024

Share of population below/above the at-risk-of-poverty threshold (60%) unable to keep home adequately warm (lhs), and average annual index (2015=100) for electricity, gas and other fuels (rhs), 2015-2024, EU



Source: Eurostat [ilc_mdcs01] [prc_hicp_aind]

[Click here to download chart.](#)

After increasing steadily since 2021, energy poverty in the EU saw its first decline in 2024, reflecting the impact of decreasing energy prices. Energy poverty – measured as the share of individuals unable to keep their homes adequately warm due to financial reasons – diminished from 10.6% in 2023 to 9.2% in 2024, supported by deflation of electricity, gas, and other fuels (Chart 1.24). Despite this improvement, nearly one-fifth of those at-risk-of-poverty (AROP) still faced energy poverty in 2024 (19.7%), a significantly higher share than the population not AROP (7.1%), although the gap narrowed between 2023 and 2024. Albeit most EU countries experienced a decline in energy poverty, significant disparities persist, with rates exceeding 15% in Portugal, Spain, Lithuania, Greece, and Bulgaria. In parallel, the proportion of individuals encountering utility bill arrears remained stagnant at 6.9%.⁽⁹⁴⁾ Additionally, persistent monetary poverty and heavy financial burden due to housing costs have

been found to significantly increase the risk of chronic energy poverty.⁽⁹⁵⁾

5. CONCLUSIONS

In 2024, the EU economy demonstrated resilience, benefiting from robust private consumption, strong employment growth, and easing inflationary pressures despite ongoing geopolitical tensions and uncertainties. While global growth remained stable, the EU's performance was mixed compared to its major trading partners – stronger than Japan, comparable to the UK, but lagging behind the dynamic recoveries in China and the US. Looking ahead, growth in the EU is forecast to gradually strengthen, reflecting improved investment conditions and moderating inflation. Going forward, the economy is expected to remain resilient, expanding by 1.1% in 2025, but considerable risks persist, notably from potential escalations in trade tensions, financial market vulnerabilities, and increasing climate-related disruptions, underscoring the need for continued vigilance and proactive policy responses to maintain sustainable economic stability.

Albeit at a slower pace, EU employment continued to expand, with the EU being on track to meet its 2030 target of having 78% of people aged 20-64 in employment and more countries surpassing their national targets. Positive developments have been recorded for women, older individuals, and migrants, nonetheless these groups continue to face challenges, as well as other underrepresented groups such as young people, persons with disabilities, or those with low levels of education. The rising global uncertainties negatively affected employment expectations. However, companies continued to retain their employees. Sectors highly reliant on extra-EU exports or on extra-EU foreign controlled enterprises are particularly vulnerable to recent changes in trade policy.

Unemployment reached a record low in the EU, at 5.9% in 2024 while labour shortages are easing. However, the significant overqualification rate highlights the need to improve the matching of skills and jobs and to contain the underutilisation of skills. The limited probabilities to successfully transition from unemployment to employment, especially after the first year, underline the critical need for early and sustained support to job seekers.

The EU labour market is also characterised by a significant share of non-standard or precarious working arrangements, including atypical hours, involuntary part-time work, and very-short term contracts. Non-standard working time arrangements can have a profound impact on work-life balance and overall well-being, and precarious contracts can indicate a lack of stability in the labour market and of income security. This highlights the importance of policies fostering the creation of stable jobs, and promoting overall well-being for all persons on the labour market.

Labour market policies play an important role in shaping employment outcomes through diverse strategies such as training, employment incentives, direct job creation, and income support

⁽⁹⁴⁾ Eurostat [ilc_mdcs07]

⁽⁹⁵⁾ (Ozdemir and Koukoulakis, 2024)

measures. Despite fluctuations in overall expenditure, particularly during the Covid pandemic, substantial differences persist across Member States both in spending levels and policy priorities. Countries like Denmark, Sweden, and Ireland show strong commitments to active labour market measures, while France and Spain allocate significant resources to passive support mechanisms such as income maintenance. Income support in the EU, including social transfers notably allows to significantly reduce income inequality.

Easing inflationary pressures led to improved real disposable incomes and a continued rise in real gross disposable household income, alleviating financial pressures on households despite persistent elevated financial distress level for the lowest income quintile. In parallel, housing costs eased in 2024, leading to a decline in housing cost overburden, while housing affordability, including for tenants, as well as energy efficiency continue to remain a challenge. Significant disparities persist, particularly among disadvantaged groups, requiring ongoing policy attention to ensure equitable improvements in living conditions across the EU.

Wealth inequalities were more pronounced than income inequalities in the EU, while both remain well below levels in the US and in China. With robust tax-benefits systems and social transfers that allow reducing income inequality in the EU, the income quintile share ratio after social transfers remained rather stable at 4.7. In the last 15 years, total net wealth of households in the OECD countries increased and the wealth inequality decreased in several countries. Still the top 10% wealthiest people in the Euro area hold more than half of total net wealth compared to 5% of wealth for the bottom 50%.

With a reduction of 2.2 million people AROPE, and an increase of 446 000 children compared to 2019, further efforts are needed to meet the 2030 target of lifting 15 million people out of poverty. The reduction in material and social deprivation and in households with very-low work intensity have been slightly driving down the AROPE rate to 21%. Young people, women, migrants, persons with disabilities and those with low educational attainment remain particularly vulnerable to poverty and social exclusion. The at-risk-of-poverty (AROP) rate remained below that of the US and Japan, and stable at 16.2%, with a small decrease in poverty depth. People with low education, the unemployed and those outside of the labour force are the most vulnerable to chronic monetary poverty.

Annex 1: Chapter 1

A1.1. REAL GDHI GROWTH CALCULATION

The real gross disposable household income (GDHI) represents the amount of money available to households for consumption, investment and savings after accounting for taxes, social contributions and social benefits. The real GDHI is the nominal GDHI, Eurostat dataset [nasq_10_nf_tr]⁽⁹⁶⁾ (non-financial transactions – quarterly data, Gross disposable income item) deflated by the Households and final consumption expenditure as price index.

The deflator used to compute the real GDHI is an implicit deflator of the GDP that gives an indication of underlying price changes.⁽⁹⁷⁾ The one chosen for the real GDHI calculation is the households and NPISH⁽⁹⁸⁾ final consumption expenditure price index with base year 2010. The data source of the deflator is the Eurostat dataset [namq_10_gdp] (GDP and main components (output, expenditure and income)).⁽⁹⁹⁾

To understand the evolution of the GDHI, it is also interesting to analyse developments of its components, namely compensation of employees, compensation of self-employed,⁽¹⁰⁰⁾ net property income, other current transfers, taxes on income, net social benefits and net social contributions.⁽¹⁰¹⁾

Nominal GDHI as well as its components are all deflated with the Households and NPISH final consumption expenditure as price index:

$$real\ variable_q = \frac{100 \times nominal\ variable_q}{deflator_q}$$

Where q represents a quarter.

‘Real GDHI’ is then the sum of ‘real compensation of employees’, ‘real compensation of self-employed’, ‘real net property income’, ‘real other current transfers’, ‘real net social benefits’, ‘-1 x real taxes on income and wealth’.

Finally, the real GDHI growth is computed as the percentage of change of the real GDHI (the deflated GDHI) compared to the real GDHI value of the same quarter a year before:

$$real\ GDHI\ growth_q = 100 \times \frac{(real\ GDHI_q - real\ GDHI_{q-4})}{real\ GDHI_{q-4}}$$

For the deflated components, their contribution to the real GDHI growth is calculated:

$$comp_contrib_q = \frac{comp_q - comp_{q-4}}{real\ GDHI_{q-4}}$$

Where comp represents a component of the real GDHI and comp_contrib the contribution of the component to the real GDHI growth.

Therefore, the real GDHI growth in a given quarter q is the sum of the contribution to the growth of each component. However, the contribution of a component to the real GDHI growth cannot be interpreted as the growth of the component compared to the same quarter a year before. It represents the percentage contribution of the change in the component to the real GDHI a year before. It's a normalized growth rate giving context to the change in the component with respect to the whole system represented by real GDHI in q-4.

For example, if the contribution of a component in a quarter q is 5% and real GDHI growth in quarter q is 10%, we can interpret it in this way: The change in the component accounts for half (5% out of 10%) of the total growth in real GDHI in quarter q compared to the same quarter a year before. Or, in other words, the 10%

⁽⁹⁶⁾ [nasq_10_nf_tr]

⁽⁹⁷⁾ The implicit deflator series are derived as a ratio of current price to chain-linked volumes series
https://ec.europa.eu/eurostat/cache/metadata/en/nama_10_gdp_esms.htm

⁽⁹⁸⁾ NPISH: non-profit institutions serving households

⁽⁹⁹⁾ [namq_10_Gdp]

⁽¹⁰⁰⁾ Compensation of self-employed is now the item named gross operating surplus and mixed income in the Eurostat dataset. We decided to keep the name ‘compensation of self-employed’ for a better comprehension

⁽¹⁰¹⁾ For all components, the data source is the Eurostat dataset [nasq_10_nf_tr]

increase in real GDHI in quarter q can be attributed to a 5% increase due to changes in the component from quarter q compared to quarter q-4.

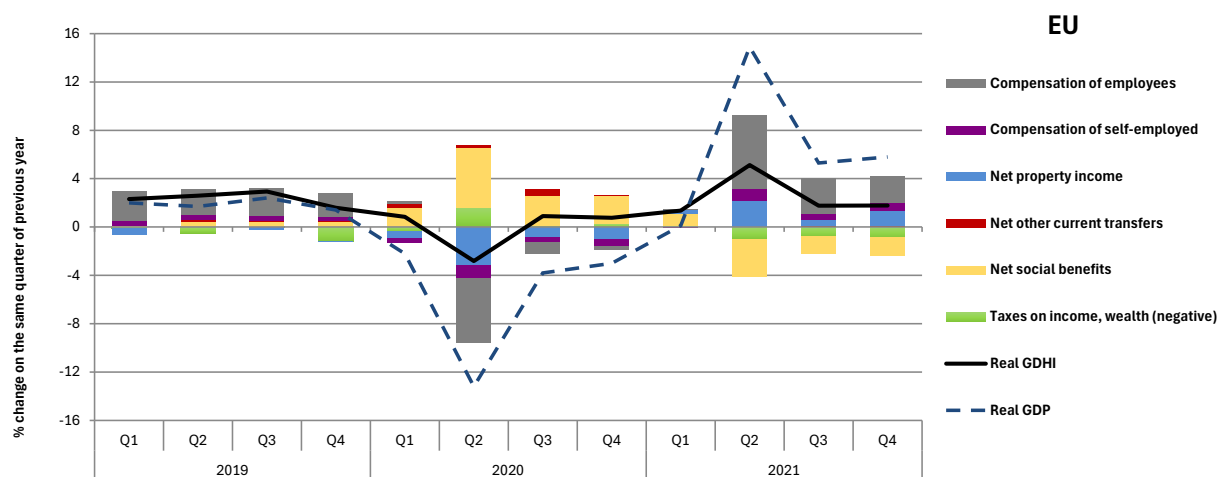
To clarify these explanations, we will take the example of the interpretation of the real GDHI growth in the period of the COVID-19 pandemic.

Example of GDHI growth interpretation on selected periods

Chart A1.1

Example of interpretation of real GDHI growth around the COVID-19 pandemic

Real GDHI and real GDP (% change on previous year), and contribution of GDHI components, 2019-2021, EU



Note: Nominal GDHI converted into real GDHI by deflating it with the price index of household and NPISH final consumption expenditure [namq_10_gdp]

Source: DG EMPL calculations based on Eurostat data, national accounts [nasq_10_nf_tr] and [namq_10_gdp], data non-seasonally adjusted

[Click here to download chart.](#)

In the second quarter of 2020, despite mitigation effects induced by social benefits and taxes, the financial situation of households worsened as real GDHI dropped by 2.8% in EU27 compared to the same quarter in 2019. This drop was driven in part by a -5.3% contribution from the change in the compensation of employees and a -1.1% contribution from the one for self-employed.⁽¹⁰²⁾ This was mainly due to job losses or deferred decisions about hiring new employees, reductions of working hours and temporary lay-offs due to the COVID-19 pandemic. Net property incomes change contributed to the drop in real GDHI in the second quarter of 2020 by -3.2%. These income losses were partially mitigated by public interventions, either existing ones or newly set-up schemes and mechanisms, as well as ad-hoc measures. Net social benefits change compared to the second quarter of 2019 contributed +5.0% to alleviate the drop in real GDHI. Taxes on income and wealth also contributed positively to the real GDHI growth.⁽¹⁰³⁾

In the second quarter of 2021, the financial situation of EU households rebounded and reached for the first time a higher level than before the COVID-19 crisis. Following the important drop in the second quarter of 2020, real GDHI started to grow again. In the second quarter of 2021, it was 5.1% higher than its level of the previous quarter, mainly due to a high positive contribution of compensation of employees (+6.1%) to GDHI and a significant contribution of compensation of self-employed (+1.0%).⁽¹⁰⁴⁾ It was the first time since the beginning of the pandemic that these components really contributed positively to the growth of real GDHI. From the second quarter of 2020 to the first quarter of 2021, income losses were mitigated by Member States and EU measures. Over this period, net social benefits were the main component contributing to the real GDHI growth and the negative effect of taxes on income and wealth was reduced helping the growth of real GDHI as well. In the second quarter of 2021 and similar to the situation before the crisis, the main driver of the improvement of

⁽¹⁰²⁾ In the second quarter of 2020, the contribution of 'real compensation of employees' has been -5.3%, -1.1% for 'real compensation of self-employed', -3.2% for 'net property income', +0.2% for 'real other current transfers', +5.0% for 'real net social benefits' and +1.6% for 'real taxes on income and wealth' (negative contribution). The sum is the real GDHI drop of 2.8% in the second quarter of 2020 compared to the second quarter of 2019.

⁽¹⁰³⁾ In the second quarter of 2020, real compensation of employees dropped by 6.9% compared to the second quarter of 2019. Given the importance of this component on the real GDHI (in the second quarter of 2019, compensation of employees represented 76.9% of the value of the real GDHI), it resulted in a contribution of -5.3% on the 2.8% drop of the real GDHI. On the other hand, real net social benefits increased by 400% in the second quarter of 2020 compared to the same quarter in 2019. But its weight in the value of the real GDHI is significantly lower than the real compensation of employees (net social benefits represented 1.2% of the real GDHI value in the second quarter of 2019). Therefore, real net social benefits contributed only +5.0% to the evolution of real GDHI in the second quarter of 2020 compared to the second quarter of 2019.

⁽¹⁰⁴⁾ In the second quarter of 2021, real compensation of employees increased by 8.2% compared to the second quarter of 2020 while real compensation of self-employed rose by 4.5%.

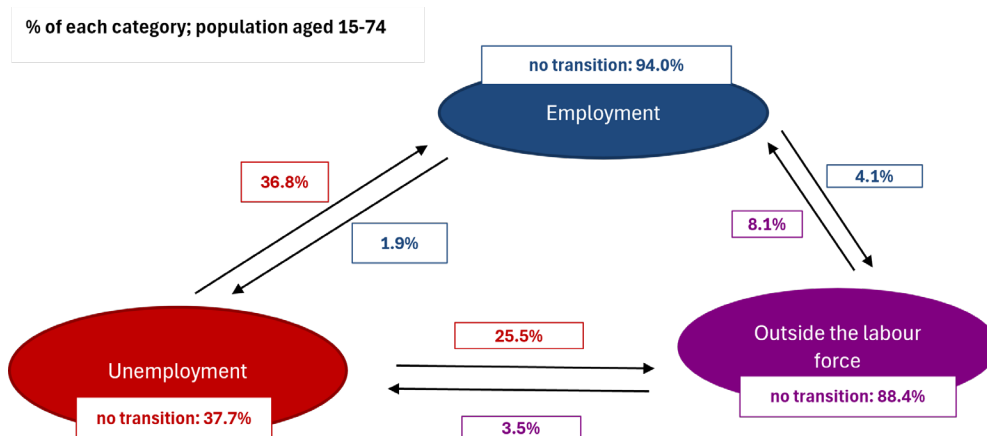
GDHI was again employment related income (compensation of employees +6.1%; compensation of self-employed +1.0% compared to the second quarter of 2020). At the same time, taxes on income and wealth (-1.0%) and net social benefits (-3.1%)⁽¹⁰⁵⁾ started to have a negative contribution on the growth of the GDHI with the end of some ad hoc measures from the COVID-19 pandemic.

A1.2. ADDITIONAL CHARTS

Figure A1.1

The probability to exit the labour force is high for the unemployed

Probability to transition from a status to another one



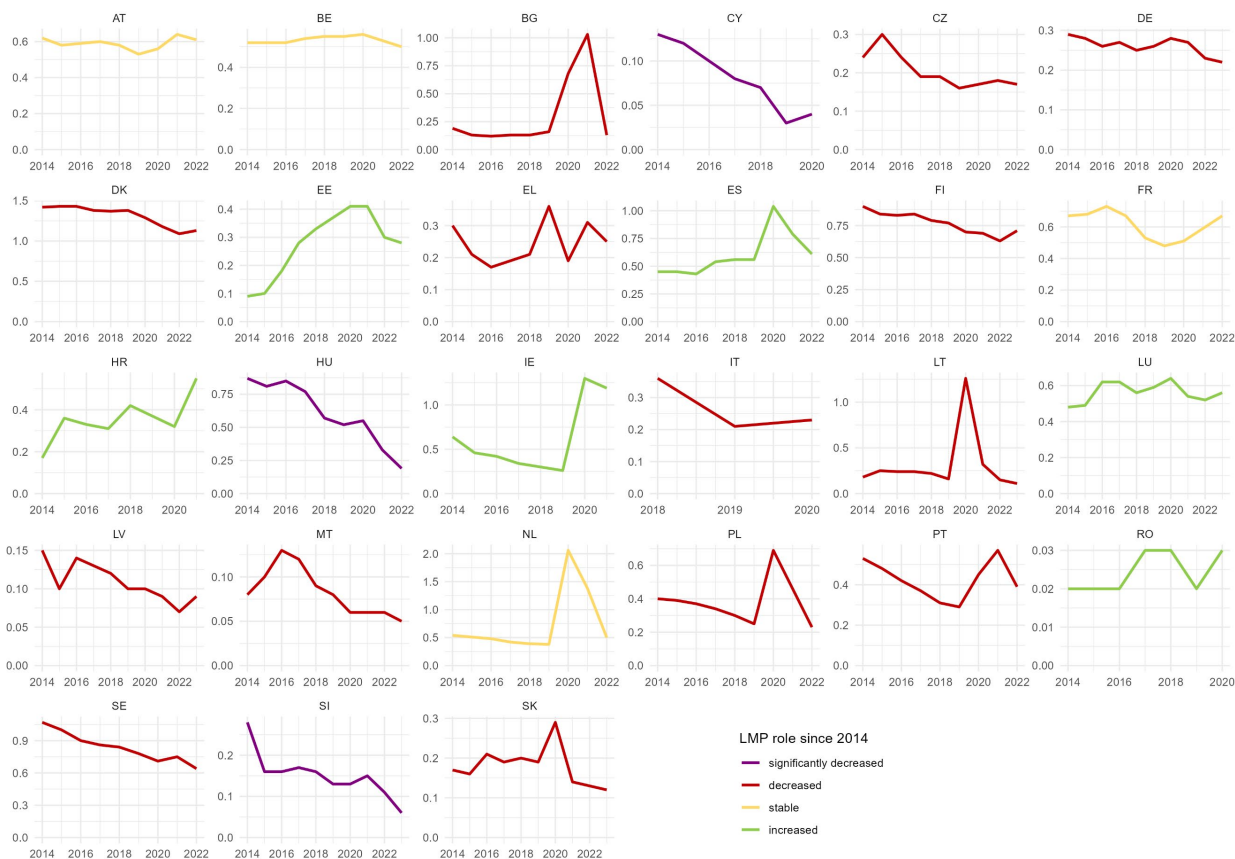
Source: Eurostat [lfsi_long_a]

[Click here to download figure.](#)

Figure A1.2

Member States followed different expenditure paths in LMP measures

Expenditure on LMP "measures" database as % of GDP over the recent 10 years



Source: LMP database [LMP_IND_EXP]

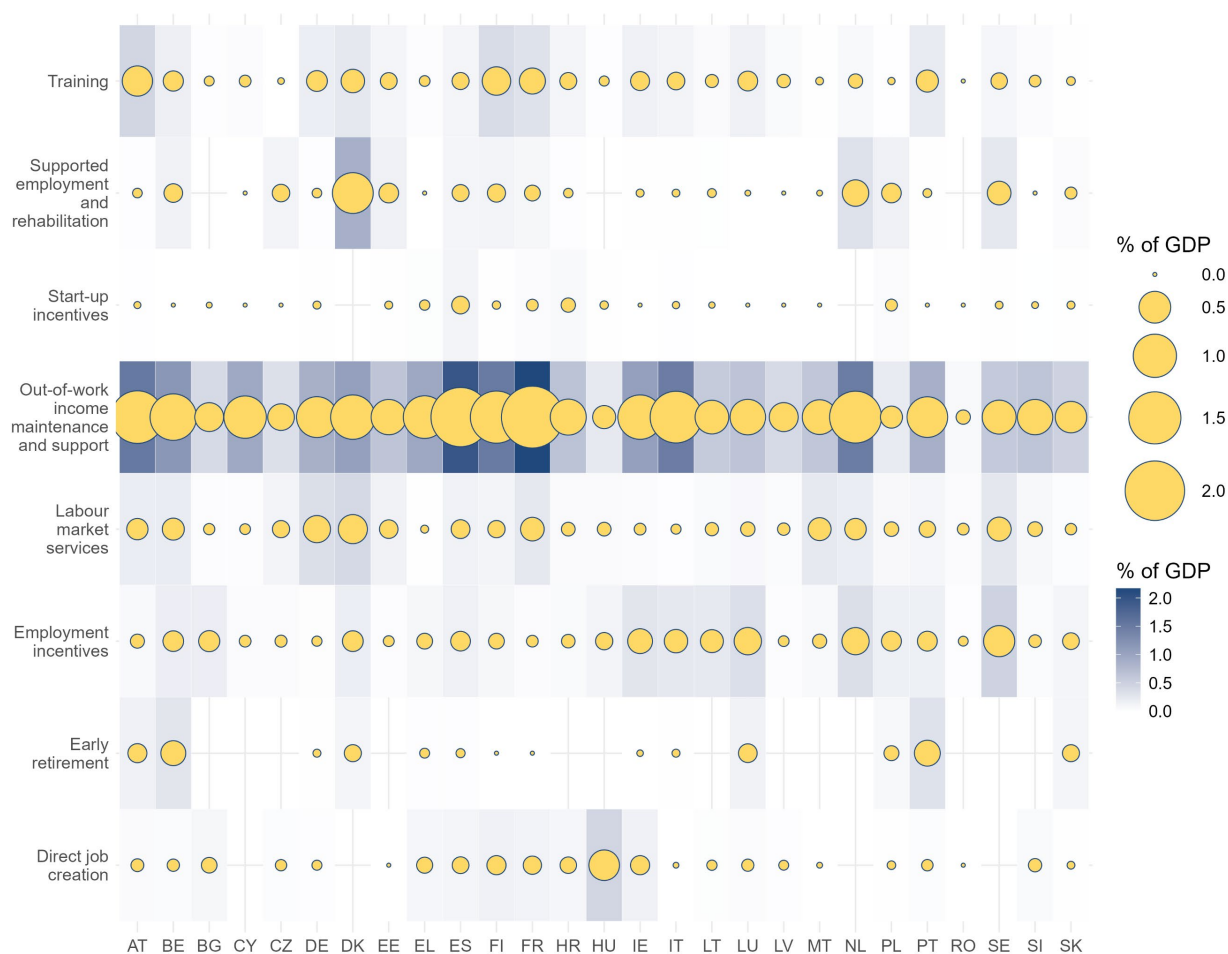
[Click here to download figure.](#)

⁽¹⁰⁵⁾ In the second quarter of 2021 compared to the same quarter a year ago, net social benefits dropped by 48.8% and taxes on income and wealth increased by 6.7%.

Figure A1.3

Out-of-work income maintenance and support dominated other LMP expenditure

Average expenditure recorded in the LMP database as % of GDP over the recent 10 years



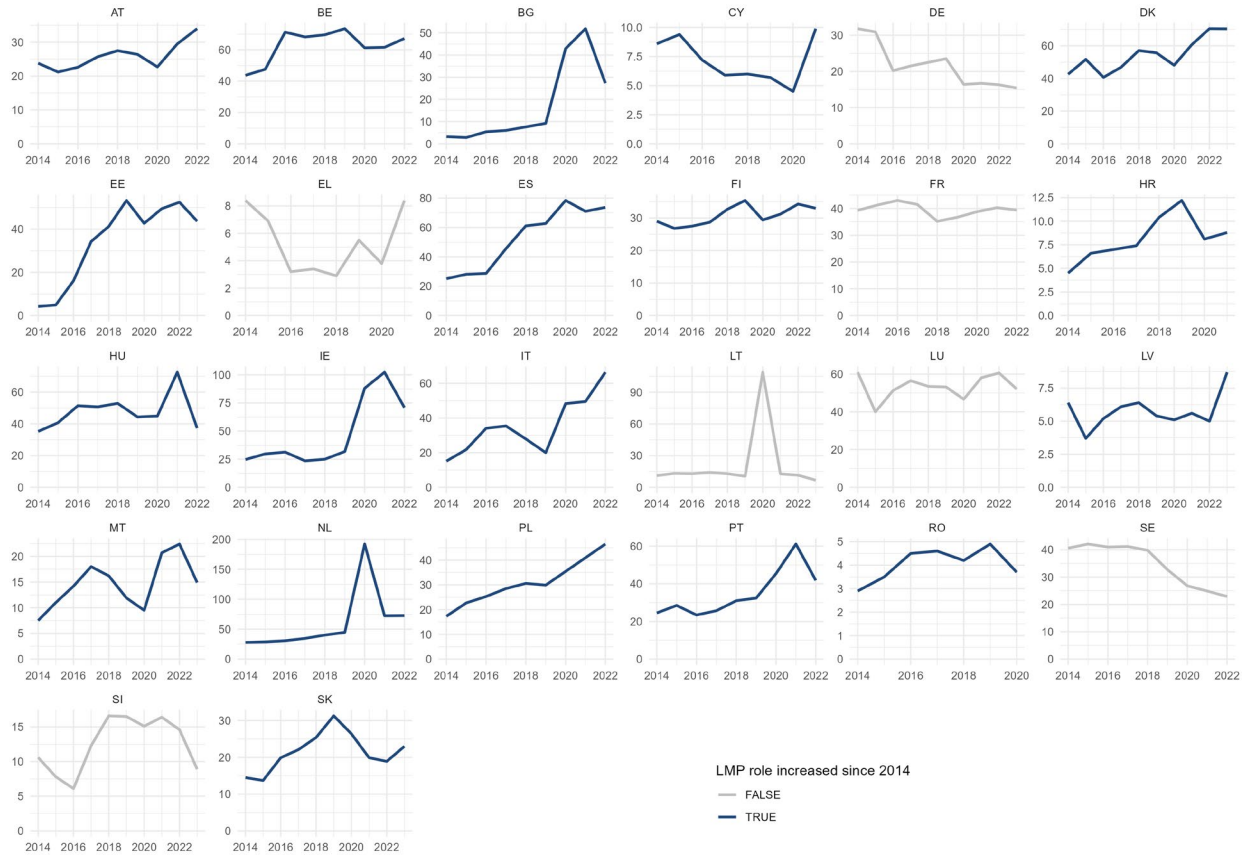
Source: LMP database [LMP_IND_EXP]

[Click here to download figure.](#)

Figure A1.4

The role of LMP increased in the majority of Member States in terms of participants

LMP participants per 100 persons wanting to work



Source: LMP database [LMP_IND_ACTSUP]

[Click here to download figure.](#)

Untapped sources of labour in the EU

1. INTRODUCTION⁽¹⁰⁶⁾

Achieving high levels of employment is at the heart of the EU economic and social model, providing a foundation for both economic growth and social cohesion. Over the last year, the EU's labour market performed strongly and reached record employment levels and low unemployment. Despite this strong performance a large share of companies and in particular small and medium enterprises (78%) report labour and skills shortages that hold them back in their activities.⁽¹⁰⁷⁾

Long term trends such as demographic change and changing skills requirements linked to the green and digital transition risk to exacerbate labour and skills shortages. In particular, the shrinking of the working age population by one million persons every year up to 2050 will lead to significant reductions in labour supply. This can also have negative implications for the EU's competitiveness and growth prospects as well as for the financial stability of the pension and social protection systems in the EU. At the same time, the aging of the EU society implies higher number of people above working age, who are exposed to higher poverty risks.

In this context, it is crucial to fully tap into the labour market potential of underrepresented groups and ensure their integration in the labour market. Currently, almost 20% of the EU's working age population is outside the labour market. This notably concerns women, younger and older persons, migrants, and persons with disabilities.

This analysis focuses on assessing the potential for bringing additional labour supply into the EU labour market. It starts by examining who belongs to groups underrepresented in the labour market and then looks at how ready these groups are to participate in the labour market, explores what barriers hold them back from participating, and tries to quantify the effects of different barriers on participation wherever EU-level data is available. Additional labour supply could also come from people who are underemployed, that is those who work fewer hours than they would ideally want to, which is briefly explored towards the end of the chapter.

⁽¹⁰⁶⁾ This chapter was written by Jakub Caisl, Argyrios Pisiotis and Kilian de Kruyf Molina with contributions by Miriam Carracedo Marsinach, Anja Puc, and Massimiliano Mascherini and Marielena Krieg from Eurofound.

⁽¹⁰⁷⁾ Eurobarometer 'European Year of Skills – Skills shortages, recruitment and retention strategies in small and medium-sized enterprises', September 2023.

2. GOING BEYOND THE CURRENT LABOUR FORCE

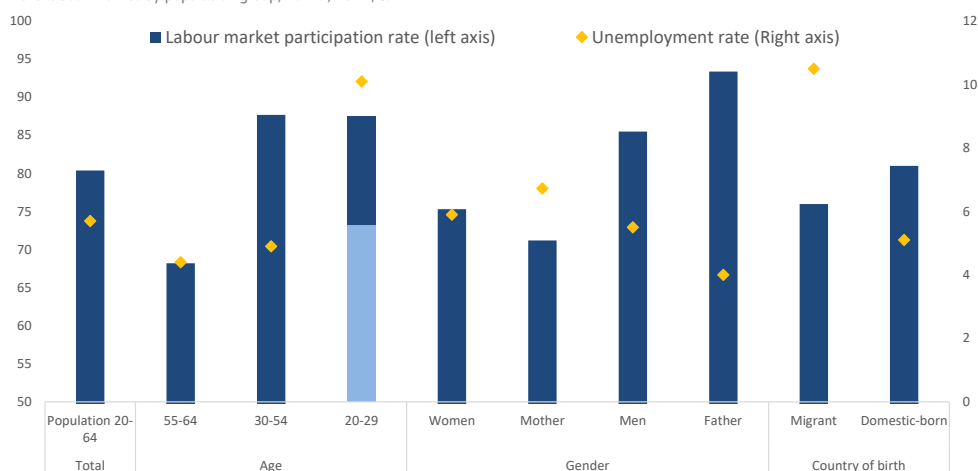
2.1. People outside the labour force

In 2024, there were about 260 million people aged 20 to 64 in the EU, out of which 209 million participate in the labour market.⁽¹⁰⁸⁾ This rate is slightly higher (by about one to two percentage points (henceforth pp) than in the US or China.⁽¹⁰⁹⁾ Within the 209 million participating in the labour force, 197 million are employed (three out of four people aged 20 to 64) and 12 million are unemployed, most of whom (7.7 million) experience short spells of unemployment.⁽¹¹⁰⁾ After halving since its 2013 peak at 11.6%, the current unemployment rate is below the natural unemployment rate of 6–7%⁽¹¹¹⁾ (i.e. the unemployment rate that would exist in an economy operating at its full potential) in the EU. Within the 12 million unemployed, about 4 million experience unemployment for over a year,⁽¹¹²⁾ which in turn makes job search more challenging as skillsets and capabilities risk to become outdated over long periods without work. In this sense, the situation of the long-term unemployed often resembles that of people who have been outside the labour market for long periods of time (see section 2.2.).

Chart 2.1

Lower labour market participation of women, older persons and migrants

Participation rates in the labour market by population group, EU-27, 2024, %



Note: Statistics for non-students, mothers and fathers are calculated from 2023 EU-LFS microdata. For those aged 20-29, the part of the bar in dark blue represents those who are non-students.

Source: Eurostat [lfsi_emp_a]; [lfsa_argacob]; [une_rt_a]; [lfsa_urgan]; [lfsa_pgacws] and author's calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

The participation of women, older people aged 55-64, and migrants is lower than average. Almost one third of older workers and one fourth of women and migrants do not participate in the labour market (Chart 2.1). For the purposes of this analysis, migrants are those individuals residing in the EU who were born outside of the EU, unless explicitly stated otherwise (see Annex A2.3.). Excluding students, almost nine in ten young people (aged 20-29) participate in the labour market, exceeding the average participation of working age population.⁽¹¹³⁾ Participation rates of prime-aged individuals, men and domestic-born⁽¹¹⁴⁾ are also above average. Participation can vary considerably within these groups. For example, only about 70% of women living in households with children below six years of age participate in the labour market, compared to about over 93% of men. Participation also varies considerably by country (Chart 2.3). The participation of other groups not examined in this report- such as Roma, is also much lower than the average.

⁽¹⁰⁸⁾ According to ILO classification, people can be classified as employed, unemployed and outside the labour force. Employed and unemployed people are considered as participating in the labour market (this term is used interchangeably with the term 'labour force' in this report). People outside the labour market are those that are neither employed nor unemployed.

⁽¹⁰⁹⁾ Based on labour force participation rate (for age groups 15-64, as age group 20-64 is not available) modelled estimates published by the ILO, downloaded in June 2025 from ILOSTAT Data Explorer

⁽¹¹⁰⁾ Based on Eurostat [lfsa_pganws] and [lfsa_ugad]. Short spells are equal to less than 12 months.

⁽¹¹¹⁾ See (European Commission: Directorate General for Economic and Financial Affairs, 2020), (Czech National Bank, 2023) and (Bank of Finland - Nelimarkka, J. and Vilmi, L., 2024)

⁽¹¹²⁾ Based on Eurostat [une_ltu_a]

⁽¹¹³⁾ Almost one in four (24%) people aged 20 to 29 indicate studies as their main activity status. (calculation based on Eurostat EU-LFS microdata)

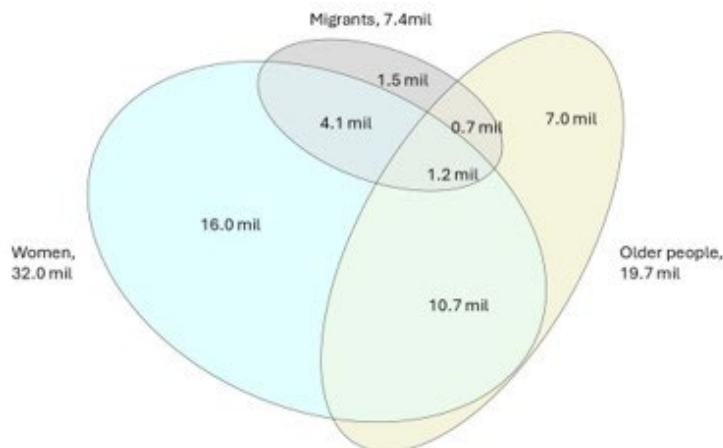
⁽¹¹⁴⁾ For the purposes of this report, domestic-born include both people born in reporting country and people born in other EU Member States living in reporting country. The latter group tends to account for small shares of national populations and have somewhat higher labour market participation than people who were born in reporting countries.

Together, women, older persons and migrants account for over 80% of those outside the labour market (compared to about two thirds of the overall population). Of the 51 million outside the labour market, about 32 million are women, 19.7 million are older persons (aged 55-64), and 7.4 million are migrants. These groups have considerable overlaps – for example, more than half of the older persons (12 million) are women.

Figure 2.1

Women, older persons, and migrants account for 41 out of 51 million people outside the labour market

Outside-the-labour-market population size by population group, EU-27, 2024



Note: Aggregate figures for each group may differ slightly from sums across their components due to rounding issues.

Source: Eurostat [lfsa_pgacws]

[Click here to download figure.](#)

Almost 45% of the persons aged 20 to 64 with disabilities do not participate in the EU labour market. Persons with disabilities are not covered in as comprehensive a way as women, older persons and migrants are in the EU labour market data.⁽¹¹⁵⁾ This chapter therefore covers the labour market participation of persons with disabilities separately in Box 2.1, complementing the limited EU-level data with statistics and qualitative information from other data sources.

The proportion of working age population participating in the labour market increased over time, from almost 75% in 2013 to 80.4% in 2024 (Chart 2.2). This general trend hides considerable differences in participation of women, older people and migrants. Older people saw the sharpest increase in participation over this period, reflecting a corresponding increase in the employment rate (from 47.9% in 2013 to 65.2% in 2024) of this group. This is linked to improved health and life expectancy of older people, higher educational attainment of successive population cohorts, and policy changes to retirement systems, unemployment and disability insurance schemes. Women also saw a considerable increase in participation (from 69.1% to 75.3%), in line with broadening availability of affordable early childhood education and care, implementation of new work-life balance policies, and growing acceptance of working motherhood (section 2.4.). The proportion of migrants who are part of the labour force also increased slightly over this period, from 73.6% in 2013 to 76% in 2024.

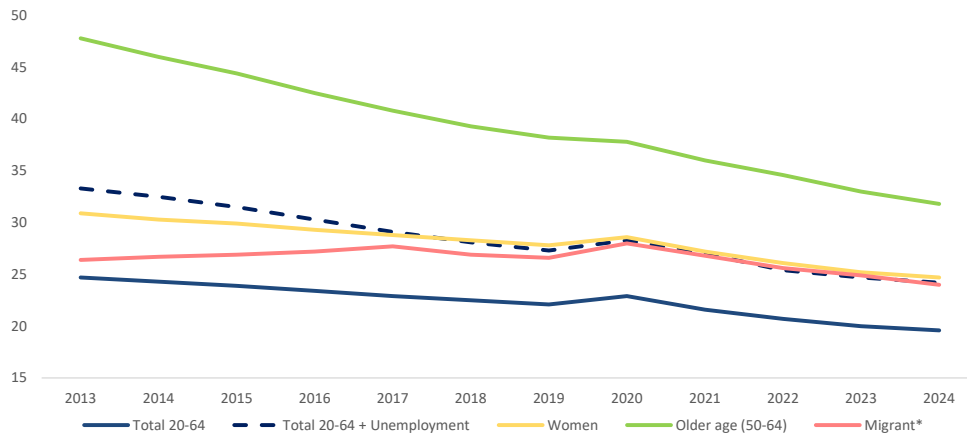
In all Member States, women make up a larger share of persons outside the labour force than men. (Chart 2.3, panel a). In Finland, Estonia and Lithuania, women account for slightly over a half of all those not participating in the labour market. However, in several other countries they account for more than two thirds (Italy, Romania, Cyprus, Czechia, Greece, Malta). This variation reflects considerable cross-country differences in factors that are known to affect labour market participation of women (see section).

⁽¹¹⁵⁾ The Eurostat EU-LFS has started covering disability status since 2022 (on biennial basis) and it does not focus on particular challenges faced by persons with disabilities when entering the labour market.

Chart 2.2

Share of people out of the labour force declined over time, notably among those aged 55-64

Proportion of people outside the labour force by population group, EU-27



Note: *For migrants, there is a data break in the time series in 2021, due to revisions to the EU-LFS data collection undertaken that year. For other population groups, trends are smoothed over time by Eurostat.

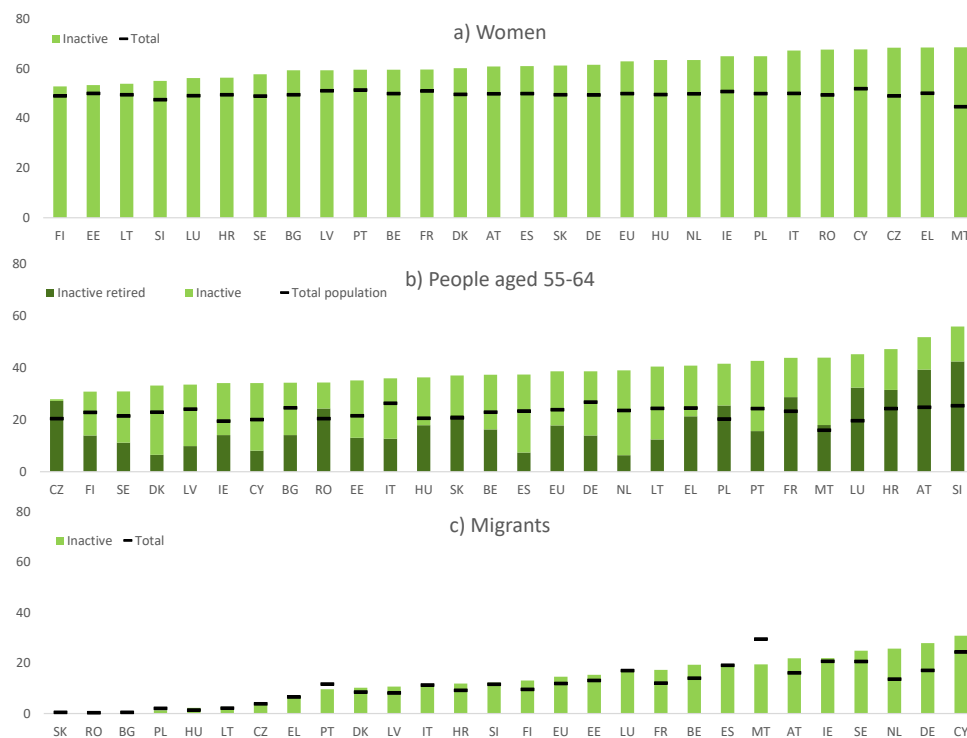
Source: Eurostat [lfsa_argacob] (for migrants) and [lfsi_emp_a] (for other groups)

[Click here to download chart.](#)

Chart 2.3

Women, older persons and migrants account for different proportions of people outside the labour market in different Member States

Proportion of selected population groups among outside-the-labour-market and total population aged 20-64, by Member State, 2024



Note: The proportion of retired persons among population outside the labour market is calculated based on 2023 EU-LFS microdata. Data on proportion of migrants in population outside the labour market unreliable for BG and RO, and missing for SK.

Source: Eurostat [lfsa_argacob] (for migrants) and [lfsi_emp_a] (for other groups)

[Click here to download chart.](#)

Older people are more likely to be outside the labour market compared to any other age group in all Member States, even though the size of this difference varies by country (Chart 2.3, panel b). While in Czechia older people account for less than a third of all people outside of the labour market, in Slovenia they account for over a half. Yet, in both countries people aged 55-64 account for about 20 to 25% of the working age population. This variation is linked to differences in retirement rates and retirement schemes reviewed in section 2.4. and Chapter 3. In the four countries where older people account for the highest share of those outside the labour market (over 45% in LU, HR, AT, SI), this is largely due to high shares of retirees (who account for close to or above 30% of non-participants). In other countries, retirees usually account for less than a fifth of people outside of the labour market, except for some countries mostly in Central and Eastern Europe (CZ, RO, SK, EL, PL, FR). For intersections of various groups see Figure 2.1.

The share of migrants among people outside of the labour market varies the most across countries, reflecting large national differences in the share of migrants in overall population (Chart 2.3, panel c).

In several Eastern and Central European countries, migrants are a very small percentage of both the total population and those outside the labour market (SK, RO, BG, PL, HU, LT, CZ). In other countries where migrants account for higher shares of working age population, different patterns can be observed. In a number of countries (DK, LV, HR, FI, EE, FR, BE, AT, IE, SE, NL, DE, CY), migrants account for higher shares of people outside the labour market than the overall population. In contrast, the share of migrants outside the labour force is similar or somewhat less than their share in the total population in Southern Europe (EL, PT, IT, ES, MT), Slovenia, and Luxembourg.

Higher labour market participation was associated with higher employment. In 2024, the unemployment rate was low at EU level, amounting to 5.9% of the workforce compared to 11.6% in 2013. Together, the proportion of those outside the labour force and those unemployed in the overall working age population dropped by about 11 pp over this period, from 34% to 23% (Chart 2.2). Overall, the patterns of unemployment and participation differ across population groups. Unemployment rates decrease with age, starting at 10% for people aged 20-29 and dropping to about half that for people aged 55-64 (the opposite is true for the share of population outside the labour market, as discussed above). Differences by gender are limited (less than one pp), even though they increase somewhat when focusing on parents. Differences in unemployment rates between migrants and domestic-born are more pronounced than in the case of staying outside of the labour market, with the unemployment rate of migrants reaching about double that of domestic-born. The correlation between unemployment and inactivity across countries is negligible (Chart A2.1). This highlights that unemployment and low participation are distinct phenomena, and underlying challenges need to be analysed separately.

Box 2.1: Labour market participation of persons with disabilities

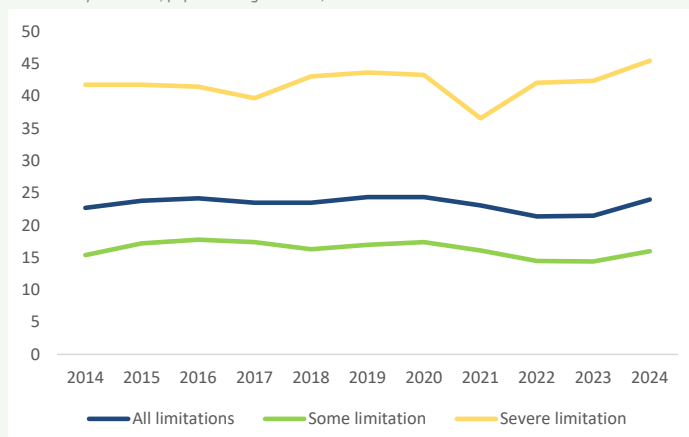
In this report, **persons with disabilities are understood as ‘those who have long-term physical, mental, intellectual or sensory challenges which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others’**, following the definition outlined in the UN Convention on the Rights of Persons with Disabilities. However, this definition is challenging to capture precisely in EU-wide sources of socio-economic data, which usually resort to identifying disability based on one or more survey questions exploring self-perceived limitations in activities due to health problems. This box relies on statistics on persons with disabilities either from EU-SILC or EU-LFS data. EU-SILC offers yearly statistics on disability status of respondents over a long span of time and is used to calculate the difference in employment rates of persons with and without disabilities (also called disability employment gap).⁽¹⁾ In addition, EU-LFS is used to measure participation of persons with disabilities in education, training and the labour market, but these data are only available for 2022 and 2024. In both EU-SILC and EU-LFS, persons with disabilities are those who indicate either severe or some (moderate) limitations in physical activities because of health problems.

About one sixth of the EU population aged 20 to 64 (17%, about 44 million) reported having disabilities in 2024. Of these, 12.7 pp declared some disability and the remaining 4.4 pp a severe one.⁽²⁾ The share of working age persons with severe disabilities declined by 1.2 pp (about a fifth) over the last decade. In 2013, 21% reported having disabilities, with 15.4% reporting moderate and 5.6% severe disabilities.

Chart 1

Disability employment gap increases with severity of disability

Disability employment gap by level of activity limitation, population aged 20-64, EU-27



Note: 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

Source: Eurostat [hlth_dlm200]

There is a significant potential to improve the labour market participation of persons with disabilities. In 2024, just over 56% of persons aged 20 to 64 with disabilities (about 25 million) participated in the labour market compared to about 84% of those without disabilities.⁽³⁾ There were also considerable differences in participation rates by degree of disability – about one third of persons with severe disabilities participated, compared to two thirds of those with moderate ones. Differences of a similar magnitude can be observed in employment rates, with the disability employment gap standing at about 24 pp in 2024, a slight increase compared to 22.7 pp in 2014 (Chart 1).⁽⁴⁾ Higher national levels of labour market participation of population without disabilities do not necessarily correspond to higher labour market participation of those with disabilities, which points to the fact that persons with disabilities encounter specific challenges to labour market participation that differ from those faced by the rest of the working age population (summarised in section 2.4).⁽⁵⁾

Challenges in entering the labour market for persons with disabilities are linked to specific barriers (e.g. inaccessible processes and environment), differences in attitudes and environmental factors surrounding them in the world of work. While possible health challenges (particularly more severe ones) can limit the type of

⁽¹⁾ While Eurostat EU-LFS offers more robust statistics on employment, the data on disability was collected only in 2022 and 2024. The European Health Interview Survey (EHIS) offers the most comprehensive data collection on health status and disability but is only carried out once every six years, with the latest wave of data collection carried out in 2019.

⁽²⁾ Based on Eurostat [hlth_silc_28]. Individuals report having, some, severe, or no disability. This only presents figures for the population with the citizenship of the reporting country.

⁽³⁾ Based on Eurostat [lfsa_argaedd]

⁽⁴⁾ Based on Eurostat [hlth_dlm200]

⁽⁵⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, Human european consultancy and Grammenos, S., 2023)

(Continued on the next page)

Box (continued)

work one can undertake,⁽⁶⁾ it is often the broader economic, environmental, social and cultural barriers that contribute to low participation of persons with disabilities in the labour market according to Oliver (2013).⁽⁷⁾ These include stereotypes and prejudices; employers' lack of knowledge of respective obligations,⁽⁸⁾ available support for persons with disabilities (financial support and funds, and different kinds of support in information or recruitment services); lack of accessibility or affordability of transport systems; difficult to access job-related information (including access to job offers); and hiring processes and workplaces that do not accommodate for needs of persons with disabilities. In general, employers tend to overestimate the cost of employing persons with disabilities, both in terms of the need to accommodate for their needs and their productivity, and do not focus on their potential.⁽⁹⁾ This is particularly often the case in small companies, where human resources services are less developed.⁽¹⁰⁾ Additionally, barriers to health access or lack of self-confidence could also play a role.⁽¹¹⁾

The above challenges are compounded by existing barriers in education and training opportunities that affect educational attainment of persons with disabilities. In 2024, at EU level, the share of persons with disabilities aged 25 to 34 who have completed tertiary education was 30% compared to 45.9% of persons without disabilities,⁽¹²⁾ while rates for those not in education or training (NEET) were two to three times as high for persons with disabilities compared to the rest of the population.⁽¹³⁾ Participation in education and training during the last 12 months for population aged 25 to 64 involved 23% and 30.4% of persons with and without disabilities, respectively.⁽¹⁴⁾ Research estimates that around a tenth of the disability employment gap in the EU can be attributed to the disability education gap, with this proportion rising to a fifth when focusing on young people.⁽¹⁵⁾ The gaps in labour market participation of persons with and without disabilities are considerably smaller for those with tertiary education (about 15 pp) than for those with lower levels of education attainment (about 20-30 pp depending on the level of education achieved).⁽¹⁶⁾

The risk of losing disability status and associated benefits when taking on employment may also discourage persons with disabilities from entering the labour market.⁽¹⁷⁾ Depending on the national design of disability benefit schemes, these may be at least partly conditional on being out of employment. Finding employment may therefore lead to losses in overall earnings, especially in cases where employment is low paid (which is not uncommon in these cases), creating a so-called 'benefit trap'. Similarly, certain designs of social protection systems can encourage leaving employment in order to receive disability benefits (see Chapter 3 for more detail).

⁽⁶⁾ These limitations are often very specific to the disability one faces, but unfortunately, this is not well captured in data. Neither Eurostat EU-SILC nor EU-LFS collect regular data on the type of disability respondents face, so they cannot really be used to assess the effects of specific disabilities on employment. Note however that Eurostat EU-SILC 2022 included a specific module on health, to be repeated every three years.

⁽⁷⁾ (Oliver, 2013), (Barslund et al., forthcoming)

⁽⁸⁾ Such as the Employment Equality Directive, Legislation - Employment Equality Directive (2000/78/EC) - European Commission

⁽⁹⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024d)

⁽¹⁰⁾ (Jasper and Walldhart, 2012), (Kuznetsova and Yalcin, 2017)

⁽¹¹⁾ (World Health Organization, 2011)

⁽¹²⁾ Based on Eurostat [edat_lfs_9920]

⁽¹³⁾ Based on Eurostat [edat_lfse_40] and [edat_lfse_39]

⁽¹⁴⁾ Based on Eurostat [trng_lfs_24]

⁽¹⁵⁾ (Albinowski, Magda and Rozszczypała, 2024)

⁽¹⁶⁾ Based on Eurostat [lfsa_argaedd]

⁽¹⁷⁾ (European Commission: Directorate-General for Employment, Social Affairs and Inclusion, Manoudi, A., Duell, N. and Pavlovaite, I., 2025), (World Health Organization, 2011)

To address the reasons behind the low participation in the labour market of these specific groups the next section investigates first their human capital and skills acquisitions, as a factor behind their employability; then section 2.3. explores the willingness and availability to work as, at times, such status results from a choice; and, finally, section 2.4. digs into structural barriers that are either common to all groups or specific to each one of them. While treated separately, willingness to work, human capital and specific barriers do influence and affect each other. For example, and as discussed in what follows, the effort required to overcome some barriers might affect the willingness to enter the labour force. Similarly, low educational attainment affects the level of human capital and hence constitutes an important barrier.

2.2. Human capital of people outside of the labour force

When trying to attract additional people to the labour market, it is important to understand whether their skills can be matched with available job opportunities. To assess this, this section explores available data from the EU Labour Force Survey on having recent work experience, as this is a relevant channel of skills acquisition, and on the highest level of achieved formal education. For educational attainment, the analysis

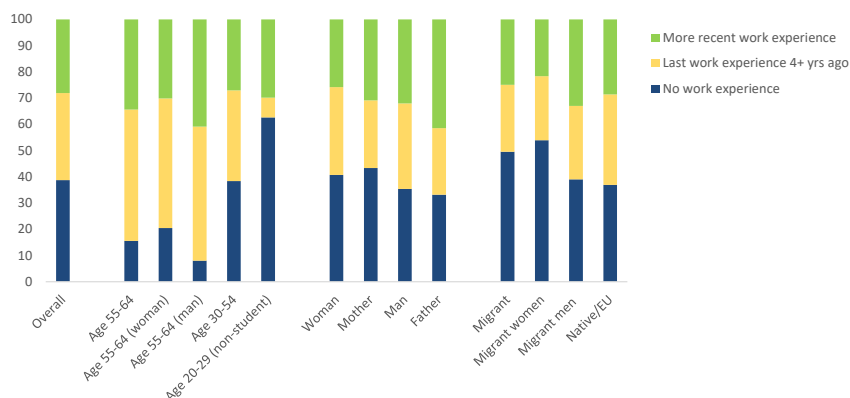
includes changes over the last decade. Analysis over the last decade is not possible for work experience due to important revisions of data collection that took place in 2021.

Almost three out of four people that do not participate in the labour market have either none or no recent work experience, which suggests that they may find entering the labour market more challenging. Nearly four in ten have never worked before (apart from purely seasonal work), another third last worked four or more years ago (Chart 2.4). This means that out of the 51 million people currently outside the labour force in the EU, only about 14 million have worked over the last four years.⁽¹¹⁶⁾

Chart 2.4

Most people outside the labour market do not have recent working experience

Proportion of people outside of the labour market by work experience and population group, EU-27, 2023



Note: Data on migration status not available in Malta

Source: DG EMPL calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

The lack of work experience is particularly problematic among older persons from which at least some previous employment history is usually expected when looking for jobs. Out of the almost 20 million people aged 55 to 64 outside of the labour force, around half of them had no work experience in the last four years⁽¹¹⁷⁾ and 15% have never worked. Thus, only about a third (7 million) have recent work experience, a proportion that is only somewhat lower than for those aged 20–29, some of which did not even have the chance to enter the labour market due to their studies. Around 4 in 5 older persons outside the labour force with no work experience at all are women, the majority of which report that this is because of fulfilling domestic tasks.

Among those who do not participate in the labour market, women and migrants tend to have somewhat less work experience than others. Around 40% of women outside the labour market have never worked and a further one third did not work in the last four years, compared to 35% and 33% of men respectively (broadly similar proportions can be observed among mothers and fathers).⁽¹¹⁸⁾ This reflects the fact that once they finish their studies, more women than men stay outside the labour market because of family and care responsibilities, structural or cultural factors. Around half of migrants outside the labour market have never worked and a quarter did not work in the last four years, compared to 37% and 34% of domestic-born, respectively. The high share of migrants who have never worked partly reflects their younger age profile compared to domestic-born, which means that they have on average less time to accumulate work experience. Yet, there remain considerable experience gaps even within specific age groups, notably prime-aged workers (almost 50% without working experience among migrants compared to 35% among domestic-born). The lack of work experience is even more pronounced for migrant women, over half of which have never worked compared to about 40% of migrant men. Not surprisingly, the highest share of those without work experience is recorded for young people at 63% as they only recently reached working age and previously attended schooling.

People outside the labour force have considerably lower levels of educational attainment than the overall population, which can make their labour market integration more difficult. In 2023, over a third of people outside the labour force (about 17 million) achieved at best lower secondary education (Chart 2.5), compared to less than a fifth of the overall working age population.⁽¹¹⁹⁾ Moreover, only 17% of people outside

⁽¹¹⁶⁾ See: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_Labour_Force_Survey_-_new_methodology_from_2021_onwards#SE_MAIN_TT

⁽¹¹⁷⁾ Note that the lack of work experience in the last four years is not due to the fact that some in this group may have already retired.

⁽¹¹⁸⁾ The gender gap in work experience is more pronounced when young students are excluded from the analysis. When young students are excluded from the analysis, 34% of women outside the labour force report having no previous work experience compared to 22% of men.

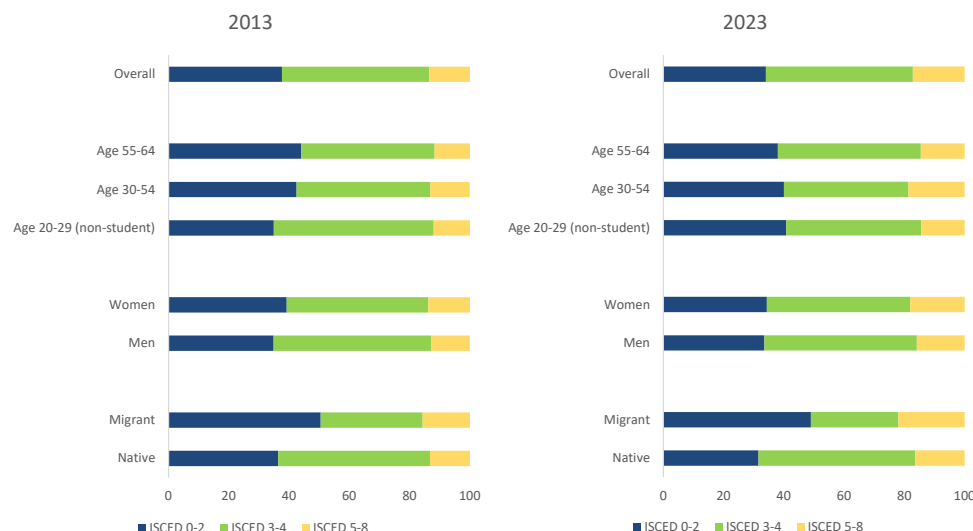
⁽¹¹⁹⁾ Based on Eurostat [lfsa_pgaed]

the labour market obtained tertiary qualifications compared to about a third of working age population. While tertiary education attainment improved among people outside the labour market between 2013 and 2023 (from 13.5% to 17.2%), the pace of improvement was considerably slower than among the overall population (from 25.8% to 33.7%). Thus, the gap in tertiary educational attainment between people outside the labour market and the overall population grew over time, from 12.3 pp in 2013 to 15.5 pp in 2023.

Chart 2.5

Over a third of people outside the labour market have not completed upper secondary education

Proportion of people outside of the labour market by educational attainment and population group, EU-27



Note: Data for migrants not available in Malta (2013 & 2023) and Germany (2013). Educational attainment statistics do not change substantially for migrants if Germany is also excluded in 2023 for comparability reasons.

Source: DG EMPL calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

The educational attainment of people outside the labour force varies little by gender and age, but migrants have much more polarised educational attainment profiles than domestic-born. On the one hand, migrants had a higher tertiary education attainment rate (22%) than domestic-born (16%) in 2023 (Chart 2.5). On the other hand, almost half of migrants achieved at most lower secondary education, compared to less than a third of domestic-born. Both these differences increased over time, the first due to a larger increase in tertiary education attainment of migrants, the second due to a sharper decline in low educational attainment of domestic-born. In terms of age, the share of low educated young people outside of the labour market (excluding students) has increased slightly over the last 10 years.

Taken together, people with no (recent) work experience or low educational attainment account for over 85% of all people outside of the EU labour market. In other words, out of the 51 million currently not in the world of work, only about 7.5 million have both at least upper secondary education and have worked recently and thus are more readily available to enter the labour market. For the others, the path towards finding employment is likely to be more challenging, which is important to keep into account when thinking about further activation potential in the EU.

Among young people who do not work and have low educational attainment, many do not pursue further studies or vocational training (these people are often referred to as not in employment, education or training - NEETs). This has important consequences for their labour market attachment in the future, generating long-term economic and social costs (see Box 2.2). Among others, incentivising the integration of NEETs in the labour market would be particularly beneficial to sectors that experience labour shortages or are in urgent need of generational renewal due to the high average age of current workers, such as the agri-food sector.

Box 2.2: NEETs: economic and social costs

The NEETs⁽¹⁾ concept, denoting young people "not in employment, education or training," has gained prominence in recent years for measuring youth disengagement and vulnerability. It captures young people (aged 20–29) who are unemployed or not participating in the labour market, while at the same time not taking part in education or training. NEETs are a very heterogeneous group, with short spells of unemployment common among some, especially among first job seekers, while others might face multiple disadvantages.⁽²⁾ It is important to highlight that NEET rates are closely linked to economic fluctuations in the business cycle, with economic crises and recessions having a particularly adverse and long-lasting impacts on the labour market prospects of young people.⁽³⁾ Despite a considerable decrease in the last decade, 14.1% of young people aged 20–29 were NEETs in the EU in 2023, corresponding to more than 6.8 million people, against 19.2% in 2011, corresponding to 10.3 million.

Spending protracted time neither in employment, education nor training has profound negative implications for a young person and has costs to the whole society. It can lead to serious disadvantages such as poor and unstable employment prospects over the life course, mental and physical health problems, and an increased likelihood of engaging in asocial behaviour.⁽⁴⁾ The social disconnection and the limited financial resources of NEETs could prevent them from engaging in activities that would ensure their full participation in society, hence possibly leading to alienation and an increased risk of radicalisation. From a societal point of view, higher NEET rates are associated with lower accumulation of human capital for future productivity, inefficiencies in use of talent in the production of goods and services and higher spending on welfare support.

In order to provide a comparable, yet conservative, estimation of the total societal cost of NEETs for European economies, the Eurofound costing framework⁽⁵⁾ considers resource and public finance costs.

Resource costs comprise losses to the economy linked to NEETs not participating in the labour market, i.e. the difference between their potential and actual economic outputs (including gross employee cash and non-cash income, gross cash benefits or losses from self-employment, pensions from individual private plans and the value of goods produced for own consumption). Public finance costs refer to the additional transfers and benefits a young person in the NEET group receives as compared to a non-NEET counterpart including gross unemployment, sickness and disability benefits as well as education-related allowances. These estimates provide a conservative measure of the total societal costs related to NEETs. For example, they do not cover the higher likelihood of mental and physical health problems among NEETs.

The annual economic loss of leaving one young person outside the labour market and education in 2023 corresponds to EUR 14,625, of which EUR 13,402 are resource costs and EUR 1,224 public finance costs.

In all countries, resource costs exceed the public finance ones. The latter range from around EUR 5 per NEET per year in Bulgaria, followed by EUR 82 in Romania and EUR 91 in Greece to EUR 2,800 in Ireland, EUR 4,976 in Belgium and around EUR 6,660 in Denmark. These cross-national differences largely reflect national differences in generosity of welfare systems and access to certain benefits (e.g. unemployment), with very low costs implying low levels of support for young people outside of employment and education. Resource losses are the lowest in Bulgaria (EUR 2,520), Romania (EUR 2,778) and the highest in the Netherlands (EUR 27,124), Luxembourg (EUR 25,132), and Belgium (EUR 23,760).

Considering the entire NEET population, these estimates yield an overall economic loss of around EUR 99.6 billion, corresponding to 0.62% of GDP. While this is still significant, it represents a substantial reduction in the total cost of NEETs from EUR 111.5 billion or 0.98% of GDP in 2011. The decline was driven by the shrinking size of the cohort of NEETs and growth in GDP. The economic burden in 2023 varies considerably between the Member States and is the highest in Greece (1.15 % of GDP) and Italy (1.1% of GDP). In all other countries, the cost of NEETs is less than 1% of GDP, and is the lowest in Sweden (0.27% of GDP), Luxembourg and Poland (both around 0.3% of GDP).

⁽¹⁾ Box written by Massimiliano Mascherini, Marielena Krieg – Eurofound

⁽²⁾ For a full overview on the different categories of NEETs, please see: (Eurofound, 2016)

⁽³⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2022)

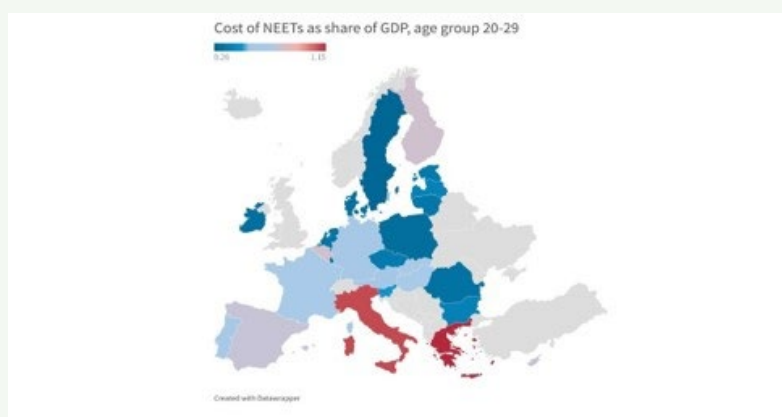
⁽⁴⁾ (Mascherini, 2018)

⁽⁵⁾ The propensity score matching is used to match NEETs with their non-NEETs statistical twin and compute the difference in foregone earnings and welfare transfers. To capture only those NEETs more distant from labour market and education, a young person aged 20–29 in this framework is defined as NEET, if they have been out of employment, education or training for 6 or more non-consecutive months in the past 12 months. Original estimations are converted into current (2023) prices using the harmonised consumer price index available at MS level by Eurostat. The annual unit public finance and resource costs are first calculated at individual level for each Member States and multiplied by the number of NEETs for each MS, before being aggregated to EU totals. See also: (Eurofound, 2012).

(Continued on the next page)

Box (continued)

Figure 1

Cost of NEETs is the highest in the South of Europe

2.3. Availability to work

To achieve higher labour market participation, personal preferences of people outside the labour market, notably their availability to work, also matter. Some people may not consider working again, e.g. because they are retired or because they have long-standing health issues that prevents them from doing so. Others may not be available to work temporarily due to their current circumstances, e.g. because they are caring for children or adults at home. And then there are, on the other hand, those who may not be actively looking for employment but would still like to work.

Currently, about one fifth of people outside of the labour market want to work (about 10 million), a proportion that did not change much over the last decade (Chart 2.6). The EU-LFS data allows to explore the availability to work by asking people who are not currently searching for employment whether they would nevertheless like to work. In this survey, around 20% of the underrepresented people indicated to be willing to work, a proportion that does not vary much by gender overall, but differs when looking at parents of young children – over a third of fathers would like to work, compared to less than a quarter of mothers.

Migrants outside the labour force would like to work more often than domestic-born. In 2023, over 30% of migrants wanted to work, compared to about 18% of domestic-born, a difference that increased noticeably since 2013 (where corresponding proportions were 27% of migrants compared to 20% of domestic-born). This is at least partly because a lower share of migrants is near retirement age (25% are between 55 to 64 years of age) than domestic-born (42%).⁽¹²⁰⁾ A considerably higher share of migrant men (37%) would like to work compared to migrant women (28%).

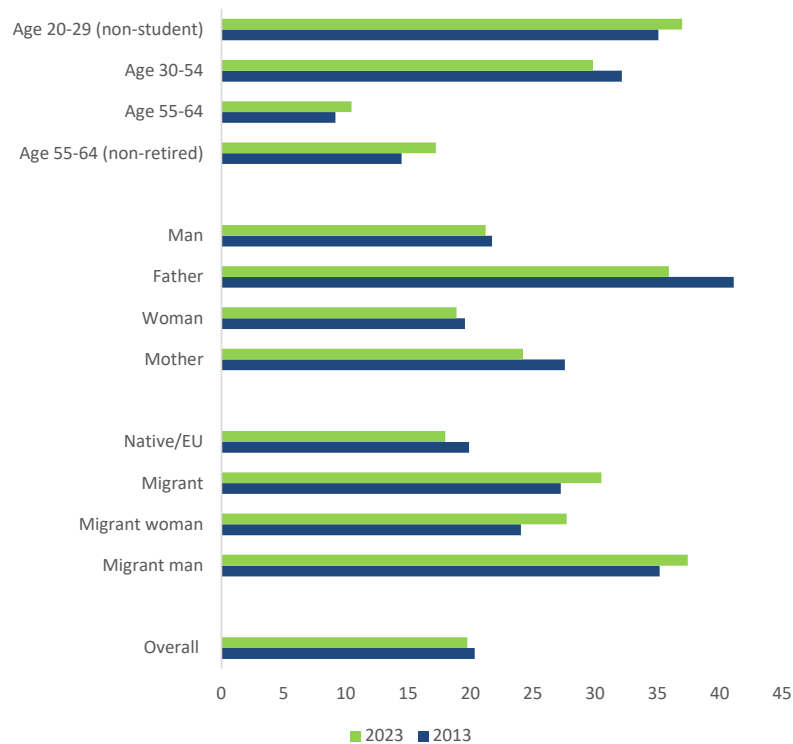
The proportion of people who want to work even though they are not searching for employment declines with age, especially towards the end of the working life. About 37% of young people who no longer study would like to work, compared to about 30% of those aged 30–54. The availability to work drops sharply for those over 55, out of which less than 10% would like to work (17% if retirees are excluded), with little variation by gender. This suggests that for people nearing retirement age, re-entering the labour market is often not considered. There was little change to these numbers over time.

⁽¹²⁰⁾ This is also confirmed via decomposition analysis presented in (European Commission, forthcoming b), which, among other, also compares the contribution of individual, household and regional characteristics to the explained activity gap between the domestic-born and migrants.

Chart 2.6

The proportion of people who are not searching for employment but would like to work is low, especially among older persons

Proportion of people outside of the labour market who would like to work by population group, EU-27



Note: Data on migration status not available in Malta (2013 & 2023) and Germany (2013)

Source: DG EMPL calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

Low availability to work reflects the fact that for many outside the labour force, participation in the labour market is either not a clear priority or is very difficult to achieve, due to specific barriers. At a first glance, this can be seen from an analysis of self-reported activity status, which provides additional information on people's living situation (Chart 2.7).⁽¹²¹⁾ Almost a fifth of those outside the labour force (about 10 million) report they are retired, with a further 15% (about 7.5 million) reporting long-standing health problems that prevent them from working. Attracting these groups to the labour market is challenging because it requires, among other things, improvements in retention of older workers, better prevention of serious health issues, and more opportunities to find work that can be carried out with health issues. A further fourth (13 million) thinks of themselves as primarily fulfilling domestic responsibilities and care work.⁽¹²²⁾ Finally, 17% (8.5 million) considers themselves primarily as students, who are actively preparing for entering the labour market and hence not a target for activation policies. These figures provide first insights into factors affecting labour market participation, which are explored in a more comprehensive way in the next section.

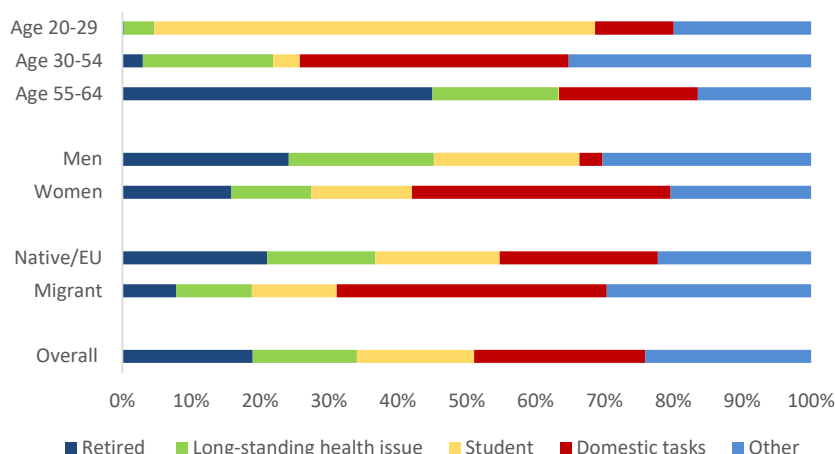
⁽¹²¹⁾ Note however that self-reported activity status does not need to correspond to official activity status as defined per ILO conventions by Eurostat, since it is based on own perceptions rather than formal, data-based criteria. Among the 20-64 population classified as inactive according to the ILO definitions, about 2% report they are employed and 15% they are unemployed. In Chart 2.7, these fall under the activity status 'Other'.

⁽¹²²⁾ Note that these statuses are mutually exclusive, i.e. individual can only report one main self-perceived activity status.

Chart 2.7

Almost one fifth of people outside the labour force are retired, and a further 15% cannot work due to health reasons

Share of people outside the labour force by self-reported activity status, 2023, EU-27



Note: Data on migration status not available in Malta (2013 & 2023) and Germany (2013). 'Other' activity status also includes people who are officially classified as out of labour force by Eurostat, but personally perceive themselves as unemployed (around 15% of all people outside of the labour force).

Source: DG EMPL calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

2.4. Key factors behind low participation in the labour market

When trying to participate in the labour market, underrepresented groups can face a broad range of barriers (see Table A2.1 for summary). These are often interlinked or concurrent, difficult to disentangle, and vary in terms of prevalence due to contextual and temporal factors. Some key obstacles are common to all groups, albeit with different intensity, while context-specific nuances need attention in view of designing effective policies to target challenges faced by each group. Elements that contribute to lower labour market participation include:

- **Low educational attainment** plays an important role in explaining disparities in participation, employment levels and other essential social indicators, such as poverty risk and social exclusion.
- **Moderate and severe disabilities** as well as long-term health challenges are associated with lower participation due to a range of reasons reviewed in Box 2.1.
- While **economic structures** can hinder participation of any socio-demographic group, it particularly impacts women, who struggle to enter male-dominated sectors of occupations, and migrants, who face challenges with qualification recognition in certain specialist jobs.
- **Caring responsibilities and domestic duties** significantly hinder labour market participation especially for women.
- **Discrimination** stems from cultural stereotypes and expectations based on certain individual characteristics, such as gender, ethnic origin, disability or age. Even after overcoming discrimination in recruitment processes, workplace biases can discourage continued labour market participation.
- **Institutional impediments.** Some policies can create financial disincentives to labour market participation, for example, joint taxation of household members and so-called 'benefit traps'.

Certain barriers are relevant only to certain population groups or even exclusive to one group. For instance, the institutional and policy factors that shape retirement incentives are relevant almost exclusively for those aged 55-64, although within this cohort they can concern different groups (e.g. women and migrants). Integration challenges, such as language barriers or acquiring work permits, are arguably exclusively faced by migrants. Non-inclusive recruitment processes and inaccessible workplaces are typical barriers for persons with disabilities. Young people face unique challenges with completing their education and then entering the labour market for the first time, without any (or very limited) previous work experience. Challenges faced by certain population groups are discussed in more detail below.

Women

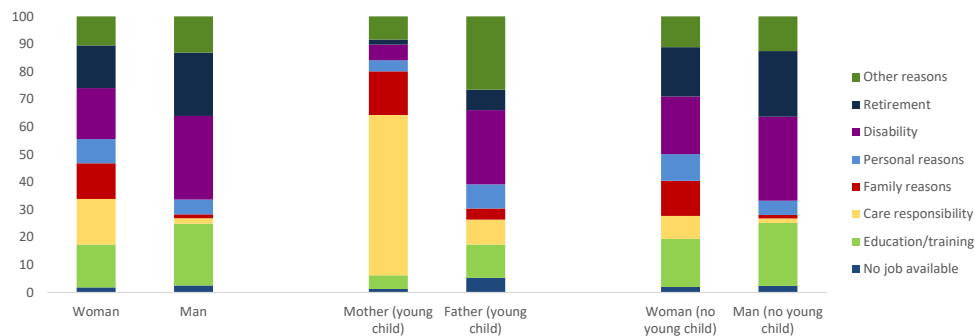
Taking into account that women are usually responsible for most unpaid work within the household can explain their lower labour market participation (see section 2.1.). This is closely linked to the fact that they care more often for children and adults (34% women provide daily care compared to 25% of men) and report that they undertake housework every day (63% compared to 36%).⁽¹²³⁾ This has negative implications for their employment.⁽¹²⁴⁾ About 30% of women outside the labour force indicate that this is because of their family and care responsibilities, compared to less than 5% of their male counterparts (Chart 2.8).

Long-lasting, negative employment effects of childbirth for women are particularly common, though their magnitude tend to vary considerably across Member States (Box 2.3). Three quarters of mothers of young children who do not participate in the labour market report that this is due to care responsibilities and family reasons, compared to about 13% of fathers. The difference is much smaller but still considerable among those living in households without young children (21% women compared to 3% of men), highlighting that caring for older children and adults also plays an important role. Lengthy spells outside of the labour force due to childcare responsibilities have important consequences for women's careers – they often see their earnings at least partially reduced, they miss out on accumulating work experience (and associated promotions and salary increases), and may struggle with return to work, for example when their skills and competences are less relevant after several years out of work.⁽¹²⁵⁾

Chart 2.8

Care and family responsibilities hinder labour market participation of women to a larger degree than men

Reason for people being outside of labour force by gender and parenthood status, EU-27, 2023



Source: DG EMPL calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

Women's labour market participation is linked to institutional factors, often rooted in traditional attitudes (see Chapter 3 for more detail).⁽¹²⁶⁾ Affordable, high-quality external care services for children and adults can reduce the time women spend on unpaid work and promote their employment, but their availability differs considerably across Member States. While parental leaves protect the employment of parents, they are mostly taken up by women, leading to career breaks and reinforcement of unequal division of unpaid work within families. Working conditions that allow for flexible combination of care responsibilities with work enable more women to enter the labour market, but these are less common in some countries, and segments of the labour market, than in others. Joint taxation of household members still creates disincentives for secondary earners (typically women) to enter the labour market in several Member States.⁽¹²⁷⁾ Unequal distribution of unpaid work is rooted in traditional perceptions that consider women as primary caregivers and men as primary earners within the household.⁽¹²⁸⁾ Despite some improvements over the last decades, only 55% of the EU population supports equality between women and men in the world of work (Chart 2.9). In addition, only about 4 in 10 people believe that sharing household chores is important within a relationship, a proportion that has hardly changed since the 90s.⁽¹²⁹⁾

⁽¹²³⁾ See <https://eige.europa.eu/gender-equality-index/2024/domain/time>

⁽¹²⁴⁾ (European Institute for Gender Equality, 2025), (Bettio, 2017)

⁽¹²⁵⁾ (European Institute for Gender Equality, 2021)

⁽¹²⁶⁾ (European Institute for Gender Equality, 2025), (Bettio, 2017)

⁽¹²⁷⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2023a)

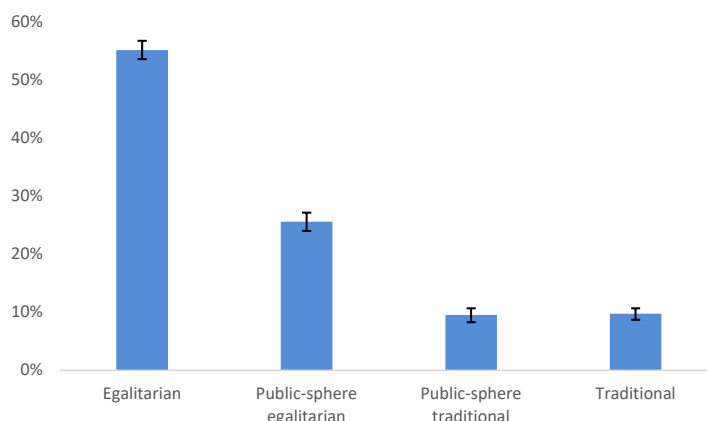
⁽¹²⁸⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion and Caisl, 2024), (Begall, Grunow and Buchler, 2023), (Knight and Brinton, 2017)

⁽¹²⁹⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024)

Chart 2.9

Nearly half of EU population does not fully support equality between women and men in the world of work

Estimated probability of gender-attitude types among working age population, EU-27



Note: Covers 21 EU Member States included in the 2017–2021 wave of the EVS. The error bars give the 95% confidence intervals around estimated values. Egalitarians support flexible gender roles while rejecting essentialist beliefs about innate differences between women and men. Public-sphere egalitarians support gender equality in the public sphere of paid work and politics, while considering mothers' role as crucial for both women's identity and family well-being. Public-sphere traditionalists combine beliefs in male work privilege with limited concerns about negative consequences of working motherhood for family well-being. Traditionalists support male privilege in the labour market and consider women as primarily responsible for unpaid work at home.

Source: European Commission: Directorate General for Employment, Social Affairs and Inclusion and Caistl (2024)

[Click here to download chart.](#)

Women participate less in the labour market also because their pay tends to be lower than men's. In 2023, women earned 12% less than men per hour of paid work, a slight improvement compared to 2013 (16% less).⁽¹³⁰⁾ This is relevant for example in families relying on a single income, where the incentive for women to participate in the labour market is on average lower due to their lower earning potential and to the costs associated to caregiving and housework. There is a wealth of literature that identifies key factors behind this pay difference.⁽¹³¹⁾ These include distinct employment patterns of women compared to men, where women tend to work in lower paying occupations and sectors of economic activity; concentrate in lower-paying companies; and progress less often into senior positions (such as managers or board members). These patterns are closely linked to the unequal distribution of unpaid work, which results into higher share of women in jobs that are easier to combine with family responsibilities. Other factors behind pay gap include opaque wage structures, undervaluation of women's work, gender differences in wage bargaining attitudes, and various forms of gender stereotyping and discrimination.

Women's work participation may also be affected by gender segregation in education. In fact, most economic activities and occupations in the EU labour market are either female- or male-dominated, which is sometimes referred to as gender segregation of the labour market and can often be traced back to segregation in education as women tend to study in different fields than men.⁽¹³²⁾ For example, girls with similar scientific and mathematical achievements to boys still enter STEM studies considerably less often.⁽¹³³⁾

Older and migrant women can face additional challenges to labour market participation. Older women tend to have less work experience than older men (Chart 2.4), which makes entering the labour market more difficult for them. This is largely because working lives of older women were shaped by more traditional family norms that identified men as earners and women as care providers at home.⁽¹³⁴⁾ For migrant women, caring responsibilities often have an even stronger negative impact on labour market outcomes than for domestic-born women (see below).

⁽¹³⁰⁾ Based on Eurostat dataset `earn_gr_gpgr2`

⁽¹³¹⁾ For recent contributions on gender pay gap in the EU, see (European Commission: Statistical Office of the European Union, Leythienne, D and Pérez-Julián, M, 2022), (Penner et al., 2023), (European Institute for Gender Equality, 2021)

⁽¹³²⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2023a), (European Institute for Gender Equality, 2018)

⁽¹³³⁾ (European Institute for Gender Equality, 2018)

⁽¹³⁴⁾ For discussions how careers of women changed across cohorts, see e.g. (Goldin, 2021)

Box 2.3: Employment effects of having children for women and men

New EU-wide estimates⁽¹⁾ from academic research show considerable gender differences in employment trajectories of parents. These estimates draw on a range of data sources (including the Eurostat EU-SILC, the Luxembourg Income Study, national employment surveys and panel data) and statistical techniques to construct employment trends before and after childbirth for women and men.⁽²⁾ While this allows authors to produce novel evidence on consequences of having children for parental careers, it comes with some limitations. Firstly, the comparability of this data across countries, and with usual employment statistics based on the Eurostat EU-LFS, is limited.⁽³⁾ Notably, treatment of parental leaves in employment classification differs across data sources and can lead to some differences in employment trends immediately following childbirth. Secondly, these statistics are usually based on data spanning at least a decade or more; hence they may not fully reflect recent shifts in gender employment patterns that influence careers of parents of young children today. This is important to keep in mind when looking at data from countries that have seen recent increases in women's employment, improvements in early childhood education and care (ECEC) availability and affordability, or changes to parental leave and work-life balance policies.

Employment trajectories of women following childbirth differ markedly across Member States, with sharp short-term drops in employment particularly common in Central and Eastern Europe (Chart 1). Sharp employment drops (often by 60% or more compared to pre-childbirth situation⁽⁴⁾) among women in the immediate aftermath of childbirth are common in Central and Eastern Member States, except for Romania and to some extent Bulgaria. This is usually followed by a sharp employment recovery until year three after childbirth, and a slower, more gradual improvement afterwards. This trajectory is rather uncommon in the rest of the EU (except Finland) where the drop in female employment immediately following childbirth is moderate in comparison, often around 20%. Employment of women then either stabilises or keeps slowly deteriorating as in the case of Greece, Ireland, Italy, Luxembourg and Spain, which is a matter of concern. In the US, the employment of women drops by about 20% immediately following childbirth and stabilises at this level over the long run.

Childbirth is associated with a long-run reduction in employment for women across all EU Member States, though its extent varies by country. The lowest employment effects are observed in some Nordic Member States (FI, SE) and Slovenia, where employment of women is at most 10% lower (with no gap at all in Slovenia) ten years after childbirth compared to pre-childbirth situation. In the rest of the EU, employment reductions tend to be close to 20%, though they can reach 40% or more in some countries (EL, IE, IT, LU, ES). In contrast, there appear to be no large effects on male employment. On aggregate, the long-term impacts of childbirth on employment of women and men in the EU seem rather similar to the US, where employment effects for women reach about 20%.

The differences in employment trajectories of women and men following childbirth reflect a combination of factors. There are marked differences in time spent on childcare by women and in prevalence of traditional gender attitudes that identify women as primary caregivers.⁽⁵⁾ The design of parental leaves, availability and affordability of early childhood education and care, and work-life balance policies also vary considerably by country, which can help explain especially some of the sharper employment changes in the years immediately following childbirth.⁽⁶⁾ The decisions about subsequent childbirths and their timing are also likely to play a role.

⁽¹⁾ The data and charts used in this box come from a publicly available database at <https://childpenaltyatlas.org/>. An extensive comparative analysis of this data from a world perspective is carried out in (Kleven, Landais and Leite-Mariante, 2024). Here, the focus is more specifically on discussing national differences within the EU.

⁽²⁾ (Kleven, Landais and Leite-Mariante, 2024)

⁽³⁾ This is not only due to important differences in data collection across data sources, but also because of differences in how parental leaves are treated in employment statistics – some count leaves as employment, others exclude them, and in yet other cases they may or may not be counted as employment depending on perceptions of respondents.

⁽⁴⁾ Note that employment post-childbirth is compared to the employment two years prior to the birth of the first child. This timeframe has been chosen to also control for potential employment situation adjustments that immediately precede childbirth (such as changes in anticipation of childbirth or longer absences linked to complicated pregnancies).

⁽⁵⁾ (European Institute for Gender Equality, 2021) (European Commission: Directorate General for Employment, Social Affairs and Inclusion and Caisl, 2024)

⁽⁶⁾ (Kleven et al., 2019)

Box (continued)

Chart 1 Child employment effects are common among women in the EU, though their magnitude varies by Member State

Changes in employment relative to two years prior to birth of the first child, by gender and country



Source: <https://childpenaltyatlas.org/event-studies>

Older people

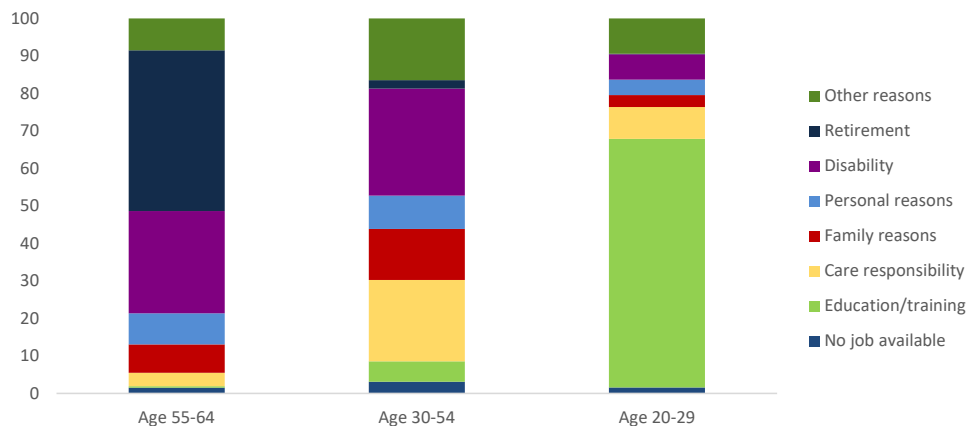
The lower labour market participation rate of persons aged 55 to 64 (see section 2.1.) is influenced by different factors that are sometimes interlinked.⁽¹³⁵⁾ These can be broadly classified into institutional, workplace and socio-demographic factors and are reviewed below. The analysis also benefits from results of EU Labour Force survey, capturing reasons for being outside of the labour market of this age cohort.⁽¹³⁶⁾

Most people aged 55-64 outside of the labour force report that this is either because they are retired (43%) or because they have an illness or a disability (27%) (Chart 2.10). In practice, these reasons may be difficult to separate because retirement decisions are at least to some degree driven by health or care considerations among older people.⁽¹³⁷⁾

Chart 2.10

Retirement and disability account for more than two thirds of labour market non-participation among older persons

Reason for people being outside of labour force by age group, EU-27, 2023



Source: DG EMPL calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

Institutional factors relate primarily to the incentives to retire or prolong working lives through the pension systems and to the accessibility of long-term care services.⁽¹³⁸⁾ Pension systems differ from country to country, including in terms of statutory retirement ages, eligibility for early retirement, generosity of benefits and the possibility of working while receiving pension benefits, all factors influencing retirement decisions (see Chapter 3). Design of unemployment and disability insurance schemes can also affect labour market participation of older people. Insufficient availability of long-term care services can exacerbate the need to provide unpaid care for adults at home (e.g. when the health of a partner or parent deteriorates), influencing decisions to leave employment, especially among older women. This issue is particularly relevant in Bulgaria, Cyprus, Greece, Romania, Hungary, and Latvia.⁽¹³⁹⁾

Poor health constitutes a key reason for low participation in the labour market in older age. People with serious health issues are less likely to stay in employment until statutory retirement age (with some pension schemes allowing to retire early due to health reasons), return to work following health-related leaves, or prolong retirement decisions. For instance, in Finland, muscular-skeletal system difficulties and health disorders linked to depression were reported as the main reasons leading to early retirement in 2018. Health issues were identified as a leading cause for premature retirement as well in Czechia, Estonia, Greece and Romania in 2022.⁽¹⁴⁰⁾

Inadequate working conditions, low workplace flexibility and discrimination may also discourage older people from participating in the labour market.⁽¹⁴¹⁾ Although older employees can be seen as valuable sources of knowledge and experience, they may experience discrimination based on widespread negative perceptions of their productivity, work attitudes and competences. Recent research indicates that some

⁽¹³⁵⁾ (Eurofound, 2024a).

⁽¹³⁶⁾ This review is largely based on the European Commission's Labour Market and Wage Developments in Europe 2024 report, which includes a chapter on promoting labour force participation and employment of older people in the EU and can be consulted for further details.

⁽¹³⁷⁾ It is not clear whether in such a case an Eurostat EU-LFS survey respondent would indicate their caring responsibilities or retirement status as the main reason for inactivity.

⁽¹³⁸⁾ (Eurofound, 2024a).

⁽¹³⁹⁾ (Eurofound, 2025a).

⁽¹⁴⁰⁾ (Eurofound, 2024b).

⁽¹⁴¹⁾ (Eurofound, 2024b).

employers consider older workers as less adaptable, with poorer physical capabilities, limited technological competence and digital skills, as well as less trainable and less flexible.⁽¹⁴²⁾ Thus, they avoid hiring or retaining older workers because they perceive labour costs to be too high compared to productivity, and because they consider the risk of falling sick or encountering health problems in the future as too high among older workers.⁽¹⁴³⁾ Research shows that some employers are reluctant to adapt working conditions to the needs of older workers, e.g. by providing workplace flexibility and accommodating for specific needs of older workers, due to the associated costs. This is important as older workers are likely to stay longer in the labour market when the working conditions are supportive of their needs. For example, offering part-time work opportunities may encourage some older people to remain in the labour market, yet this is not a common practice in some EU Member States.⁽¹⁴⁴⁾

Labour market participation of older people also depends on their educational attainment and skills, the composition of households they live in, and gender. In some countries, such as Sweden and Czechia, older workers with higher levels of educational attainment tend to stay longer in the labour market than those with lower attainment levels. At the same time, some workers without tertiary or upper secondary education keep working till high ages because of economic reasons.⁽¹⁴⁵⁾ Family obligations are more likely to lead to early retirement decisions in countries where more people live in the same household as their parents (e.g. Greece) and access to external long-term or social care services is limited (e.g. Latvia, Lithuania, Bulgaria, Cyprus and Malta).⁽¹⁴⁶⁾ Since older women tend to be disproportionately affected by unpaid care responsibilities⁽¹⁴⁷⁾ and accumulate less working experience over their working lives (see figure above), they also tend to be more often outside of the labour market than older men.

Migrants

The labour-market integration of migrants in the EU is impeded by challenges specific to migrants, in addition to barriers commonly encountered by other underrepresented groups. Barriers to the integration of migrants are presented here by order of magnitude established considering a) the prevalence in the most recent survey of the obstacles migrants face in their search of employment (Eurostat EU-LFS 2021 ad hoc module on labour market situation of migrants and their immediate descendants); b) the analysis on the human capital of the population outside the EU labour markets reported in section 2.2. and c) findings from the literature based on various sources from national surveys to qualitative reporting and analysis (e.g. reporting by Member State authorities in the European Migration Network, interviews-based research, etc.).

Lack of proficiency in the main language of the recipient country is a key barrier to labour market participation of migrants. Migrants report relatively low proficiency levels in the language of the recipient country before migration. In 2021, the share of non-EU-born persons aged 20-64 who reported either having the same mother tongue as that of the host country or language proficiency in this language before entering the EU, was (cumulatively) 23.2% for men and 25.6% for women.⁽¹⁴⁸⁾ Educational attainment level and young age greatly influence the ability to overcome this barrier, with highly educated and younger migrants tending to learn languages faster.⁽¹⁴⁹⁾ In the same year, surveyed migrants declared 'lack of language skills' as the single most prevalent specific obstacle (6.3% of respondents) in their job search.⁽¹⁵⁰⁾

Language skills generally improve with time spent in the host country. Of migrants who in 2021 stated that they had no more than intermediate language skills at the time of their arrival, 50% of the beginners and 70% of those with intermediate skills reported having achieved advanced proficiency after at least 5 years of residence.⁽¹⁵¹⁾

⁽¹⁴²⁾ (Eurofound, 2024b).

⁽¹⁴³⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024b).

⁽¹⁴⁴⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024b).

⁽¹⁴⁵⁾ (Eurofound, 2024b), (Eurofound, 2025a).

⁽¹⁴⁶⁾ (Eurofound, 2024b).

⁽¹⁴⁷⁾ When it comes to daily engagement in childcare and housework, 20% and 67% of women aged 50-64 report this to be the case (respectively), compared to 18% and 37% of men (see <https://eige.europa.eu/gender-equality-index/2024/domain/intersecting-inequalities/age/time>). Data specifically for the age group 55-64 is not available.

⁽¹⁴⁸⁾ Own calculations based on Eurostat [lfsa_21lang01]; according to (OECD/European Commission, 2023) indicators, 62% of all foreign-born (non-EU born and EU-born) had at least advanced proficiency in the host-country language, with significant variation across Member States.

⁽¹⁴⁹⁾ (Dustmann and Fabbri, 2003), (van Tubergen and Kalmijn, 2005).

⁽¹⁵⁰⁾ Own calculations based on Eurostat [lfsa_21obst01], 20-64 age bracket; see Chart A2.2 for visualised detail.

⁽¹⁵¹⁾ For the evolution of the host-country language skills of migrants in general see (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2023a), Chapter 2 and (OECD/European Commission, 2023), as well as (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2016), Chapter 3 for the language skills of refugees in particular.

Low educational attainment is an important factor hindering the labour market integration of migrants – almost half of them do not have qualifications beyond lower secondary level.

Low educational attainment among migrants is more prevalent than among domestic-born people, with over a third of migrants aged 20–64 having at the most lower-secondary education, against less than 20% for domestic-born,⁽¹⁵²⁾ with variation across Member States. The results of the 2021 survey show how much low education attainment levels are associated with low participation in the labour market. In the survey, whereas 18.2% of migrants with low educational attainment responded that they never sought work/never worked, this share was 10.7% for those with upper secondary education and 9.2% for the tertiary educated. The link between low education attainment and poor employability is further suggested by the 4% of migrant respondents in the same survey who named ‘no suitable job available’ as a distinct obstacle in their search for employment (although this may also point to structural mismatches between labour supply and demand in a given economic structure).⁽¹⁵³⁾

Migrants may find it challenging to participate in the labour market due to partial or non-recognition of their qualifications in the EU.

In 2023, 11 Member States reported formal difficulties in the recognition of qualifications acquired by migrants largely because of lengthy procedures and strict formal requirements.⁽¹⁵⁴⁾ This often obliges highly qualified migrants to access jobs requiring little or no qualifications and thus working below their skill level. In other cases, migrants are unable to provide original diplomas or cannot afford fees for diploma conversion.⁽¹⁵⁵⁾ This barrier and its consequence –overqualification, when a person’s formal qualifications exceed the requirements of the job performed – are particularly discouraging for highly educated migrants who find their qualifications undervalued.⁽¹⁵⁶⁾ Of migrants surveyed in 2021, 4.2% declared having faced this obstacle with the share rising in line with higher skill level (1.3% for low skill level, 3.7% for middle and 8.1% for high skill level).⁽¹⁵⁷⁾

Migrants also experience care and other family responsibilities as important impediments to labour market integration.

As noted above, this obstacle affects predominantly women.⁽¹⁵⁸⁾ Around 23% of children born in the EU in 2023 had foreign-born mothers.⁽¹⁵⁹⁾ According to the OECD, the effect of having children tends to be even more pronounced for migrant women.⁽¹⁶⁰⁾ Migrant women may face more barriers in accessing early childhood education and care services, such as lack of institutional knowledge, limited financial resources and language barriers. They also tend to live more often in households with small children (22%) compared to domestic-born mothers (15%).⁽¹⁶¹⁾ Caring and other family responsibilities may be hidden behind the relatively large shares of migrants surveyed in 2021 –especially women– who indicated that they ‘never worked/never sought work’ and can therefore not name specific obstacles to finding employment. Specifically, at 12.9%, the share of migrants surveyed in 2021 who declared that ‘they never sought work or never worked’ tops the share of every other response on distinct obstacles. At 18.5%, the share of migrant women who give this response is three times as high as that of men (6.9%).⁽¹⁶²⁾

Migrants in the EU face different types of discrimination in the labour market. They can be subjected to lawful discriminatory hiring practices, notably in the public sector or due to legally prescribed minimum waiting

⁽¹⁵²⁾ Calculations based on Eurostat EU-LFS microdata.

⁽¹⁵³⁾ Own calculations based on Eurostat EU-LFS dataset [lfso_21obst01], 20–64 age bracket (Eurostat EU-LFS 2021 ad hoc module on labour market situation of migrants and their immediate descendants); see Chart A2.4, Chart A2.2 for visualised detail.

⁽¹⁵⁴⁾ For a recent analysis of the extent of and reasons for overqualification of migrants in the EU see (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025a)

⁽¹⁵⁵⁾ (European Migration Network, 2023), (Project Welar, 2024).

⁽¹⁵⁶⁾ According to (OECD/European Commission, 2023), a main reason for the lower employment rates of highly educated migrants is that foreign degrees are devalued in virtually every Member State labour market. Across the EU, employment rates among migrants educated in the host country were 12 percentage points higher compared to their foreign-educated peers in 2020. Despite the better labour market outcomes of migrants with a host country degree, they still lagged behind their domestic-born peers in most Member States in 2020.

⁽¹⁵⁷⁾ Own calculations based on Eurostat [lfso_21obst01], 20–64 age bracket; see Chart A2.4, Chart A2.2 for visualised detail

⁽¹⁵⁸⁾ The share of women being outside the labour force because they have to care for relatives with disabilities or children was substantially higher than for men (20–64) in all EU Member States for which data was available in 2023 with the exception of Sweden; see Eurostat [lfsa_igar]; cf. (ECE, 2025) pp. 13–14, 19–23. See also (Fialova and Basna, forthcoming).

⁽¹⁵⁹⁾ Fertility statistics – Statistics Explained – Eurostat, including definition of foreign born.

⁽¹⁶⁰⁾ (OECD, 2023b) notes more generally about OECD countries that, since female migration is often associated with family formation or reunification, the likelihood of childbearing is frequently elevated immediately after arrival. Migrant women also tend to have children at earlier ages, with potential negative consequences for their labour market insertion in host countries.

⁽¹⁶¹⁾ Based on calculations from the Eurostat EU-LFS microdata.

⁽¹⁶²⁾ The distinct obstacles in the possible responses to the survey were, in order of prevalence: lack of language skills; non-recognition of qualifications; no suitable job available; discrimination due to foreign origin; lack of citizenship or residence permit and (unspecified) other obstacle(s), amounting to a cumulated share of 27.5% of all responses given. In addition, other possible responses available were: no obstacle encountered (largest share at 59.6% of responses; never sought work or never worked (second-largest share at 12.9% or responses); own calculations based on Eurostat [lfso_21obst01], 20–64 age bracket; see Chart A2.2, Chart A2.3 for visualised detail.

periods before accessing the labour market imposed by several host countries on asylum seekers.⁽¹⁶³⁾ In addition to such overt discrimination, migrants subjectively perceive covert discrimination against them (i.e. believe that the actions of others towards them deviate from established expectations and societal norms). A total of 2.2% of migrants surveyed in 2021 reported being discriminated against.⁽¹⁶⁴⁾ While this may seem like a very low share, literature suggests that perceived discrimination tends to be under-reported and cautions against underestimation. One reason for underreporting is that persons belonging to a group that is systematically discriminated against might have difficulty recognising discrimination if most of their acquaintances or colleagues belong to the same group.⁽¹⁶⁵⁾

High administrative burden to obtain legal residency status and the right to work is a key factor for migrants' labour market participation. Even for those with a confirmed right to work, employers can request multiple requirements, lengthy procedures, and more clarity about documentation, which can be daunting, particularly for low-skilled or older migrants.⁽¹⁶⁶⁾ In several Member States, the legal uncertainty linked to the outcome of an asylum application, or to the start date or duration of the right to work, was associated with higher risk of exploitation and undeclared work.⁽¹⁶⁷⁾ In 2021, 2% of migrants surveyed declared facing high administrative burden in their search for employment.⁽¹⁶⁸⁾ Even though beneficiaries of temporary protection, unlike asylum seekers, have the right to work immediately, 15% of displaced Ukrainians in the EU reported too much bureaucracy in 2022 and 21% reported not knowing which instance to contact.⁽¹⁶⁹⁾

The integration of migrants in the EU labour market can also be hindered by poor health. Migrants often face higher health challenges, with only 73.4% of migrants reporting good or very good health, compared to 76.9% of people born in the reporting Member States and 7.1% reporting bad or very bad health versus 5.6% of people born in the reporting Member States.⁽¹⁷⁰⁾ Literature associates these poorer health outcomes (as well as low education level and poverty) of a share of migrants with living conditions in the countries of origin ('country-of-origin effects'), while traumatic experiences affecting both physical and mental health are often endemic in the experiences of the displaced-population subgroup of migrants.⁽¹⁷¹⁾

Leveraging social networks for information and job searching are crucial for labour market integration, but migrants tend to be at a disadvantage relative to people born in the EU. The impact of this barrier may be more pronounced for those low-educated, older, or female migrants, as they typically have fewer opportunities to build such networks.⁽¹⁷²⁾

Some migrants may feel discouraged from participating in the labour market. Although overall discouragement is a barrier to the labour market integration of migrants,⁽¹⁷³⁾ it is not identified in relevant surveys as a distinct obstacle and may be a composite result of other barriers. It can be induced by long-term unemployment or repeated unemployment spells, or by the cumulated difficulty of overcoming the aforementioned barriers for the non-EU-born.⁽¹⁷⁴⁾ Discouragement (whether of migrants or people in other demographic groups) may also be due to low job quality, including job precariousness, low or stagnating wages,

⁽¹⁶³⁾ The 1951 Geneva Convention on the Rights of Refugees does not prescribe a specific minimum waiting period before asylum seekers can work. It leaves the implementation details to individual countries. Some countries allow asylum seekers to work almost immediately, but many do not. The waiting period is usually about 6 months. For example, in Germany, asylum seekers generally are not allowed to work during the first 9 months. In Netherlands they can apply for a work permit after 6 months, provided their application is still pending. In Belgium and Denmark, they can work without restrictions after 6 months.

⁽¹⁶⁴⁾ Own calculations based on Eurostat [lfso_21obst01], 20-64 age bracket; see Chart A2.2 for visualised detail.

⁽¹⁶⁵⁾ (Banerjee, 2008), (Kaiser and Major, 2006), (Heath and Cheung, 2007), (Zschirnt and Ruedin, 2016) and (European Commission, forthcoming a).

⁽¹⁶⁶⁾ (Ruhs and Anderson, 2009), (Morissens and Sainsbury, 2005) and (Schuster, 2005).

⁽¹⁶⁷⁾ Reported by (European Migration Network, 2023) in Austria, Belgium, France, Ireland, Italy and Lithuania, Finland and Greece.

⁽¹⁶⁸⁾ Own calculations based on Eurostat [lfso_21obst01], 20-64 age bracket; see Chart A2.2 for visualised detail.

⁽¹⁶⁹⁾ Displaced people from Ukraine are beneficiaries of the Temporary Protection Directive (Council Directive 2001/55/EC), which allows them to work with a minimum of formalities and access education and vocational training, healthcare, and accommodation. See also (Eurofound and the European Union Agency for Fundamental Rights, 2023), (European Migration Network - OECD, 2024) and (OECD, 2023c).

⁽¹⁷⁰⁾ Eurostat [hlth_silc_23], aged 20-64; the disparity in health status holds regardless of whether the latter is adjusted for the age of domestic-born and migrant populations; on the effects of ill health on activity see (ECE, 2025).

⁽¹⁷¹⁾ Displaced people, particularly women, face more pronounced health issues due to trauma. For instance, 22% of displaced women in Austria reported bad or very bad health. Among displaced Ukrainians, 15% identified health issues as a barrier to employment. See (OECD/European Commission, 2023) and (Eurofound and the European Union Agency for Fundamental Rights, 2023).

⁽¹⁷²⁾ (Lancee, 2012), (Aguilera and Massey, 2003), (Behtoui, 2008). The (European Migration Network, 2022) identified the lack of social networks in several Member States as an important challenge to labour market and social integration.

⁽¹⁷³⁾ See (Vandermeersch et al., 2023), (European Migration Network, 2022), and (OECD/European Commission, 2023). (Kil et al., 2017) and (ECE, 2025) pp. 19-23 find that path dependencies (including in Belgium) are a more persistent barrier to the labour market among migrants than among the domestic-born.

⁽¹⁷⁴⁾ (ECE, 2025).

the associated risk of the ‘poverty trap’ and/or the relative balance between the generosity, duration and time-profile of unemployment benefits and expected work income (especially for low-wage workers), as well as the strictness of the enforcement system.⁽¹⁷⁵⁾

Joint analysis of factors behind low participation

Drawing on the above review of the factors limiting labour market participation, this section provides a longer-term, quantitative analysis of the effects that some of these factors have on participation. The influence of these factors on participation is assessed jointly through several logit regression models over the period 2013–2023. It enriches the previous analysis by providing robust estimates of changes in probability of labour market participation due to each of the factors considered, while controlling for the influence of other factors. It also robustly explores the way different factors and individual characteristics can interplay with each other. On the other hand, the analysis is limited by lack of data on a range of factors influencing labour market participation (e.g. institutional settings or total years of work experience), as only factors covered by the EU-LFS data are used (see below).

The analysis proceeds by addressing the following research questions through distinct regression models:⁽¹⁷⁶⁾

- **What are the differences in labour market participation probability observed for women, older people and migrants?** This basic model includes key individual characteristics to assess participation gaps between the following population groups: age groups (20–29, 30–54, 55–64), gender, and migrant status.
- **To what extent can these participation gaps be explained by observable factors influencing participation?** In addition to demographic characteristics, an extended model includes information on educational attainment (low, medium, high),⁽¹⁷⁷⁾ living in household with a child below 6 years of age (parenthood), being in retirement, having an illness/disability that prevents one from working, being a student, and the degree of urbanity (rural, towns & suburbs, cities).
- **How does the influence of these factors differ across specific population groups?** In addition to the variables described above, an interaction model considers combinations of factors that were highlighted as important in section 2.4: the interplay between parenthood and gender, migrant status and gender, and migrant status and having achieved tertiary education.⁽¹⁷⁸⁾

The analysis confirms that women, older people, and migrants are considerably more likely to be outside the labour force than men, prime-aged individuals and domestic-born, respectively (Chart 2.11, baseline model). Women are 12 pp less likely to be in the labour force than men, older people have 28 pp lower probability of being in the labour force than prime age individuals, and migrants are 6 pp less likely to be in labour force than domestic-born.⁽¹⁷⁹⁾ These figures are broadly similar to the statistics shown in Chart 2.1, highlighting that these participation gaps are independent from each other (for example, low participation of older people or migrants is clearly not due to overrepresentation of women among these groups).

Results also show that educational attainment, parenthood, ill health and retirement affect labour market participation in important ways (Chart 2.11, extended model). Having tertiary (secondary) education improves the chances of participating in the labour market by 16 pp (10 pp) compared to low educational attainment. Parents living with young children (below 6 years of age) have a 6 pp lower probability of being in the labour market, although the impacts are quite different for mothers and fathers (see results from model with interactions below). Finally, both retirement and having an illness/disability that prevents one from working tend to be associated with near-zero participation rates, effectively ruling out labour market participation altogether.

Accounting for these influences on labour market participation explains substantial parts of the observed participation gaps for older people and migrants, but not for women. Once higher retirement, poor health and lower educational attainment of people aged 55–64 are controlled for in statistical modelling, the participation gap between older and prime-aged workers drops to just 6 pp. Thus, these factors account for most of the lower participation of older people. Accounting for lower educational attainment and higher prevalence of parenthood among migrants explains at most a third of the difference in domestic-born and

⁽¹⁷⁵⁾ See (ECE, 2025), (Amossé and Erhel, 2023) and, regarding the need for fine-tuned control of the unemployed exposed of moral hazard, see (Coquet, 2017); (Salvatori, 2022); and (Thill, Houssemand and Pignault, 2020).

⁽¹⁷⁶⁾ All model specifications described below account for country and time fixed effects by adding country and year dummies.

⁽¹⁷⁷⁾ Low attainment is up to lower secondary (ISCED 0–2), medium is below tertiary (ISCED 3–4), high is tertiary (ISCED 5–8).

⁽¹⁷⁸⁾ Note that a broader list of interactions was tested in preparatory analysis, but only the most important ones were selected to be presented in the report.

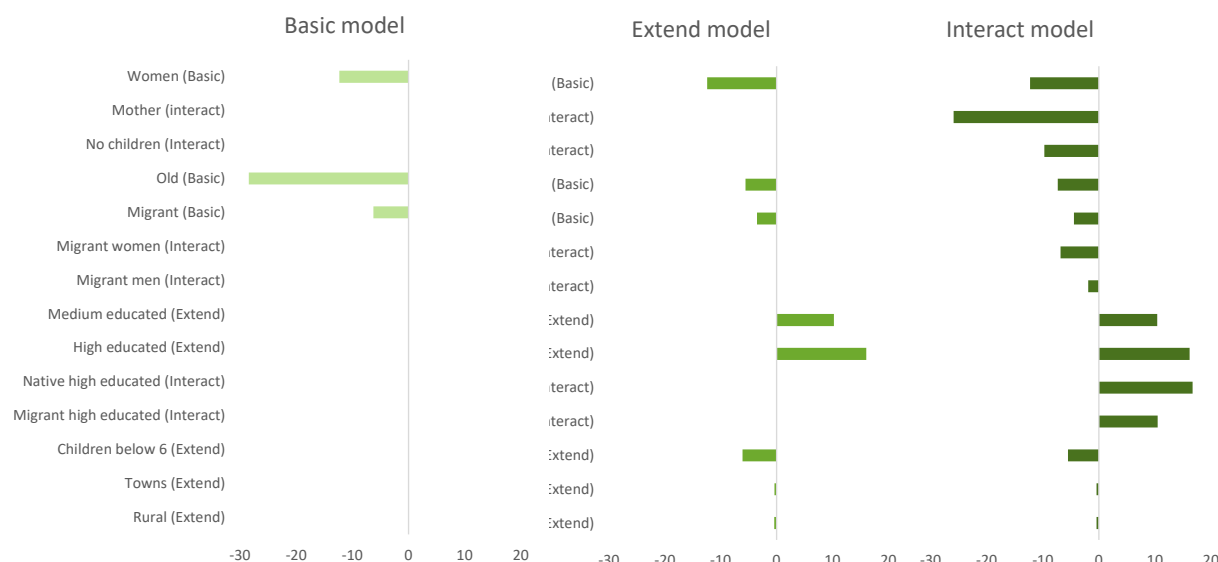
⁽¹⁷⁹⁾ These and other differences in probabilities reported below are differences in average predicted probabilities per population group.

migrant participation rates, indicating that a sizeable portion of the migrant participation gap is linked to other factors (see section 2.4.). Finally, a 12 pp participation gap is estimated between men and women, as in the case of the basic model, hence the interaction model explains almost none of the original gender gap observed in the basic model.

Chart 2.11

Educational attainment, parenthood, ill health and retirement account for much of the migrant and old age participation gaps

Differences in predicted labour market participation probabilities, EU-27, 2013-2023



Note: Data does not cover Germany and Malta, since these countries do not collect data on migrant status systematically throughout the whole 2013-2023 period. The following comparison groups are used in the figure: women (mothers, no young children) compare to men (fathers, no young children); older (55-64) people and compare to prime age individuals (30-54); migrants (men, women, tertiary educated) compare to domestic-born (men, women, tertiary educated); high (ISCED 5-8) and medium educated (ISCED 3-4) compare to low educated (ISCED 0-2); parents with children below 6 compare to people who do not live in households with a child(ren) below 6, and people in towns and rural settings compare to people living in large cities

Source: DG EMPL calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

Parenthood is associated with lower likelihood of labour market participation of women but not of men (Chart 2.11, interaction model). The participation likelihood is estimated to be 26 pp lower for mothers of young children compared to fathers. This difference only amounts to about 10 pp for people without young children. The large participation differences between mothers and fathers are largely due to a drop in the participation of mothers (by 14 pp compared to women without young children), which are accompanied by slight increases in participation of fathers (by about 3 pp) compared to men without children.

The lower likelihood of migrants to participate in the labour market is mostly limited to women.

Migrant women are predicted to have a 7 pp lower probability of labour market participation than domestic-born ones, a difference that reaches just 2 pp between migrant and domestic-born men. This partly reflects the fact that some migrants come from countries where involvement of women in the world of paid work is less common than in the EU and may even be actively discouraged.⁽¹⁸⁰⁾ It may also result from differences in migration patterns of women and men, e.g. in cases where men primarily migrate for economic reasons whereas women do so to join their husbands/families abroad.

Higher educational attainment increases likelihood of labour market participation considerably more for domestic-born than for migrants.

Achieving tertiary education increases the participation probability of domestic-born by about 17 pp (compared to low educational attainment), while for migrants it amounts to 10 pp, an effect roughly equal to achieving upper secondary education by domestic-born. This points towards problems with recognition of tertiary qualifications achieved by migrants (notably where these have been achieved in migrants' countries of origin), an important issue highlighted in research on labour market integration of migrants (section 2.4.).

⁽¹⁸⁰⁾ See (Stichnoth and Yeter, 2016). For a map of gender employment gaps across the world, see <https://childpenaltyatlas.org/?metric=gap>. Unfortunately, Eurostat EU-LFS does not provide robust enough data on country of origin of migrants to estimate shares of migrants coming from different parts of the world.

3. REDUCING UNDEREMPLOYMENT

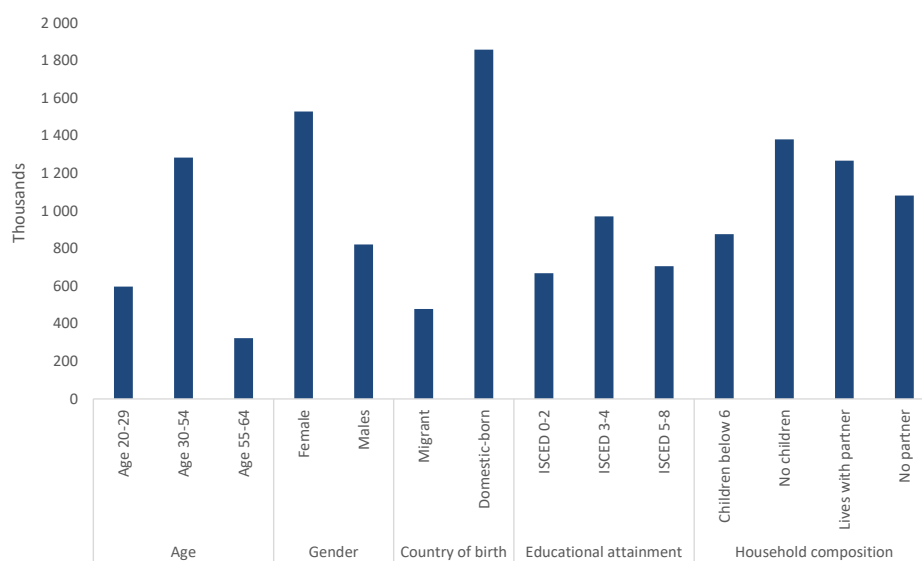
In addition to attracting more people to the labour market, more hours worked could be achieved by addressing underemployment within the existing workforce. Involuntary part-time employment – which accounted for 18% of all part-time workers in 2024 – generally includes workers who want to work extra hours and are immediately available to work. In this section, underemployment refers to a broader situation where a part-time worker wants to work additional hours compared to their current workload ⁽¹⁸¹⁾ regardless of whether they are immediately available to work or not. Addressing underemployment means supporting such a worker into working their desired hours as opposed to their actual hours. In the EU, 6.5 million people are underemployed. Tackling underemployment harnesses the untapped potential of the labour market, thereby alleviating labour shortages. In addition, supporting those who want to work longer can also lead to improvements in their financial situation due to increased earnings and enhanced career prospects.

Estimates show that addressing underemployment in the EU can generate additional hours equal to 2.3 million full-time jobs, which corresponds to an 1.3% increase in total hours worked in 2023. The largest number of full-time job equivalents (FTEs) ⁽¹⁸²⁾ would result from addressing underemployment of women (1.5 million, Chart 2.12), followed by workers without small children (1.4 million) and workers aged 30 to 54 (1.3 million). Note that there are considerable overlaps among these groups. This notwithstanding, sometimes underemployment conceals cases of full-time employment, particularly where incentives to hire part-time are higher than for full-time employment. Recent analysis ⁽¹⁸³⁾ also investigated the prevalence of underemployment in part-time work across different sub-groups, finding that it was more common for migrants, younger workers and men, than for older workers and women.

Chart 2.12

Women, workers with small children and those aged 30 to 54 represent the biggest potential in FTEs

Additional FTEs resulting from addressing underemployment by demographic characteristic, EU-27, 2023



Note: The numbers on the left-hand vertical axis show the total additional FTEs, and the height of the blue bars determines for every group the total number of additional FTEs if underemployment would be eliminated.

Source: DG EMPL calculations based on EU-LFS microdata

[Click here to download chart.](#)

Much of the additional working hours generated by addressing underemployment would be concentrated in France, Spain, Italy, Germany and the Netherlands (Chart 2.13). If all part-time workers who wish to work more hours were to do so, an additional million of FTEs would be generated in France and

⁽¹⁸¹⁾ Identified based on the Eurostat EU-LFS microdata. Note that this is a broader definition than the one used by Eurostat for underemployment. Eurostat defines an underemployed worker as a person working part-time who would like to work additional hours and is immediately available to do so within the next two weeks. Taking a broader definition allows us to take a perspective of underemployment that considers structural and longer-term challenges that constrain working times, such as caring responsibilities, availability of external care solutions, or certain features of the tax-benefit systems. For more information on involuntary part-time work, see EU labour force survey – methodology – Statistics Explained – Eurostat.

⁽¹⁸²⁾ The number of additional FTEs is calculated as the difference between the usual hours worked of the underemployed and a 40-hour week.

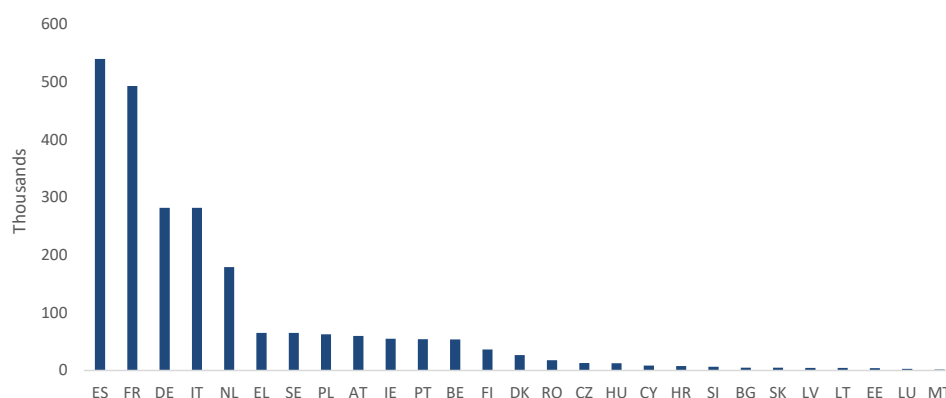
⁽¹⁸³⁾ (European Commission, 2025b).

Spain (about half a million each), and further 560,000 would come from Italy and Germany (around 280,00 each). The Netherlands would also see a high number of additional FTEs (180,000). The high number of underemployed part-time workers in these countries reflects in some countries their comparatively large labour markets, high prevalence of part-time work, and/or specific structure of the economy (with sizeable tourism sectors in FR, ES, IT). In all these countries, part-time work is commonly used by women to balance work and family responsibilities.

Chart 2.13

France, Spain, Italy, Germany and the Netherlands have the highest additional working hours potential

Additional FTEs resulting from addressing underemployment by country, EU-27, 2023



Note: The additional FTE's that can be generated in every EU Member State are calculated and shown by the left-hand side vertical axis and corresponding blue bars. Source: DG EMPL calculations based on EU-LFS microdata

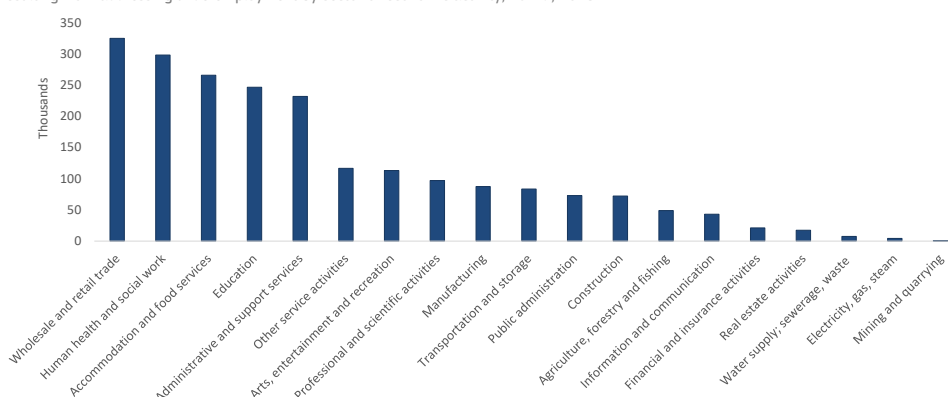
[Click here to download chart.](#)

Over half of the additional FTEs (over 1.3 million) would come from five sectors of economic activity: trade, health, accommodation and food, education and administrative support (Chart 2.14). These sectors are also affected by labour shortages though to varying degrees. In each of these sectors, the total number of worked hours would increase by 1.3% or more. Particularly large changes (between 250,000 and 320,000 extra FTEs) would occur in accommodation and food services and administrative support, where frequent part-time work reflects high employer demand for flexible schedules that cover specific peak hours or extended operating times. Nearly 300,000 extra FTEs would be generated in health and social work, a sector known to be widely affected by labour shortages. In other sectors, the absolute number of additional FTEs is considerably smaller though it can still amount to a relatively high increase in total working hours (e.g. the 110,000 extra FTEs in arts, entertainment and recreation amount to a 4% increase in working hours in the sector).

Chart 2.14

The highest additional working hours potential is in certain service sectors

Additional FTE's resulting from addressing underemployment by sector of economic activity, EU-27, 2023



Source: DG EMPL calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

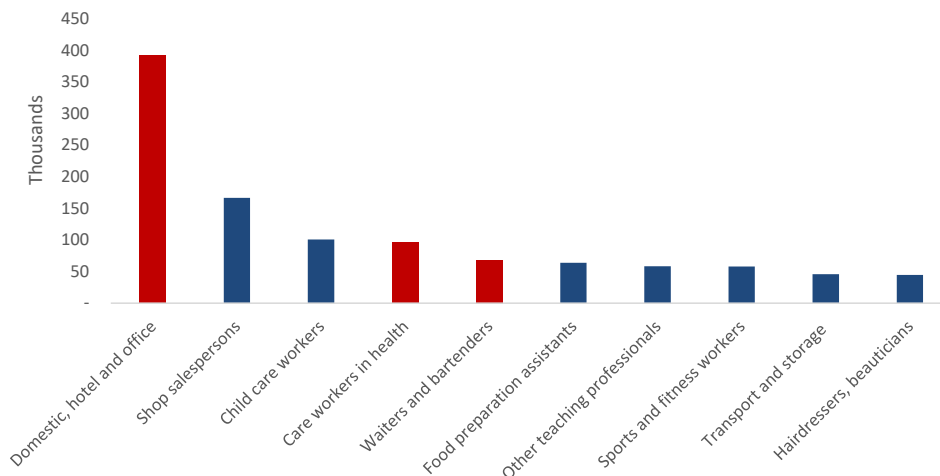
Additional FTEs would originate from the occupations in the service sector. Out of the 2.3 million of additional FTEs, around 400,000 would come from professions in the category 'Domestic, hotel and office cleaners and helpers', followed by 160,000 from the category 'Shop salespersons'. Childcare and healthcare related occupations could each generate additional 100,000 FTEs; while lower amounts would derive from the hospitality sectors - almost 70,000 from 'Waiters and bartenders' and 60,000 from 'Food workers' (Chart 2.15).

Every third FTE created by supporting workers in reaching their desired hours would benefit broader occupational groups that include occupations experiencing labour shortages identified in the EU Talent Pool. Labour shortages are mostly concentrated in the occupational groups ‘Domestic, hotel, and office cleaners and helpers’, ‘Personal care workers in health services’ and ‘Waiters and bartenders’. The high proportion of additional FTEs in these occupations reflects the weak bargaining position of workers vis-à-vis employers, whose demand for flexible schedules that cover specific time periods (such as peak hours in hospitality business) need not suit worker’s preferences.⁽¹⁸⁴⁾

Chart 2.15

The highest additional working hours potential can be found in the occupations of domestic, hotel and officer cleaners and helpers

Additional FTE's resulting from addressing underemployment by top 10 contributing occupations, EU-27, 2023- labour shortage occupations in red



Note: Additional FTE's for the ten highest contributing ISCO-08, 3 digits occupations in terms of additional FTE's in 2023. In red, occupations experiencing labour shortages.

Source: DG EMPL calculations based on Eurostat EU-LFS microdata

[Click here to download chart.](#)

Underemployment results from a diverse range of factors.⁽¹⁸⁵⁾ Underemployment can be the result of low labour demand of employers or mismatches between employers’ needs and workers’ capabilities. For some types of occupations, part-time employment can be common for economic and operational reasons. For example, in the hospitality sector, scheduling arrangements, lower productivity growth and fluctuating demand can reduce the incentives for employers to offer additional hours and hire full-time. It can also be the result of weak bargaining positions of workers due to lack of skills and education that limit their employment opportunities. In some cases, the weak bargaining power is also an outcome of limited trade union coverage of some specific occupations. For certain workers, notably men, part-time work is rarely a preferred working-time arrangement. Women, and to a certain extent older workers, frequently face longer-term constraints that limit their working time (such as caring responsibilities or health issues) while still willing to work longer hours.

4. CONCLUSIONS

In a labour market that faces labour shortages, increasing labour force participation is becoming ever more important. Most employers in the EU struggle to fill at least some of the positions they are offering, which hampers the innovation potential and competitiveness of the EU economy. These shortages are unlikely to disappear in a future marked by demographic decline accompanied by job creation and new skill needs linked to the green and digital transition. Besides addressing unemployment, increasing labour market participation is essential and it is notably of critical importance for integrating underrepresented population groups better, harnessing their talent and contribute to social inclusion.

Currently, one in five Europeans of working age (51 million in total) do not participate in the labour market, in addition to the 12 million unemployed. Thanks to the increasing participation rates particularly of older workers and women, the proportion of people outside the labour force declined significantly over the last decade. In 2013, one in four persons did not participate in the labour market compared to one in five in 2023. At

⁽¹⁸⁴⁾ (European Commission, 2025b).

⁽¹⁸⁵⁾ See (European Commission, 2025b) for detailed literature review of factors affecting underemployment.

the same time, the participation rate varies considerably between Member States, with the lowest rates recorded in Italy and Romania and the highest in the Netherlands and Sweden.

Women, older persons, migrants and persons with disabilities are particularly underrepresented in the labour market. The share of inactive persons amounts to almost a half among persons with disabilities, one third among older persons and one fourth among women and migrants. Together, women, older persons and migrants account for over 80% of those outside the labour market in the EU (about 41 million).

In order to attract additional people to the labour market it is important to understand the reasons behind the detachment, which include gaps in education, skills and work experience. Almost three in four people outside the labour market have either no or no recent work experience, which suggests that they may find entering the labour market challenging. This is compounded by lower educational attainment – with over a third of people outside the labour force having achieved at most lower secondary education, compared to less than a fifth in the overall working age population. The gaps in work experience and educational attainment are particularly pronounced between migrant and domestic-born women. Over a half of migrant women have never taken part in the labour market.

Overall, supporting people outside the labour market into employment may in some cases be more challenging than doing so for the unemployed, most of whom only experience short unemployment spells that do not lead to large work experience gaps or outdated skills.

Other factors that contribute to the underrepresentation in the labour market include poor health, discrimination, accessibility challenges, disincentives resulting from the tax-benefit systems, and unpaid caring responsibilities. Almost a quarter of people outside the labour market singled out disability as a main reason for non-participation, and further fifth attribute non-participation to care and family responsibilities. Entering employment may result in losing certain income benefits (so called ‘benefit traps’) or may be discouraged by high taxes on earnings (e.g. among secondary earners – usually women – where households are taxed jointly).

Certain participation barriers concern mostly women, older persons, migrants, persons with disabilities and young people:

- **Much of the gender gap in labour market participation can be traced back to the disproportionate share of unpaid work, and notably unpaid childcare, undertaken by women.** Many women provide care for other family members and perform housework on daily basis. This has particularly negative consequences for the labour market participation of mothers that extend far beyond the immediate period following childbirth. The severity of these consequences depends on a range of factors, including availability of affordable childcare, design of family related leaves, and the prevalence of traditional norms that identify women as primary caregivers.
- **Early retirement accounts for much of the lower participation of older persons in the labour market, even though this has become less common over time.** The decision to leave the labour market early depends on a range of factors, including poor health; design of the pension systems and the way this affects work incentives; availability of long-term care services where care is needed for other members of the household; willingness of employers to hire or retain older as opposed to younger workers; and the lack of adaptation of working conditions to the specific needs of older persons.
- **Entering the labour market is more challenging for migrants because of gaps in language skills and issues with the recognition of their qualifications.** Relatively few migrants (around one in four) are proficient in the language of the host country prior to their arrival. In surveys, they report lack of language skills as the most common obstacle to participation. Even when they are highly educated, the recognition of their qualifications in the host country is far from certain and often involves lengthy procedures and strict formal requirements. The lack of recognition leads to devaluation of migrants' educational and professional credentials, severely limiting the employment options available to them. This contributes to both overqualification rates among migrants but also explains why their labour market participation is lower than on average.
- **The lack of adaptation of workplace environments, working conditions and hiring process to the needs of persons with disabilities is a major challenge to their participation.** While possible health issues can limit the type of work one can undertake, it is often the broader economic, environmental and social barriers that prevent persons with disabilities from working. For example, many workplaces do not accommodate for the specific needs of persons with disabilities and the same applies to existing hiring

processes. In general, employers tend to focus on costs of employing persons with disabilities (e.g. in adapting workplaces or productivity loss) rather than focusing on their potential.

- **Most young people who do not participate in the labour market are still students.** In fact, the participation rate of young people who finished their studies is higher than the EU working population average. Rather than entering the labour market per se, the key challenge for young people is to find employment, with youth unemployment rate of 14.9% exceeding that of both middle-aged and older persons.

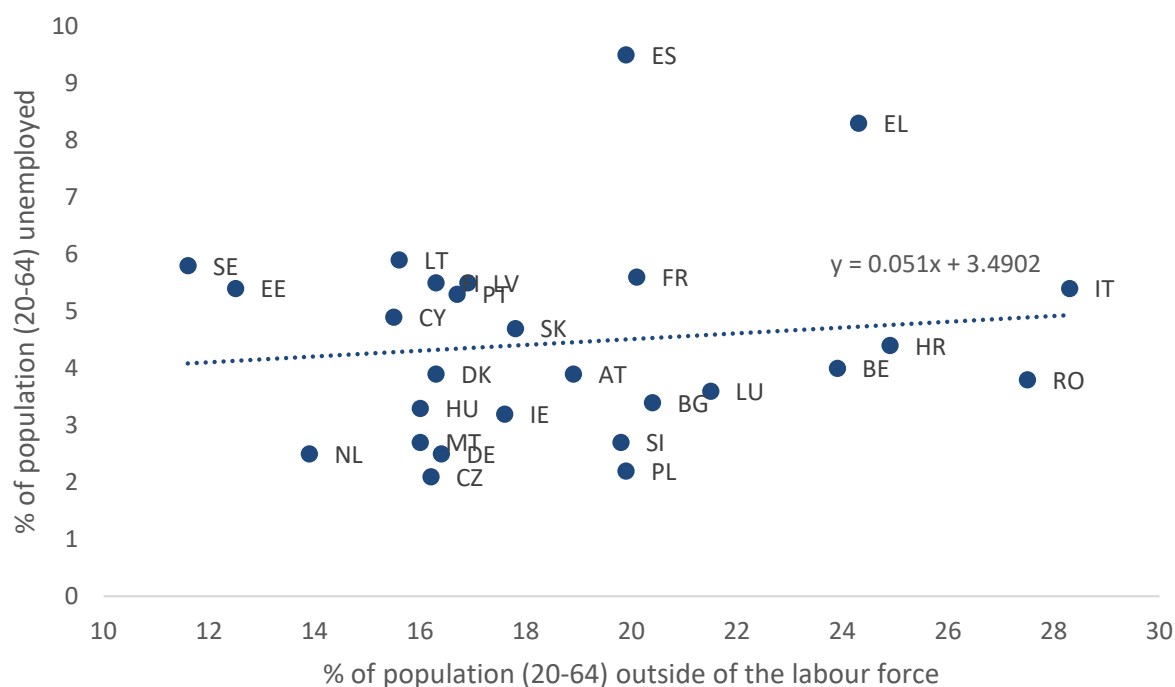
Beyond focusing on increasing labour market participation, additional labour supply (up to 2.3 million of full-time jobs) could result from addressing underemployment. There are about 6.5 million part-time workers in the EU who want to work longer hours. About a third of the additional working hours gained by supporting these workers in working their desired hours would benefit occupational groups experiencing labour shortages. Unlocking this potential requires addressing a diverse range of factors that affect underemployment, including high demand for part-time work in certain sectors that does not necessarily align with worker preferences, weak bargaining position of less skilled workers in the labour market, longer-term working-time constraints resulting notably from caring responsibilities and health limitations, and differences in acceptability of part-time work by country and population group.

Annex 2: Chapter 2

A2.1. RELATIONSHIP BETWEEN UNEMPLOYMENT AND NON-PARTICIPATION

Chart A2.1

Relationship between unemployment and non-participation across EU Member States, 2023



[Click here to download chart.](#)

A2.2. MAIN BARRIERS TO LABOUR MARKET PARTICIPATION AND EMPLOYMENT

Table A2.1

The main barriers to labour market participation and employment of the 4 groups of interest

Categories of barriers	Women	Older workers	Persons with disabilities	Migrants
Low education and skill level and low access to education in training as well as the (temporary) lock-in effects of education and training	x	x	x	x
Health challenges (and insufficient mitigation thereof through adapted work environments, accessible transport and work infrastructure, working time, space and equipment accommodation)	x	x	x	x
Discrimination in the labour market and in the workplace (including gendered attitude about work distribution or social prejudices and cultural stereotypes about work quality and overall worker cost)	x	x	x	x
Caring responsibilities (for children or parents) and other family responsibilities and domestic work	x	x		x
Institutional and financial disincentives (taxation, benefit traps, pension, unequal pay for women, low job quality)	x	x	x	x
Legal, institutional and financial barriers, including the employers' insufficient knowledge of special policies				x
Lack of self-confidence, discouragement			x	x
Economic structures (sectoral composition, gender segregation of sectors, etc.)	x	(x)		x
Language skills				x
Non-recognition of qualifications				x
Access to social networks and information			x	x

[Click here to download table.](#)

A2.3. THE CONCEPT OF ‘MIGRANT’ IN THE PRESENT ANALYSIS

For the purposes of this analysis, migrants are those individuals residing in the EU who were born outside of the EU, unless explicitly stated otherwise.⁽¹⁸⁶⁾ In general policy and statistical practice, migrants in a given country can be considered either 1) those born outside of that country (‘foreign-born’) or 2) those with the citizenship of another country (foreign nationals/citizens or third-country nationals/citizens). In the EU context, it is necessary to further disaggregate according to a person’s country of origin⁽¹⁸⁷⁾ as either born in/citizen of another EU Member State or born in/citizen of a non-EU country. Throughout this report, migrants are defined based on their country of birth (non-EU country) regardless of citizenship status, unless indicated otherwise.⁽¹⁸⁸⁾

Although there is considerable overlap between the EU-resident populations captured by the concept of non-EU country of birth and the concept of non-EU citizenship, there are advantages and disadvantages to choosing one versus the other, which depend on the focus of analysis. The focus of analysis in this report is more conducive to the use of the concept of birth, as it captures larger populations and a larger number of observations in the micro-data sources used (EU-LFS). The concept used excludes persons born in the EU with migrant parents (often referred to as ‘second-generation migrants’). This is mostly because barriers are different from the first generation and the extent of underrepresentation in the labour market of persons born in the EU with migrant parents is quite limited.

Indicatively, in 2023, there were 42 million EU residents born outside the EU (non-EU-born); yet, information on the country of origin remains scarce. Out of the 42 million migrants, 32 million were aged 20–64. The activity rate in this age subgroup was 74.9% (84.9% for migrant men and 65.6% for migrant women), which translates roughly to 24 million persons in the labour market and 8 million persons outside the labour market.⁽¹⁸⁹⁾

Finally, the concept of migrants in this chapter also includes displaced populations seeking or having obtained different forms of international protection. The main legal act defining the right to international protection (asylum) is the 1951 Refugee Convention. The Convention Relating to the Status of Refugees or the Geneva Convention, as is its full title, was adopted in the context of the United Nations and exists alongside national schemes for international protection.⁽¹⁹⁰⁾ All EU Member States are parties to this Convention and its 1967 Protocol which define the rights of refugees and the obligations of states to protect them. The literature and its review herein refer to individuals in this category as ‘applicants for/claimants of international protection’ (namely AIP or ‘asylum seekers’), whereas those whose applications have resulted in recognition of their right to international protection are referred to as beneficiaries of international protection (namely BIP or ‘refugees’). The procedure for seeking and obtaining asylum and the consequent rights and obligations often constrain the ability of the concerned individuals to integrate in the labour market.

Displaced people from Ukraine in the EU are beneficiaries of the Temporary Protection Directive (TPD; Council Directive 2001/55/EC),⁽¹⁹¹⁾ a procedure of exceptional character to provide, in the event of a mass influx or imminent mass influx of displaced persons from third countries who are unable to return to their country of origin, immediate yet temporary protection different from the UN Convention Relating to the Status of Refugees. It was triggered for the first time on 4 March 2022, in response to Russia’s aggression against Ukraine and requires Member States to welcome displaced people ‘balancing their efforts’ in line with a principle of solidarity.

⁽¹⁸⁶⁾ This differs from the concept used in some literature, which uses the citizenship concept. A large part of international literature, and occasionally EU publications, including by EU institutions (ESTAT, Eurofound, etc) occasionally also use the entire concept 1 (‘foreign-born’) or concept 2 (‘foreign nationals’) without regard to the in the EU/out of the EU distinction.

⁽¹⁸⁷⁾ EU acquis introduces a further criterion for categorization of workers moving and settling across borders. Article 45 of the Treaty on the Functioning of the European Union which allows the mobility of citizens of all EU Member States across the European Union in the context of freedom of movement of workers has created a further specificity in categorization and, consequently, in statistical data collection. In this context, we can distinguish between the following categories:

- 1.a) those who were born in an EU Member State other than the one they reside in (‘born in the EU’ or ‘EU-born’), and
- 1.b) those who were born in a third country, i.e. in none of the EU’s Member States (‘born out of the EU’, or ‘non-EU-born’);
- 2.a) those who hold the citizenship of any other EU Member States from the one they reside in (‘EU mobile workers’ or ‘EU mobiles’), and
- 2.b) those who hold neither the citizenship of the EU Member State they reside in nor of any other EU Member State but are citizens of a third country (third-country nationals/citizens’).

⁽¹⁸⁸⁾ The analysis based on literature review and secondary data sources presented in section 2.4. aims to be as inclusive as possible when it comes to displaced populations. Coverage of analysis based on EU-LFS is more restrictive as it only covers private households, and thus excludes some groups of migrants, such as those who live in reception centres or other non-private living arrangements.

⁽¹⁸⁹⁾ in 2023 there were 27 million non-EU citizens EU-wide, of which 19 million were aged 20–64. The activity rate of this sub-group was 71.8%, which translates to a little over 14 million people in and almost 5.5 million people outside the labour market. See Eurostat datasets [lfsa_argacob] and [lfsa_argaedn] on population number in line with [migr_pop3ctb] and [migr_pop1ctz].

⁽¹⁹⁰⁾ <https://www.ohchr.org/en/instruments-mechanisms/instruments/convention-relating-status-refugees>

⁽¹⁹¹⁾ Council Directive 2001/55/EC of 20 July 2001 on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof. Official Journal L 212, 07/08/2001.

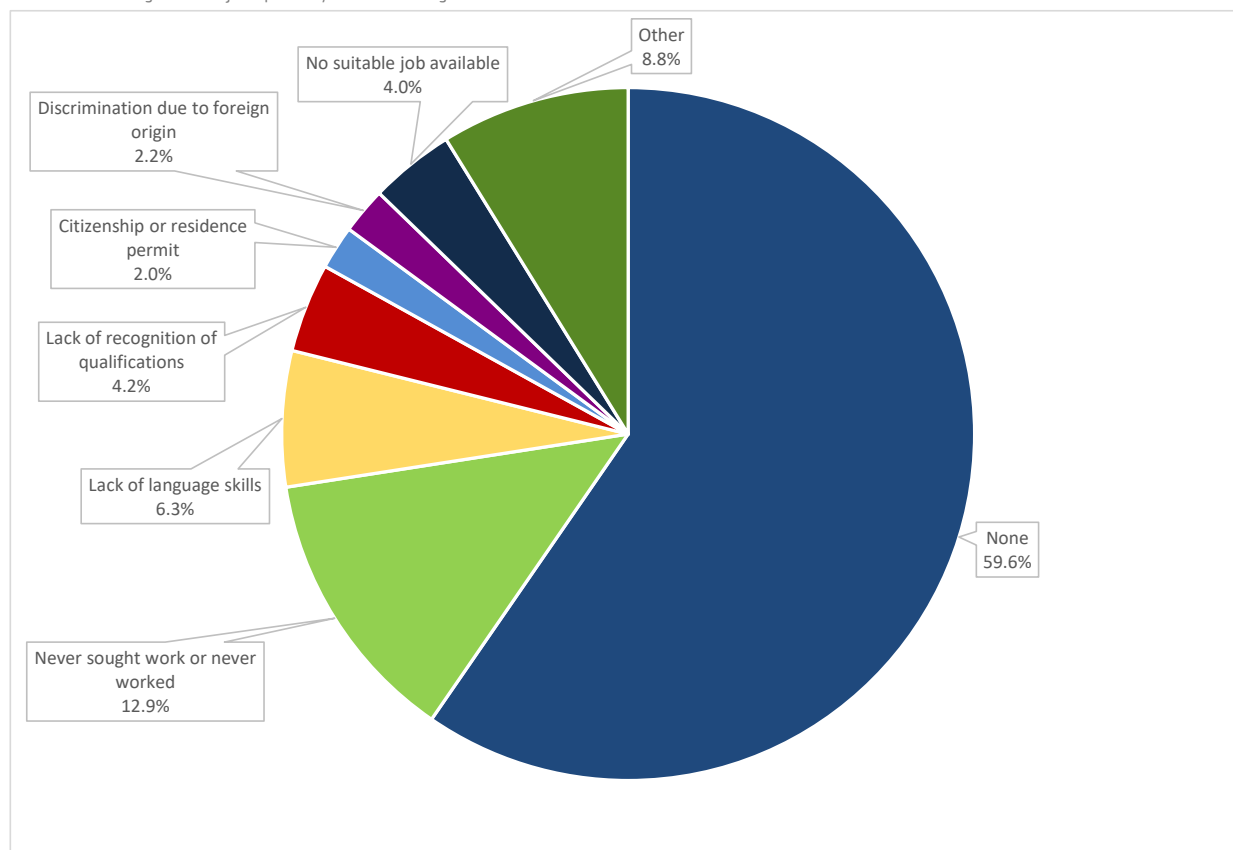
Distinct from the asylum legal framework, the TPD allows the right to work subject to rules applicable to professions and to national labour market policies, including access to PES, and general conditions of employment within Member States. Furthermore, the TPD gives beneficiaries access to residence permits without the complicated bureaucracy associated with seeking asylum. They are allowed to work with a minimum of formalities and access education and vocational training, healthcare, and accommodation.

A2.4. OBSTACLES TO FINDING A SUITABLE JOB BY NON-EU-BORN MIGRANTS

Chart A2.2

The share of migrants who never sought work tops the share of those who named any specific obstacle to finding employment

Obstacles to finding a suitable job reported by non-EU-born migrants



Note: Values in percentages out of the total of valid responses, including those that pointed to no obstacle encountered

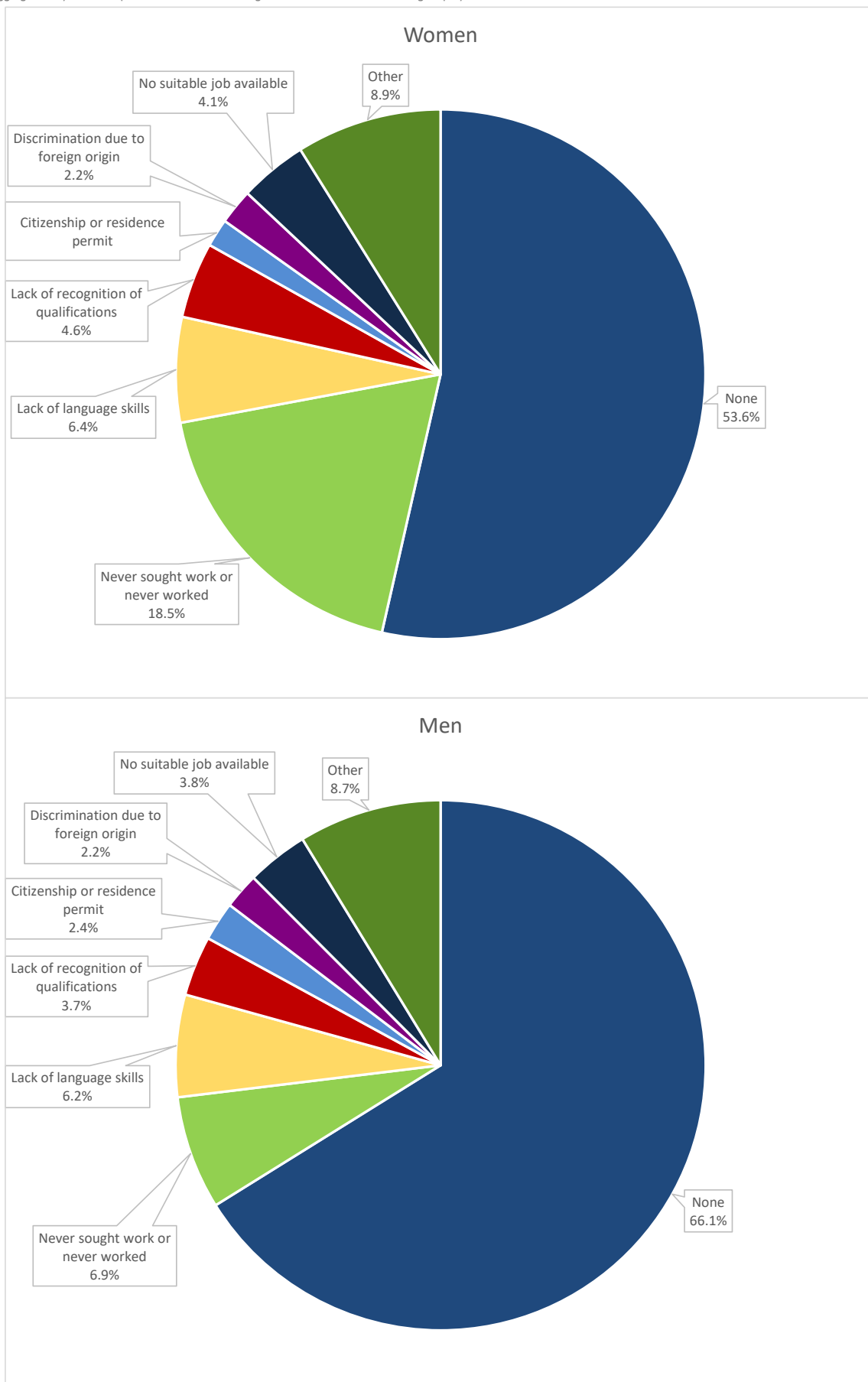
Source: DG EMPL calculations based on the 2021 Eurostat EU-LFS ad hoc module on the labour market situation of migrants and their immediate descendants

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Chart A2.3

Women migrants were nearly three times more likely to report never having sought work than their male peers

Disaggregation by sex of responses of non-EU-born migrants about obstacles to finding employment



Note: Values in percentages out of the total of valid responses, including those that pointed to no obstacle encountered

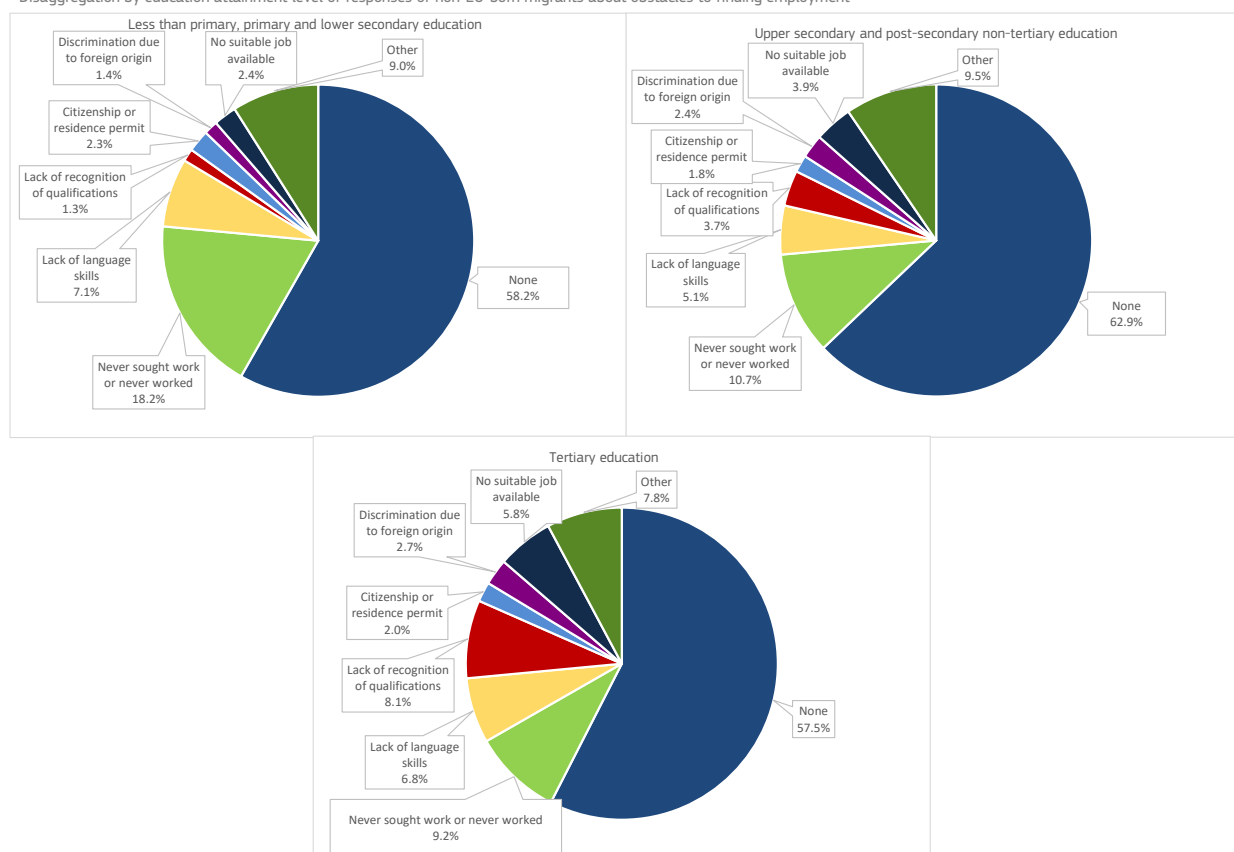
Source: DG EMPL calculations based on the 2021 Eurostat EU-LFS ad hoc module on the labour market situation of migrants and their immediate descendants

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Chart A2.4

Highly educated migrants are three times as likely as their low-educated peers to report lack of recognition of qualifications as an obstacle to finding employment

Disaggregation by education attainment level of responses of non-EU-born migrants about obstacles to finding employment



Note: Values in percentages out of the total of valid responses, including those that pointed to no obstacle encountered. Education attainment level measured according to the ISCED 0-9 scale, whereby levels 0-2 represent less than primary, primary, and lower secondary education, levels 3-4 represent upper secondary and post-secondary non-tertiary education, and levels 5-8 represent tertiary education

Source: DG EMPL calculations based on the 2021 Eurostat EU-LFS ad hoc module on the labour market situation of migrants and their immediate descendants

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Policies to increase labour force participation

1. INTRODUCTION ⁽¹⁹²⁾

Policies to increase labour force participation focus on overcoming specific barriers for people when entering the labour market. Addressing the challenges highlighted in Chapter 2 through dedicated policies is particularly relevant to increase the labour supply in light of ongoing labour shortages and demographic change. As people outside of the labour market experience lower incomes and those further away from it can suffer from limited access to social protection, these efforts help reduce the risk of poverty and social exclusion. Gaining employment can significantly increase the chances of exiting poverty.⁽¹⁹³⁾ At the same time broad labour market participation strengthens the sustainability of social protection systems and social cohesion.

To promote the labour market participation of underrepresented groups, the EU and Member States have committed to a wide range of activation measures. Several of the 75 measures announced in the 2021 European Pillar of Social Rights Action Plan, and adopted since, promote inclusive access to labour markets. Within these, the 2023 Council Recommendation on adequate minimum income supports employment for those furthest away from the labour market. Moreover, bringing people currently underrepresented into the labour force is one of the five key policy areas set out in the EU Action Plan on labour and skills shortages launched in March 2024.

These measures are complemented by up-skilling and reskilling, social dialogue and social inclusion initiatives. The EU Strategy for a Union of Skills adopted in March 2025 aims to strengthen adult and lifelong learning, vocational education and training, and recognition of qualifications and skills. It proposes inter alia an expanded use of micro-credentials, a reinforced Pact for Skills, a review of the Skills Academies, a pilot skills guarantee and a Skills Portability Initiative. Broader policies – including the Council Recommendation on access to affordable and high-quality long-term care⁽¹⁹⁴⁾ and the Council Recommendation on early childhood education and care⁽¹⁹⁵⁾ – target factors contributing to non-participation in the labour force, such as care responsibilities, with guidance on accessing affordable, high-quality long-term care and early childhood education and care. Moreover, the Employment Equality Directive provides protection against discrimination in employment based on religion or belief, disability, age or sexual orientation, aiming to ensure fair treatment for all. The Racial Equality

⁽¹⁹²⁾ This chapter was written by Eva Schönwald, Kilian de Kruyf Molina, Miriam Carracedo-Marsinach, Rafael Martins Resende and Gaelle Debree, with contributions from Anja Puc and the Joint Research Centre (JRC) EUROMOD and RHOMOLO teams, notably Kateryna Bornukova, Hugo Cruces, Klaus Grunberger, Javier Lopez Segovia, Hannes Serruys, Pablo Casas, Tryfonas Christou, Abián García-Rodríguez, Nicholas Lazarou and Simone Salotti.

⁽¹⁹³⁾ (Vaalavuo and Sirniö, 2022)

⁽¹⁹⁴⁾ (Council of the European Union, 2022/C 476/01)

⁽¹⁹⁵⁾ (Council of the European Union, 2022/C 4844/01)

Directive⁽¹⁹⁶⁾ set up a framework for equal treatment irrespective of racial or ethnic origin in, among others, employment and occupation. Additional initiatives focus on specific groups, such as the Disability Employment Package,⁽¹⁹⁷⁾ under the Strategy for the Rights of Persons with Disabilities 2021-2030, the Gender Equality Strategy, and, for migrants, the Action Plan on Integration and Inclusion 2021-2027. At the national level, Member States have implemented these initiatives in close collaboration with the Commission and social partners, often within the context of European Social Fund+ programmes, the European Regional Development Fund, the Recovery and Resilience Facility, and the Technical Support Instrument.

Going forward the Commission plans to step up efforts in this direction. A new Action Plan on the implementation of the European Pillar of Social Rights will be presented in the fourth quarter of 2025, aiming to continue fostering equal opportunities and access to labour markets along with social protection and inclusion. Many additional policies considered in this context address issues that are closely related to labour force participation. The first-ever EU Anti-Poverty Strategy, planned for early 2026, will focus on facilitating access to essential services and combatting poverty and social exclusion. In addition, the Commission together with social partners will develop a Quality Jobs Roadmap to enhance job quality and to ensure a just transition for all. To support these initiatives, the role of social partners will be key, as emphasised in the new Pact for European Social Dialogue adopted in March 2025.

Against this background, this chapter provides insights on which policies work to increase the labour force participation of underrepresented groups. It discusses incentives to join the labour force as well as measures to reduce barriers, both on the supply and demand side of the labour market. More specifically, section 3.2. provides an overview of the key policies commonly used to increase labour force participation for the general population, including changes in the tax-benefit systems and investment in skills. This evidence is complemented by novel analysis of selected policies and their impact on some of these groups, namely in-work benefits, tax rates for full-time employment and measures enhancing educational attainment. section 3.3. discusses policies which are specifically targeting one or more of the underrepresented groups this report focuses on, largely relying on findings from the relevant literature. Policies aimed at increasing employment among underrepresented groups outside the labour force typically target those not already in contact with public employment services (PES) and registered as jobseekers. However, key policies focused on supporting the transition from unemployment to employment, are also discussed, as in many instances they cannot be distinguished from those aimed at activating those outside of the labour market.

2. GENERAL POLICIES TO INCREASE LABOUR FORCE PARTICIPATION

Policies to increase labour force participation can support those outside of the labour force by removing barriers to entry and can also reduce the risk of poverty. These policies can provide incentives to both the supply and demand of labour, through for example adjustments to tax-benefit systems, support to assist these people in their search for employment, including via training, counselling and case management, and measures to address discrimination. At the same time, improving pay and working conditions can enhance work take-up and living conditions. In the context of the European Semester, country-specific recommendations related to challenges to increasing the labour force participation of underrepresented groups through a variety of labour market and skills policies as well as pension reforms are issued.

Active labour market policies (ALMPs) can contribute to increased labour force participation of underrepresented groups. While the interventions from Public Employment Service (PES) are primarily targeted to those in search of an occupation, i.e. the unemployed, they have been increasingly designed to also reach out to those further away from the labour market. In this context, more targeted measures have been developed tailored to the needs and challenges of underrepresented groups (as discussed in Box 3.1). However, reaching out to these groups remains a challenge as persons outside the labour force are less likely to be registered with PES. Among various ALMPs, some programmes have proven to be particularly effective for those outside the labour force, such as tailored services to target groups, individual case management, supported employment and employment incentives, all commonly provided by PES.

At the same time, continuous up- and reskilling opportunities can support individuals to keep their skills relevant in the rapidly changing job market. Even in this case, these policies have primarily been designed to support the unemployed, while reaching out to those outside of the labour force would require further efforts. Within these, lifelong learning policies do not only focus on skill gaps but also equip people with the capacity to adapt to future changes in the job market, facilitating transitions to employment. Training policies

⁽¹⁹⁶⁾ <https://eur-lex.europa.eu/eli/dir/2000/43/oj/eng>

⁽¹⁹⁷⁾ Disability Employment Package to improve labour market outcomes for persons with disabilities

strive to promote accessibility and inclusivity by ensuring access to education for various groups currently underrepresented in the labour market.

Anti-discrimination policies can improve the labour market opportunities of some underrepresented groups. The Employment Equality Directive⁽¹⁹⁸⁾ provides a general framework for equal treatment in employment, focusing on four areas of discrimination, namely religion or belief, disability, age, and sexual orientation. It also puts certain obligations on employers to provide reasonable accommodation, namely adapting workplaces to the needs of specific groups. Demand-side policies targeted at employers such as employment quota schemes can further help reduce discrimination. Measures such as employer counselling can benefit persons from underrepresented groups who face discrimination by raising employer awareness and combatting stereotypes. Information campaigns can for instance challenge negative preconceptions of employers concerning hiring certain groups, such as persons with disabilities.⁽¹⁹⁹⁾ Measures such as local campaigns and raising awareness of the benefits of diversity in the workplace can further contribute to improved labour market opportunities and more inclusive workplaces.

Many of the policies that can increase labour force participation can also support unemployed persons in finding employment. Measures that increase the employability are relevant also for those actively seeking work. Particularly the long-term unemployed share many similar needs with persons outside of the labour force. The Council Recommendation on the integration of the long-term unemployed into the labour market recommends, among others, in-depth individual assessments and guidance, further education and training,⁽²⁰⁰⁾ support for housing, transport, child and care services or rehabilitation as well as partnerships with employers and social partners to facilitate the professional reintegration of long-term unemployed, all of which can also support the employability of those currently outside the labour force.

For those already in employment but who would like to work more hours, skills development and care provision can provide opportunities to find full-time work. Underemployment disproportionately affects underrepresented groups such as women, persons with disabilities and migrants. Inclusive policies that focus on skills development could enable individuals to follow their preferences to find full-time work and strengthen their bargaining power. As women account for two thirds of the underemployed workforce, measures such as increasing childcare accessibility and affordability can provide the right conditions for women to increase the number of hours worked. The presence of underemployment and labour shortages in certain sectors, such as services, also implies a mismatch between employers' preferences (demand for more workers with flexible part-time work arrangements) and labour supply, which tends to be affected by low job quality.⁽²⁰¹⁾ Policies focusing on improving job quality in shortage occupations can help to address the mismatch. Financial incentives can also encourage part-time workers to increase hours worked.

Taking up employment can increase disposable income and reduce poverty, when leading to jobs with decent pay and fair working conditions. Gaining employment significantly increases the chances of exiting poverty.⁽²⁰²⁾ Nevertheless, 8.3% of all employed persons aged 18 to 64 are at risk of poverty.⁽²⁰³⁾ To sufficiently incentivise taking up employment and lifting persons out of poverty, decent wages are a necessary precondition. In addition, the loss of benefits when entering the labour force can reduce the incentive to take up employment. Furthermore, persons with disabilities are faced with additional costs of living when a disability persists even when taking up employment. The duration and eligibility of minimum income benefits, benefit tapering, other social assistance and pension policies thus play a role in measures to increase the labour supply. A reduction of taxes and social security contributions can further provide an incentive by increasing disposable income from work. Overall, fair wages and good working conditions can encourage additional labour force participation and also increase retention of workers.

Leveraging policy complementarities can increase the effectiveness of individual policies to support labour force participation. Existing research suggests that ALMPs tend to be more effective in environments with a higher provision of ECEC.⁽²⁰⁴⁾ Similarly, ALMP spending tends to be more effective in the context of higher national educational attainment levels.⁽²⁰⁵⁾

⁽¹⁹⁸⁾ Directive 2000/78/EC.

⁽¹⁹⁹⁾ (European Commission: Directorate-General for Employment, Social Affairs and Inclusion and Fondazione Giacomo Brodolini, 2022)

⁽²⁰⁰⁾ See e.g. (Wood, 2025) for an evaluation of the effectiveness of four activation programmes (labour market orientation, job search assistance, application and interview training, and human capital development) in the Belgian context.

⁽²⁰¹⁾ (European Commission, 2025b)

⁽²⁰²⁾ (Vaalavuo and Sirniö, 2022)

⁽²⁰³⁾ Eurostat [ilc_li04]

⁽²⁰⁴⁾ (Hemerijck et al., 2024)

⁽²⁰⁵⁾ (Plavgo, 2023)

Box 3.1: The role of Public Employment Services (PES) in increasing labour force participation of underrepresented groups

Efforts by PES to target underrepresented groups outside the labour force can increase their participation. Traditionally, PES actions cover the unemployed, namely those actively looking for a job, but not all unemployed are traditionally registered at the PES. Persons outside the labour force are less likely to be in the focus of PES and receiving support, as registering with these services is usually a pre-condition for benefiting from the programmes they offer. In addition, PES usually lack the mandate to reach those outside the labour force. Therefore, reaching out to underrepresented groups remains particularly challenging.⁽¹⁾

PES are increasingly reaching out to vulnerable groups and taking up activities to target those outside the labour market, particularly in light of labour and skills shortages.⁽²⁾ In the wake of the COVID-19 pandemic and the economic recovery, several PES launched new services to enhance the employability of inactive people and set strategies and targets to ease labour market access to the workforce for the most vulnerable groups. As of 2024, around 20% of those who registered with PES were inactive in the preceding six months. In Bulgaria, the PES has as general objective to bring the inactive into the labour market. More recently, Poland and Ireland have allowed PES staff to reach out to inactive and vulnerable groups.

This outreach to those further away from the labour market has often been done in collaboration with partners to increase effectiveness. For instance, in Germany, outreach is done on-site and via social media, through high-profile campaigns, such as poster advertising in city centres, public transport, cinemas, or sport stadiums. In Austria, collaboration with trusted community figures and a broad access to on-site counselling and digital outreach are key to activate persons outside the labour force.⁽³⁾ These efforts can additionally be supported by designing minimum income schemes to incorporate activation policies or through cooperation with stakeholders in close contact with the underrepresented population. In France, for example, recipients of the Active Solidarity Income (RSA) are automatically registered with PES and receive personalised support, with specific rights and duties to facilitate access to employment.⁽⁴⁾

Intersecting barriers require targeted support of PES for persons from underrepresented groups. A lack of resources and understaffing could disproportionately disadvantage underrepresented groups as their successful labour market integration requires, on average, additional resources. Strategies that have been introduced by PES in different Member States to cater to the needs for different underrepresented groups include:

- **For women:** Relatively few PES have introduced programmes targeting women to (re-) enter the labour market. Most PES did not formulate specific objectives to reduce gender inequalities.⁽⁵⁾ Nonetheless, reaching out to women outside the labour force and recognising their specific needs such as childcare provision has at times fostered active inclusion of women into PES activities.⁽⁶⁾ The Austrian PES have focused their efforts on targeting vulnerable women with women-only career centres, support for re-entry, specialised counselling and other holistic approaches, such as the one of the project 'Neighbours in Vienna'. This project is building on support from the local municipality, NGOs, and social workers to assist young mothers holistically by delivering trainings, education, and on-site childcare. In Germany, the ESF+ Plus programme "MY TURN – Women with migration experience get started" has accompanied migrant women with a low level of qualifications on their way to training and employment since 2022.
- **For older workers:** Although PES provide support to unemployed and long-term unemployed, few Member States (Latvia and Croatia) target older workers directly. Available evidence also suggests that older workers participate less in ALMPs and trainings tend to be shorter.⁽⁷⁾ Some countries provide support related to training and qualifications through financial contributions to employers (Ireland, Austria, and Luxembourg). Other countries support transitions to new tasks, jobs, and employers (Finland).⁽⁸⁾ The cooperation between PES and employers is important to increase the labour force participation of older workers. Supported by PES, employers should develop and encourage more inclusive employment, through sensitisation to ageism, commitments, employer incentives, adapted recruitment processes and reasonable accommodation at work. Measures such as local campaigns and awareness raising of benefits of age diversity in firms can further contribute to fighting ageism in the labour market.⁽⁹⁾

⁽¹⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, Institute for Employment Research (IAB), ÖSB Consulting, and ICON INSTITUT, 2020)

⁽²⁾ (ECE, forthcoming)

⁽³⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024c)

⁽⁴⁾ (European Commission, 2025a)

⁽⁵⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion and ICON Institute Public Sector, 2023)

⁽⁶⁾ (European Commission, 2025a)

⁽⁷⁾ (European Commission, 2019)

⁽⁸⁾ (Eurofound, 2025)

⁽⁹⁾ (Age Platform Europe, 2023)

(Continued on the next page)

Box (continued)

- **For migrants:** Overall, PES are transitioning from a primarily administrative role to a more active involvement in recruitment of migrants to address labour and skill shortages. This can include the role as a matchmaker between employers and third-country job seekers.⁽¹⁰⁾ Immediate involvement of PES can enhance integration outcomes of migrants. Experiences in Finland suggest that an early division of support services between migrants who are immediately willing and able to work and those who are not can widen the gap in distance to the labour market between these groups.⁽¹¹⁾ Those not immediately able to work were directed to municipality services, which generally focused less on labour market training, making it more difficult for migrants to find their way to employment.⁽¹²⁾ Recent evidence in some Member States illustrates the positive impact of directing newcomers to PES services early. In Sweden, migrants directed immediately to PES have experienced favourable employment outcomes.⁽¹³⁾ Early PES support has also successfully engaged displaced Ukrainians in Estonia and Bulgaria. Additionally, proactively hiring PES counsellors belonging to a minority group can compensate initial disadvantages related to weaker networks and information processing skills, while also reducing the risk of discrimination by PES counsellors.
- **For persons with disabilities:** PES are well placed to support the labour force participation of persons with disabilities and to support a more accessible labour market.⁽¹⁴⁾ Direct support measures include ability testing, coaching, vocational rehabilitation and job trials. Most PES also have specialised caseworkers who connect persons with disabilities to external providers. Lithuania's case management system, for instance, offers vulnerable individuals personalised support and career guidance from caseworkers.⁽¹⁵⁾ Estonia's Workability Reform exemplifies a successful strategy by increasing registration with PES through enhanced NGO partnerships.⁽¹⁶⁾ Collaborating with services offering vocational rehabilitation has proven particularly effective.⁽¹⁷⁾ Moreover, PES can play a key role in raising awareness with information campaigns to shift focus from barriers to competences of persons with disabilities.⁽¹⁸⁾
- **For young people:** Broader PES initiatives such as on-the-job training, skills development, skills assessments, and programmes facilitating the transition from education to employment for young people can help facilitate entry into the labour market and strengthen their labour market attachment. In many cases these programmes have been developed in the context of the Youth Guarantee, for which most European PES are fully in charge, and provide career guidance, counselling and short-term training.

⁽¹⁰⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024a)

⁽¹¹⁾ In Finland, migrants who were not seeking to work at the time of arrival (due to sickness, childcare responsibilities or other reasons) were directed to municipality services instead of PES services.

⁽¹²⁾ (OECD, 2018)

⁽¹³⁾ (OECD, 2018)

⁽¹⁴⁾ These are also supported by the launch of the "Practitioner toolkit on strengthening PES to improve the labour market outcomes of persons with disabilities" in 2022.

⁽¹⁵⁾ (European Commission: Directorate-General for Employment, Social Affairs and Inclusion and Fondazione Giacomo Brodolini, 2022)

⁽¹⁶⁾ The Workability Reform involved partnering with NGOs working in the field of disability rights to help design services and delivery, as well as subcontracting of NGOs to run certain services. (European Commission: Directorate-General for Employment, Social Affairs and Inclusion and Fondazione Giacomo Brodolini, 2022)

⁽¹⁷⁾ (European Commission: Directorate-General for Employment, Social Affairs and Inclusion and Fondazione Giacomo Brodolini, 2022)

⁽¹⁸⁾ (European Commission: Directorate-General for Employment, Social Affairs and Inclusion and Fondazione Giacomo Brodolini, 2022)

2.1. Tax benefit systems supporting participation in the labour force

The design of the tax benefit system impacts financial incentives for individuals to enter the labour market. Labour force participation is dependent on a complex interplay of factors, including employment opportunities, health, care responsibilities, capacity to work and demand for income. This section focuses on the monetary incentives that can influence whether individuals search work. In a simple model framework, when individuals choose between joining or staying out of the labour force, they make this choice on the basis of their (potential) income from work.⁽²⁰⁶⁾ The disposable income from work is the amount they would be able to keep after deductions for taxes, social security contributions and loss of benefits are taken into account. At equal gross wage, the disposable income can differ due to different tax and benefit rules for different types of households depending on the tax benefit system in place. This affects particularly households with two adults where taxation and means-tests may in some cases depend on household level income. Consequently, changes in the tax benefit systems which translate into changes in disposable income affect individuals' willingness to work. Labour market

⁽²⁰⁶⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2023a)

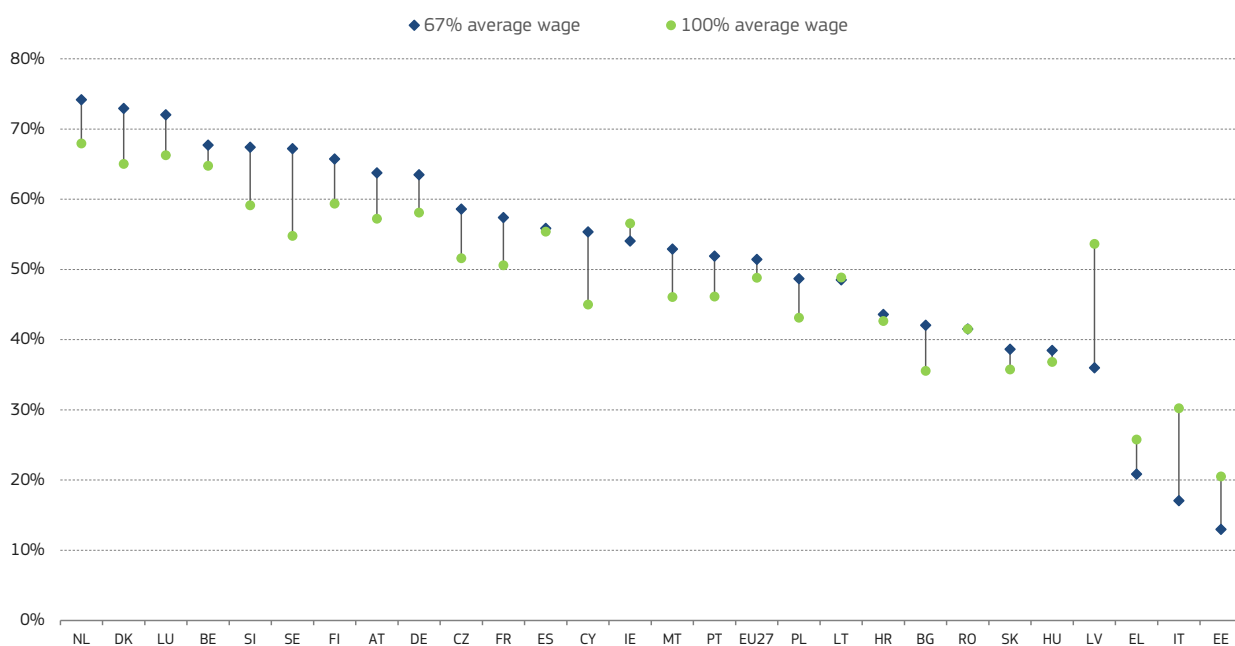
participation can thus be encouraged by increasing (financial) incentives to work. The size of the impact of increasing financial incentives on labour force participation rates depends on the design of the policy, its interaction with existing policies but also on the degree to which increased monetary incentives are a strong enough factor to induce persons to join the labour force or increase working hours.

If the net income from work is not, or not notably, higher than net income while being outside the labour market, inactivity traps occur. This can occur where taxes and loss of benefits when taking up employment lead to a relatively low increase in disposable income. This depends not only on the wage level when taking up employment but also on the household composition. In most Member States, financial incentives to take up employment are lower for those who receive lower wages. However, as Chart 3.1 shows, there are significant differences between Member States in inactivity traps for single households, reflecting the design of tax benefit systems, including the phasing out of benefits when taking up employment.

Chart 3.1

Incentives to take up employment differ by Member State and wage level

Inactivity traps across Member States by wage level



Note: Data show percentage of earnings not translating into increased disposable income due to taxes or withdrawn benefits. Comparison shown for a single person household taking up employment at 67% of the average wage or 100% of the average wage

Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax/benefit model

[Click here to download chart.](#)

Increasing the financial incentives to work through tax-benefit reforms can be achieved through a variety of approaches involving targeted or non-targeted tax and social security reforms. Decreased taxes on labour and/or social security contributions, particularly when designed in a progressive manner, can provide higher disposable incomes for those who chose to take up work. Targeted decreases in personal income taxes have been shown to have a positive impact on labour supply.⁽²⁰⁷⁾ Not only the amount but also the design of tax-benefit reforms matters for their effectiveness in incentivising labour supply. A rich tax literature on optimal tax theory exists which discusses optimal taxation design.⁽²⁰⁸⁾

Benefit design is crucial when considering measures to increase participation. Many benefits which are means-tested are lost when taking up work, reducing the increase in disposable income obtained from taking up employment. The design of benefits with respect to their level but also their phase-out (tapering) to avoid cliff effects is important to incentivise increased labour supply. In addition, minimum income schemes in many cases make recipients eligible for other benefits and services such as housing allowances, health insurance and free childcare. Moving into employment can thus have a cascade effect as access not only to the income scheme but all other benefits may be lost, leading to reduced incentives to take up work.⁽²⁰⁹⁾

⁽²⁰⁷⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2023a)

⁽²⁰⁸⁾ For a recent discussion in the context of labour supply responses, see for instance (Keane, 2022)

⁽²⁰⁹⁾ (ECE, 2025)

Demand-side measures focus on incentivising employers to hire persons outside the labour force. A reduction or exemption from social security contributions for employers hiring persons from underrepresented groups is the most common demand-side measure implemented in Member States. In Belgium, an exemption from employer social security contributions is provided for first hires, to encourage start-up employment in particular.⁽²¹⁰⁾ Existing evaluations provide mixed results with respect to the effectiveness of these measures to increase the labour force participation of underrepresented groups and in terms of their cost-effectiveness.⁽²¹¹⁾

In work benefits

In-work benefits can influence the incentives to work by increasing the disposable income of households with low-income levels. In-work benefits are fiscal incentives provided to low-income individuals who are working, and contingent on work-related eligibility rules. They are aimed at reducing the poverty risk while at the same time encouraging employment. These benefits typically function by boosting employees' net income from working and creating stronger incentives for employment by widening the gap between employment income and non-employment benefits. For households or individuals with earnings below a certain threshold, the income from work is increased through the in-work benefit, which can be either designed as a direct transfer, or as reductions in taxes or social security contributions. In light of persistent labour shortages, they can be a supply-side measure to increase labour force participation. While these benefits do not specifically target the underrepresented groups, they influence their financial incentives to work to different degrees dependent on their household composition and average wage levels.

In-work benefits across EU Member States show significant variation in design, reflecting different policy priorities and contexts. Most studies on in-work benefits find increases of employment rates subsequent to the introduction of the measure. A review of the effectiveness of these policies in Belgium, Italy, Poland and Sweden finds positive effects on employment and also on poverty reduction, although the design matters for the magnitude of the effects.⁽²¹²⁾ Another fundamental distinction identified by the literature exists between individual-based and household-based assessment systems. Individual-based systems, such as the Flemish job-bonus, focus on personal earnings and work hours as measures of eligibility, creating direct incentives for labour market participation. Household-based systems, exemplified by the French Prime d'activité, consider total family resources and needs, enabling better poverty targeting but potentially creating complexity in administration and implementation and creating lower incentives particularly for secondary earners. The treatment of working hours represents another key design dimension.⁽²¹³⁾ The definition of eligible income and the structure of benefit phase-outs also vary substantially across systems.⁽²¹⁴⁾ While not directly comparable, in general household-based schemes tend to be more poverty reducing, while individual-based schemes are easier to administer and tend to have stronger labour supply effects. The analysis below focuses on a hypothetical in-work benefit at the household level for a number of countries.⁽²¹⁵⁾

The introduction of an in-work benefit can provide sufficient financial incentives for some persons to enter the labour force though there is considerable heterogeneity among Member States. The impact assessment in eight Member States using EUROMOD, the European Commission's microsimulation model, in combination with EUROLAB, a discrete-choice econometric model,⁽²¹⁶⁾ reveals that incentives have a positive impact on employment in all Member States, with the number of persons employed increasing by 0.12% to 0.53%. Households receive an in-work benefit of 20% of their equivalised disposable income up to a certain

⁽²¹⁰⁾ (ECE, 2025)

⁽²¹¹⁾ (ECE, 2025)

⁽²¹²⁾ (Vandelannoote and Verbist, 2017)

⁽²¹³⁾ Some countries, such as Ireland, establish strict minimum working hour requirements (16 hours per week), while others use earnings thresholds as proxy measures for labour market attachment. The Belgian system addresses part-time work by recalculating earnings to a full-time equivalent basis, to avoid creating incentives of moving from full-time to part-time employment.

⁽²¹⁴⁾ This can involve considering only employment earnings (e.g. in Malta) or incorporating a broader range of income sources in the calculations (e.g. in France). Phase-out designs range from gradual reductions starting at relatively low income levels to sustained benefits up to middle-income thresholds. These choices significantly influence both work incentives and fiscal costs.

⁽²¹⁵⁾ For the purpose of this analysis, a household-level and an individual-level IWB have been designed, aiming to make them as similar as possible. The results of the two simulations show stronger labour supply effects for the household-level IWB in most countries modelled (see Table A3.2). This is most likely a consequence of the design, which results from the minimum hours requirement, how the benefit design interacts with the underlying distribution (and on the relevant minimum wage), as well as a smaller benefit amount in the individual design (20% of earnings rather than disposable income). These three design parameters could be adjusted to optimally suit the country specific income distribution and tax-benefit systems when designing a specific IWB. Given the larger labour supply effects for the household-level design in this particular case, the analysis below highlights primarily the household-level IWB results. The full results can be found in the Annex in Table A3.2.

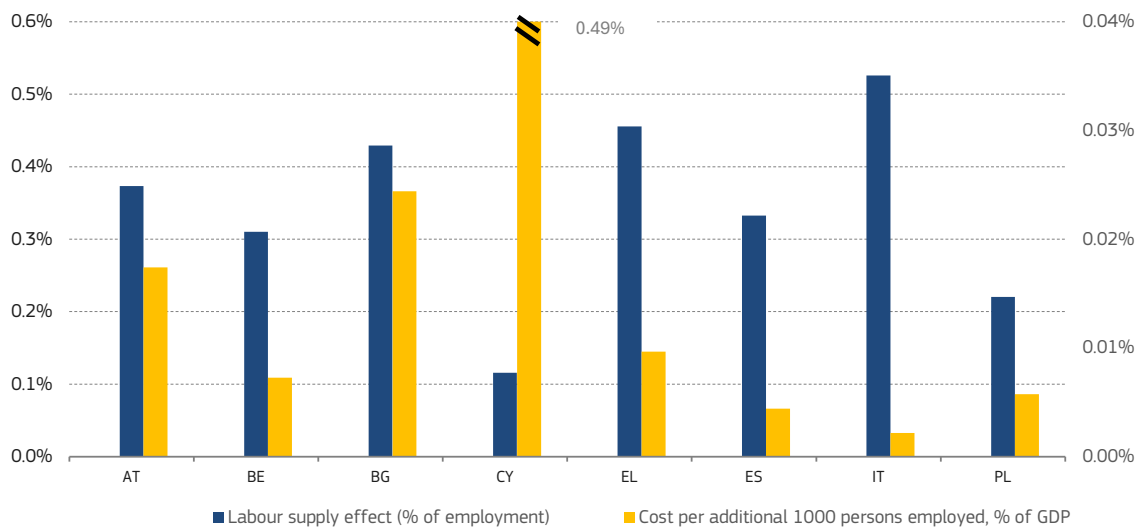
⁽²¹⁶⁾ EUROLAB, the European Commission's discrete choice econometric model, estimates labour supply responses to policy changes. EUROLAB uses EUROMOD in order to simulate the opportunity sets of households. It is a random utility microsimulation model that estimates the behavioural labour supply responses resulting from policy reforms for those who can change their labour supply behaviour.

income threshold, on the condition that they work at least 16 hours per week (Table A3.2).⁽²¹⁷⁾ Member States were selected based on multiple criteria, namely having low labour force participation of some of the underrepresented groups assessed, not having an in-work benefit in place and ensuring coverage of different welfare state types. The simulations suggest that the introduction of an in-work benefit would increase the number of persons employed in all countries, with the largest increases registered in Italy (0.53% increase in the number of persons employed) and the smallest increases registered in Cyprus (0.12%) (Chart 3.2). Differences between Member States can be explained, among others, by differences in the existing fiscal (dis-)incentives to work including the design of existing benefits, the income distribution and the composition of households. In some countries, the benefit incentivises part-time employment due to the work requirement of 16 hours per week.⁽²¹⁸⁾ Chart 3.2 also shows that the expenditure required per additional 1,000 persons employed varies strongly by country, highlighting the different degrees of cost-effectiveness when increases in the labour supply are considered. However, a fully-fledged cost-effectiveness analysis should consider on the effectiveness side not only the impact on those entering work but also improvements of social outcomes for all benefit recipients, while, on the cost side interactions with the existing tax-benefit systems should be accounted for.

Chart 3.2

The impact of the introduction of an in-work benefit (IWB) on labour supply differs by Member State

Changes in the number of persons employed (in %, left axis) and related aggregate expenditure per 1,000 additional persons employed (% of GDP, right axis) following the introduction of an IWB



Note: results of introducing a household-based IWB scheme in the 8 Member States displayed. Aggregate expenditure includes second round effects of households adjusting their labour supply after the introduction of the IWB

Source: JRC calculations using EUROMOD and EUROLAB

[Click here to download chart.](#)

Migrants and younger people increase their labour supply more strongly following the introduction of an in-work benefit. In almost all countries analysed, employment of migrants increases the most as a result of the in-work benefit (Chart 3.3). Labour supply effects tend to be large for younger people too, but with variations across Member States. Older people's labour supply is less responsive to increased financial incentives via in-work benefits than for other underrepresented groups. A reason for this could be that employment incentives should be considered alongside incentives for retirement which are not covered in this analysis.

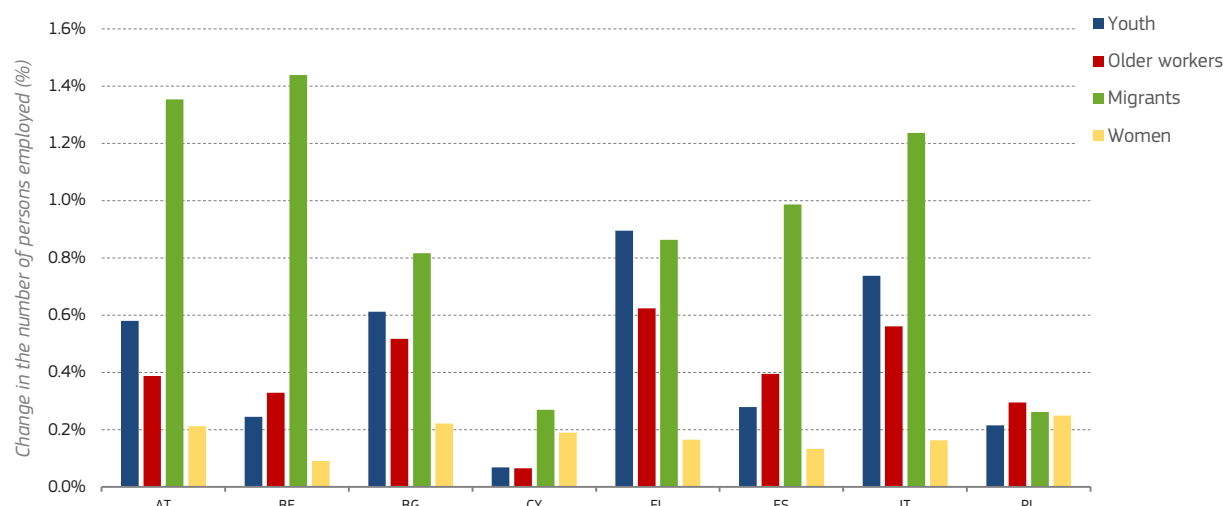
⁽²¹⁷⁾ After the income threshold of 50% of the median equivalised disposable income is reached, the benefit is gradually phased out to avoid cliff effects, depending on Member States' specific minimum wages where applicable. See Table A3.1. for more information.

⁽²¹⁸⁾ A higher hours threshold or, alternatively, basing the benefit amount on full-time equivalent earnings could potentially reduce the shift to part-time work.

Chart 3.3

The introduction of an in-work benefit has heterogeneous effects on the labour supply of underrepresented groups

Changes in the number of persons employed (in %) following the introduction of an IWB by target group



Note: Results of introducing a household-based IWB scheme in the 8 Member States displayed. It is assumed that all labour supply changes translate directly into employment, with no role for labour demand.

Source: JRC calculations using EUROMOD and EUROLAB

[Click here to download chart.](#)

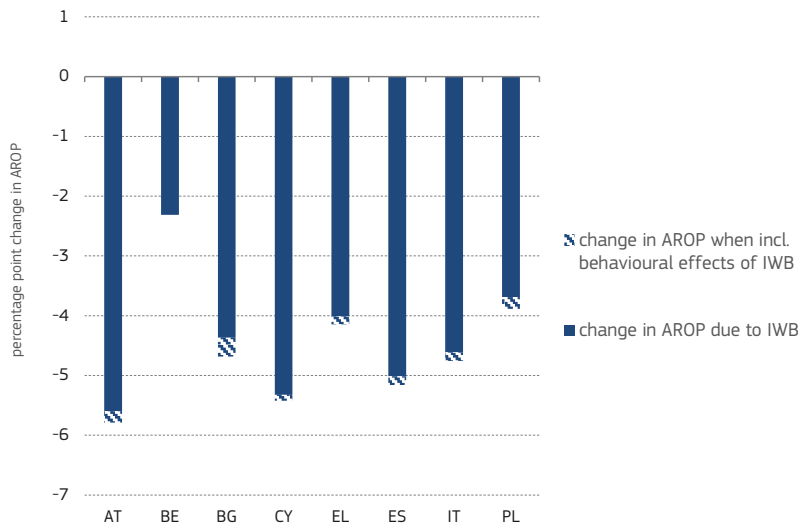
Women's employment does not increase strongly as a result of a household-based in-work benefit, which points to the importance of benefit design and to the need to consider additional institutional factors when targeting specific groups. In most Member States assessed, women have the lowest labour supply response across the underrepresented groups analysed. This impact is significantly higher when the benefit is administered at the individual level, and not to the household (Table A3.2). In fact, household composition effects may emerge where income from other earners in the household leads to reduced eligibility for the benefit in the case of a household-based scheme. As women are often secondary earners (see section 3.1. for more details), this effect is exacerbated. Some of the observed effects for women also stem from other institutional factors, such as the availability and affordability of childcare. While labour supply effects for younger people are high across both in-work benefit schemes, they tend to be even higher under an individual-based scheme (Table A3.2).

In-work benefits can contribute significantly to alleviating the risk of poverty. For the countries analysed, the introduction of a household-based in-work benefit leads to a reduction in the at-risk of poverty (AROP) rate by 2.31 pp. (Belgium) to 5.6 pp. (Austria). These impacts are even larger when considering delayed effects of households reacting to the introduction of the in-work benefit by increasing their labour supply (Chart 3.4). Comparisons to individual-based in-work benefits show that household-based in-work benefits reduce the AROP rate more strongly than individual-based benefits, as they provide income increases primarily to the first income decile. However, non-take up issues tend to be higher in household-based designs, potentially reducing the poverty alleviating impact of the benefit.

Chart 3.4

The introduction of an in-work benefit contributes to reducing the at-risk of poverty rate

Percentage point change in the AROP rate following the introduction of an in-work benefit scheme by country



Note: Results show first-round effects of introducing the IWB, i.e. the direct impact on households who become eligible for the benefit, and second-round behavioural effects of households increasing their labour supply as a response to the introduction of the IWB

Source: JRC calculations using EUROMOD

[Click here to download chart.](#)

The design of the in-work benefit influences the ability to incentivise specific target groups but also has implications for the distributional impact of the reform. The results highlight the importance of considering the target group when designing an in-work benefit, taking into account country-specific features of the tax-benefit system but also characteristics of the target groups. On the one hand, individual-based schemes may be better in incentivising younger people and women to enter the labour force. These schemes offer advantages in terms of administrative simplicity and immediate delivery through payroll systems while household-based schemes likely require more significant administrative resources and may also face issues of non-take up. On the other hand, household-based schemes have a significantly stronger poverty-reducing impact compared to individual-based schemes. Labour supply effects for older persons and migrants are also stronger under household-based in-work benefits. These results may change depending on the exact design of in-work benefits. Careful consideration of the aims and requirements of an in-work benefit will be required for targeted and effective policy design.

Incentives for part-time workers

Financial incentives implicitly provided by the tax-benefit system do not only play a role for the decision to enter the labour force but also for the number of hours that individuals choose to work.

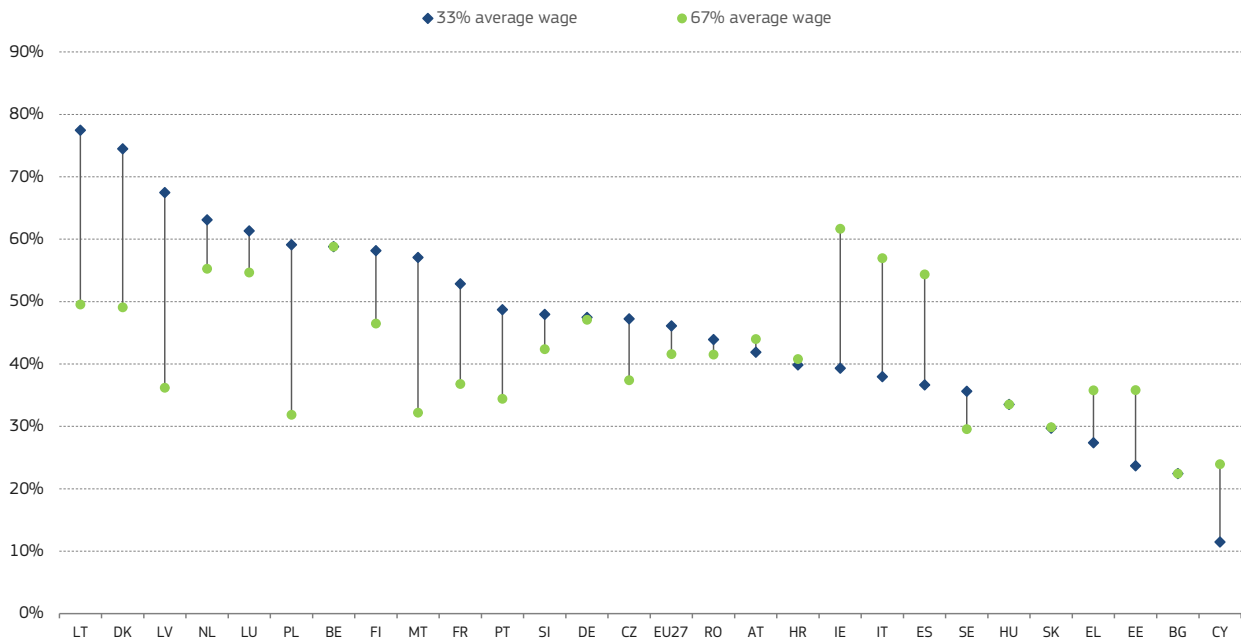
There are many barriers to increasing hours worked, many of which may overlap with barriers to joining the labour force (Chapter 2). The financial incentives provided by the tax benefit system in terms of the increase in disposable income following an increase in hours worked can be a factor in increasing the total hours worked. High levels of taxation or loss of benefits may imply only little changes in disposable income despite increases in hours, providing in some cases only limited incentives to work more hours.

The proportion of additional income that is ‘taxed away’ when workers increase their earnings (i.e. the low-wage trap) can be substantial, particularly for low-wage earners. In most Member States, the share of additional earnings not translating into increased disposable income is higher for those earnings increasing from 33% of average wage to 67% of average wage compared to those moving from 67% average wage to 100% average wage. (Chart 3.5) Across Member States, the low-wage trap for those earning 33% of the average wage ranges from 11% in Cyprus to up to 77% in Lithuania.

Chart 3.5

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

Low-wage trap by Member State and average wage level before wage increase



Low-wage trap when a single household's earnings increase from 33% to 66% of the average wage and from 66% to 100% of the average wage, respectively. Shows the percentage of the increase in earnings which is 'taxed away'.

Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax-benefit model

[Click here to download chart.](#)

The increase in disposable income gained from moving to full-time work differs by household composition and the design of the tax-benefit system. The loss of benefits and progressive taxation implies that the additional hours worked of those previously working part-time contribute proportionately less to increased disposable income than the original part-time hours. The analysis below assesses the financial incentives for part-time workers to move to full-time work, by estimating Full-Time Participation Tax Rates (FPTR) (Box A3.1 for methodology). The FPTR captures the effective “tax rate” experienced when transitioning from part-time to full-time work, i.e. the share of the increase in gross employment income gained from moving to full-time work that is “taxed away” due to taxes, social insurance contributions and loss of benefits when earnings increase.⁽²¹⁹⁾ The higher the FPTR the higher the disincentive for part-time workers to increase their working hours from a monetary perspective.

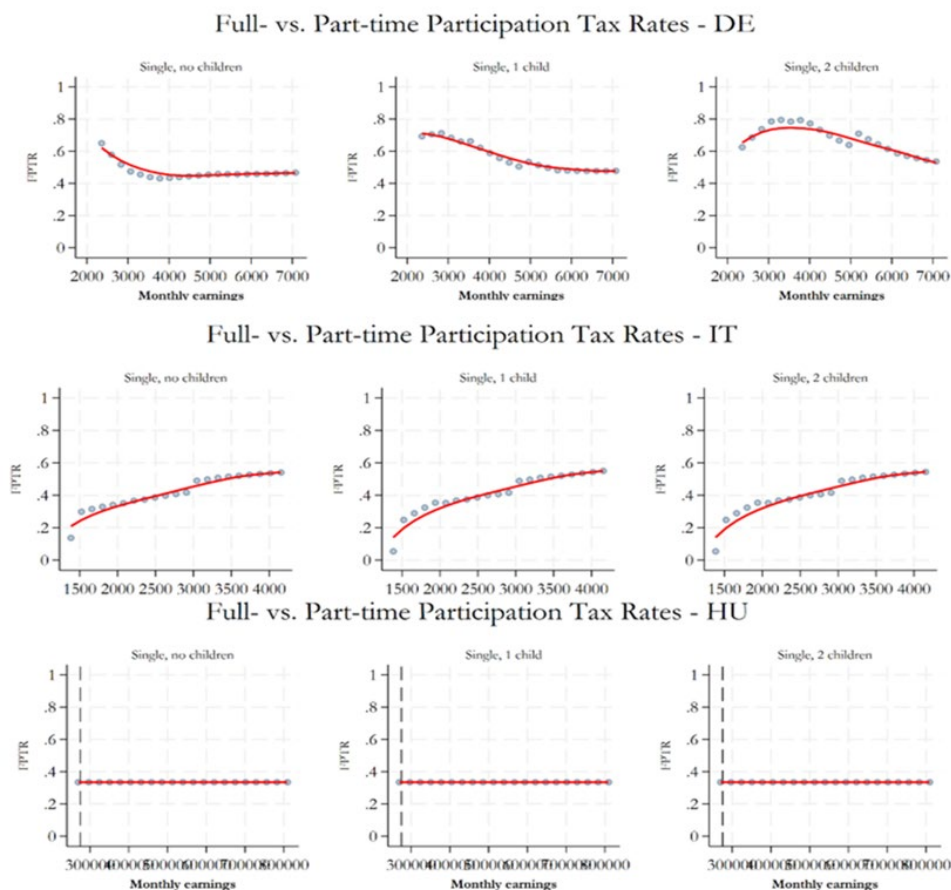
The degree of financial incentives to switch from part-time to full-time work differ strongly across Member States, also depending on the wage levels. On average, Bulgaria (20.9%), Estonia (23.8%) and Cyprus (24.6%) have the largest financial incentives to move to full-time work, with over three quarters of the additional employment income translating into disposable income. In contrast, financial incentives for increasing hours worked are lowest in Germany (49.2% of increased earnings do not translate into disposable income), Belgium (46.9%) and Lithuania (45.7%) (Chart 1 in Box A3.1). This masks considerable heterogeneity within countries, depending on the wage level, means-tested benefits and the progressivity of the tax system. In systems with more progressive taxation schedules, such as Italy, taxes for higher wage earners are larger, leading to lower financial incentives to switch to full-time work. In countries without means-tested benefits and flat tax schedules such as Hungary, the full-time participation tax rate is the same across wage levels, leading to equal incentives for workers to increase their hours worked irrespective of their wage levels.

⁽²¹⁹⁾ Similar trade-offs apply to persons outside the labour force deciding whether to take up employment. However, the computation of FPTRs for persons outside the labour force relies on more assumptions on the number of hours worked and their wage level. The analysis below thus focuses on the financial incentives to increase hours worked, acknowledging that many of these issues will also apply to situations of transitioning from outside the labour force into employment.

Figure 3.1

Full-time participation tax rates differ between Member States and types of households

FPTR by number of children and monthly earnings for single adult households



Note: Values in national currency; monthly earnings represent gross monthly employment income at full-time employment, ranging from 50% to 150% of national average wage. Dots represent observations from hypothetical data. Red line is a non-linear trend. FPTR is a full-time participation tax rate. This has been calculated for all working individuals of a country, independently of their actual working pattern. Averages are calculated over all working individuals, and with the use of sample weights

Source: JRC calculations using EUROMOD HHoT data

[Click here to download figure.](#)

In many countries, financial incentives that would be required for single households to increase their hours worked are very low, particularly for single parents. In Germany, single low-wage earners with children encounter particularly low incentives to move to full-time employment, with in some cases up to 80% of the increase in earnings not translating into increased disposable income. This is likely due to the loss of benefits for those with lower wage levels when switching from part-time to full-time work (Figure 3.1). Coupled with other barriers such as limited access to ECEC, the incentives to work full-time can be very low for single parents in certain contexts. Differences in financial incentives across Member States highlight important implicit incentive effects depending on the original structure of the tax-benefit system and household composition.

Older workers tend to have higher than average full-time participation tax rates, linked to higher wages.⁽²²⁰⁾ Around one in five employed persons (19.7%) over 55 worked part-time in 2024, compared to 17.2% for the total working age population.⁽²²¹⁾ In countries with progressive tax schedules, the higher wages for older workers lead to a relatively smaller increase in disposable income when moving to full-time work (Chart 3.6). This effect is somewhat more pronounced for older men. This might not necessarily contradict working preferences, as older workers tend to have a preference for part-time employment.⁽²²²⁾ On the other hand, young workers, and particularly young women, face much higher incentives to increase hours worked (see Chart 3.6). This contrasts with the lower incentives for full-time work for women aged 35 to 54 in most Member States, for whom household composition (i.e. the presence of children and partners), the interaction with tax and

⁽²²⁰⁾ Results in this section are based on EU SILC analysis of FPTRs for any person working less than 30 hours per week. Considerations of preferences for part-time work irrespective of the full-time participation tax rate are not discussed in the context of the analysis.

⁽²²¹⁾ Eurostat [lfsi_pt_a]

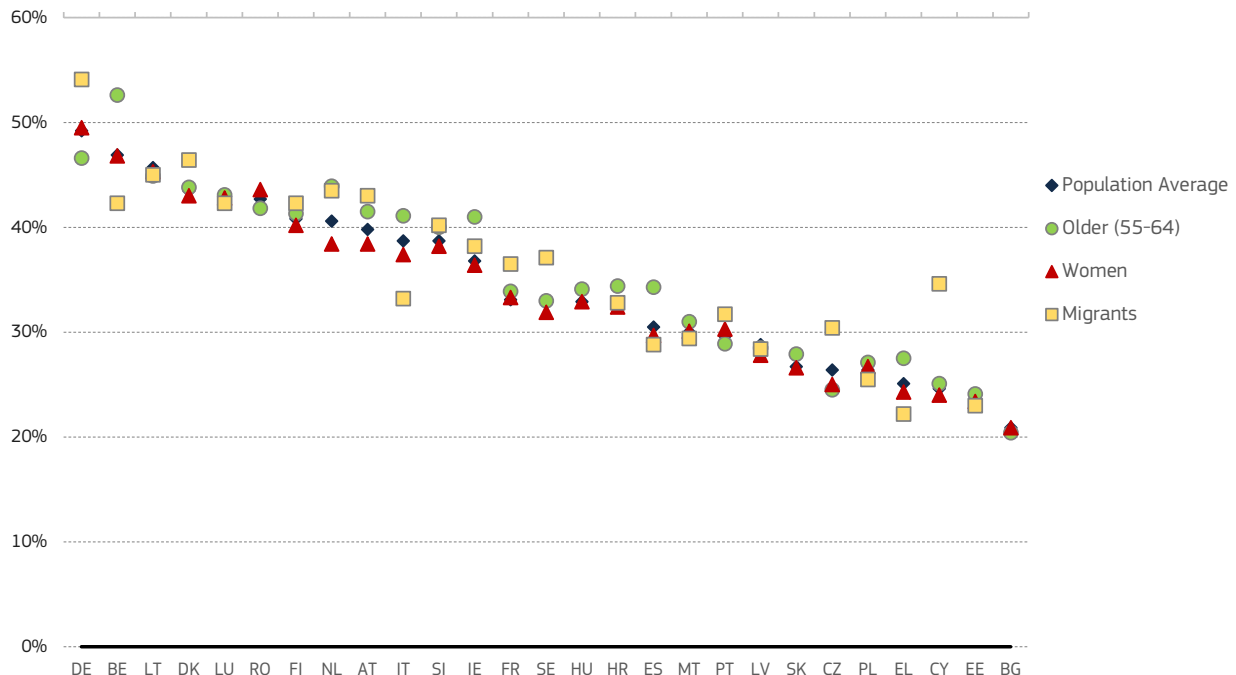
⁽²²²⁾ (Albinowski, 2024a), (Eurofound, 2025a)

benefit systems ⁽²²³⁾, and on average higher wages compared to younger women, lead to higher full-time participation tax rates.

Chart 3.6

Financial disincentives to increase working hours tend to be higher for older workers

Average full-time participation tax rates (FPTR) by underrepresented group



Note: FPTR is a full-time participation tax rate. Average values are reported only when the sub-group earners sample size in EU-SILC is 100 or higher

Source: own calculations using EUROMOD and EU-SILC data

[Click here to download chart.](#)

The implicit financial incentives for migrants to increase hours provided by the tax-benefit system vary by Member State. On average, the incentives for migrants to move to full-time work relative to those of other underrepresented groups do not follow a consistent pattern across Member States. On the one hand, migrants tend to have lower wages on average, which implies that the share of additional gross earnings that translate into increased disposable income is higher compared to persons with higher wage levels mostly due to progressive taxation. This implies relatively larger financial incentives to increase hours worked. On the other hand, migrants tend to have more children than domestic-born workers, which decreases incentives to increase hours worked (reflected in higher FPTRs) due to, among others, loss of means-tested child benefits when increasing hours worked. Given that these factors interplay and interact with the countries' tax-benefit systems in different ways, no clear pattern emerges at the EU level (Chart 3.6).

2.2. The role of skills in increasing labour force participation

Education plays a key role in explaining patterns of labour force participation. Persons with lower educational attainment also have on average lower labour force participation rates (Chapter 2), higher unemployment rates, a higher risk of in-work poverty and lower adult learning participation.⁽²²⁴⁾ Existing evidence also links increases in human capital to GDP growth.⁽²²⁵⁾ In addition, the literature suggests many wider social benefits of higher levels of education, including higher health and better social inclusion. The lower educational attainment of people outside the labour force is common to all underrepresented groups analysed, varying little by gender and age. The analyses below thus focus on the effects of increasing the human capital of all people outside the labour force.

The role of education in increasing employment and growth becomes even more relevant in a context of persistent labour shortages. The analysis below uses the European Commission's Labour Market Model

⁽²²³⁾ Joint taxation present in some countries provides lower financial incentives for secondary earners to increase working hours. As more women than men are secondary earners, they tend to be relatively more affected by lower financial incentives of the existing tax-benefit systems. This is not only a barrier to increasing hours worked but also limits incentives to enter the labour force in the first place for secondary earners.

⁽²²⁴⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2023a)

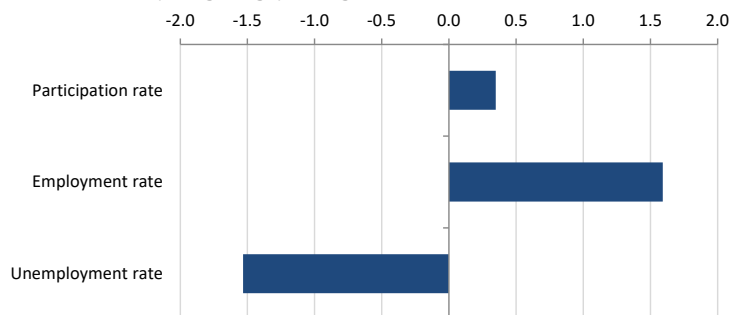
⁽²²⁵⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2009), (European Commission: Directorate General for Economic and Financial Affairs, 2023b)

(LMM)⁽²²⁶⁾ to capture the effects of an increase in the educational attainment of the working-age population in the EU on labour market outcomes and economic growth. Following Eurostat population projections and current trends in educational attainment, a change in the educational composition of the workforce⁽²²⁷⁾ is introduced into the model to understand the long-run effects on GDP, labour market participation, employment and wages. The model focuses on long-term change and assumes that a more educated population would increase output through higher productivity levels and higher labour force participation.

Chart 3.7

Effect of an increase in educational attainment within the EU population by 2050

Percentage increase in labour market outcomes when incorporating demographic change and an increase in educational attainment



Note: Projections based on scenario where tertiary educational attainment among the EU population increases to 42.6% by 2050 (+9.6pp), while accounting for expected changes in the demographic composition of the working age population.

Source: DG EMPL calculations based on the LMM and EUROPOP population projections.

[Click here to download chart.](#)

Higher average educational attainment in the EU workforce would lead to improved labour market outcomes. The LMM models a shift towards more tertiary educational attainment within the EU by 2050 and a reduction in the share of lower educated by 6.5 pp⁽²²⁸⁾ over the next 25 years would increase the labour force participation and employment rate by 0.35 pp and 1.6 pp, respectively, compared to a scenario where educational shares are held constant and only demographic change is accounted for.⁽²²⁹⁾ Unemployment is also projected to reduce by 1.5 pp.

Increased educational attainment of the workforce has the potential to increase the number of persons in the labour force, thereby counteracting some of the negative effects of demographic change. The simulation results suggest positive effects on employment outcomes (Chart 3.7). Compared to a scenario with constant educational attainment, where the number of persons employed is expected to shrink by 9.44% by 2050 (corresponding to approximately 18.8 million), the reduction in the workforce could be contained to less than 7% (13.5 million) if educational attainment were to see a significant upward shift. This would reduce the impact of demographic change on the workforce by almost one third (Chart 3.8). With respect to the labour force participation, the educational improvement (of a 10 pp increase over 25 years) would be able to more than reverse the decline in labour force participation expected in line with demographic change, and lead to an increase in the labour force participation by 0.35 pp compared to the baseline. Going beyond labour market effects, GDP is expected to decline by only 1.1% in a scenario with increased educational attainment, compared to a 9% decline by 2050 under the current educational composition and accounting for demographic change.

⁽²²⁶⁾ DG EMPL's LMM is a general equilibrium model that places a special emphasis on labour market institutions. It captures a detailed picture of the institutional settings in the EU-27, built on a micro foundation explaining optimal behaviour among households and firms.

⁽²²⁷⁾ Following (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2013), a log-linear projection of the trend in educational attainment within the EU workforce over the last 10 years is applied to receive education projections by 2050.

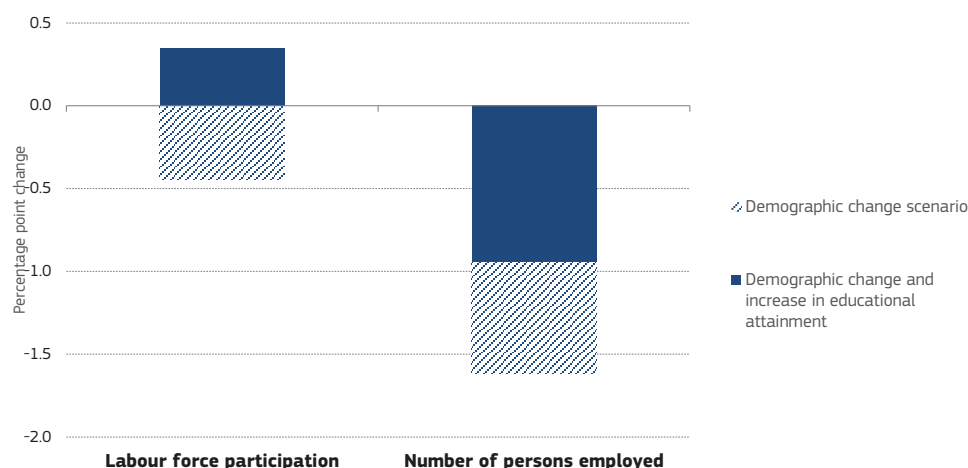
⁽²²⁸⁾ The educational shock modelled is a shift to an educational structure of 14.5% low-skilled (21%), 42.8% medium-skilled (46.3%) and 42.6% high-skilled (33%), respectively by 2050 (current values in parentheses).

⁽²²⁹⁾ The model incorporates higher participation rates among the higher educated into its calibration in line with existing data. Firms are motivated to invest more in physical capital to complement the higher-educated workers, leading to increases in labour productivity, which in turn induces firms to hire more workers. Current labour market specificities such as persistent labour shortages are not accounted for in this analysis.

Chart 3.8

Change in EU labour force by 2050 by scenario

Change in the share of persons participation in the labour force (in pp.) and the number of persons in employment (in %) by scenario



Note: Scenarios: (1) only considering demographic change (dotted line), (2) considering demographic change and an upward shift in the educational composition by 10pp. of the working age population.

Source: DG EMPL calculations based on the LMM.

[Click here to download chart.](#)

In the case of young people, internships and traineeships can play a transformative role in enhancing job-specific and general skills and hence improve their employment outcomes. Such opportunities bridge the gap between education and hands-on professional experience, provide networking opportunities to young workers and often represent the first stepping stone in the world of work. Setting up mentoring and/or internship programmes can also facilitate gaining work experience for migrants.⁽²³⁰⁾

Internships can have a positive impact on the probability of employment for participants. In Portugal the internship programme ATIVAT.PT was launched in 2020 with the view to facilitate the integration of young people into the job market and support the professional retraining of unemployed persons through the development of practical experience in the work context.⁽²³¹⁾ The counterfactual impact evaluation of the programme conducted in the framework of the European Commission-OECD project demonstrates that participation in the internship programme increases the probability of employment by 10pp after the end of the programme, with persistent positive effects of the same magnitude until 24 months after its start. In the short-term, the programme increases the employment probability by about 50pp compared to non-participants.⁽²³²⁾ The positive impact is particularly pronounced for lower-educated jobseekers and non-urban residents who tend to participate less often in the programme. However, sustainability of these effects over the medium and long term as well as interaction with other active labour market policies remain to be assessed.

Nevertheless, internships and traineeships can also have negative drawbacks if not well designed. Unpaid internships can exacerbate socioeconomic disparities, poorly structured programmes may lack mentorship and feedback, while employers may use internships to reduce hiring costs by replacing full-time employees.

⁽²³⁰⁾ (European Commission, 2022)

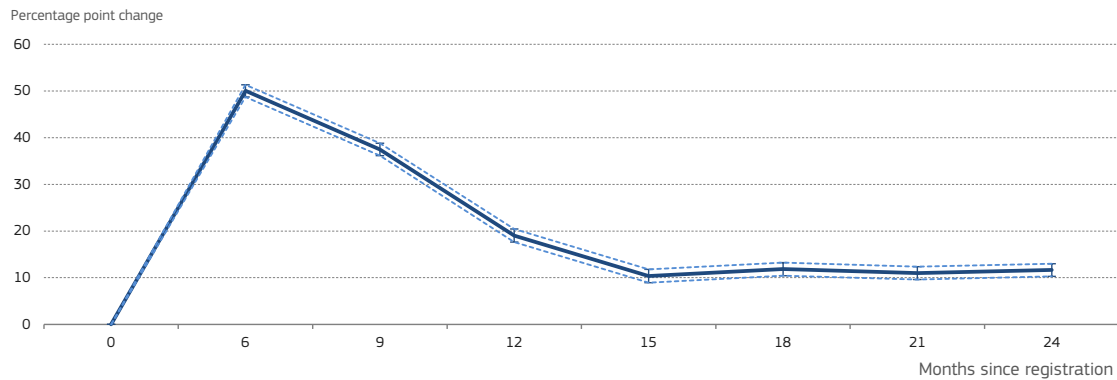
⁽²³¹⁾ Most participants are young, even if the programme is open to individuals over the age of 35 (only 4% of recorded participants) and 70% have tertiary education.

⁽²³²⁾ This increase is an expected outcome as the programme guarantees employment during the internship period. However, non-participants can also find employment through other means during the same time period.

Chart 3.9

Internships in Portugal have strong positive employment impact during and after programme completion

Percentage point change in employment probability



Source: OECD 2024

[Click here to download chart.](#)

3. TARGETED POLICIES TO INCREASE LABOUR FORCE PARTICIPATION OF UNDERREPRESENTED GROUPS

Increasing labour force participation of underrepresented groups requires targeted policy support that addresses group-specific barriers to employment, alongside general policies supporting transitions into employment and improving working conditions and incentives. Many persons from underrepresented groups may belong to more than one group, often experiencing multiple barriers. After discussing general activation policies in section 3.2., this section discusses policies addressing specific underrepresented groups. Many of the policies that address those outside of the labour market mirror or coincide with policies targeting the unemployed, especially the long-term unemployed. Yet, reaching out to those groups that are further away from employment requires more effort, given a variety of factors and barriers such as lack of work experience, health issues, reduced employability and limited social networks.

Tailor-made, accessible and inclusive services can help address specific needs, combining supply- and demand-side policies. Demand-side policies, like employer counselling and awareness campaigns, can benefit underrepresented groups who face discrimination by raising employer awareness and combatting stereotypes. On the other hand, supply-side policies are suitable to deal with individuals facing barriers to education, lacking information and social networks and those experiencing multiple types of exclusion. These policies include dedicated staff support (specialised counsellors and mentoring), financial incentives for employers to hire people at risk of discrimination to enter ALMPs and mentoring.⁽²³³⁾ Specifically, providing income support can incentivise underrepresented groups to enter and complete suitable job search and training programmes.

⁽²³³⁾ (European Commission: Directorate-General for Employment, Social Affairs and Inclusion and Fondazione Giacomo Brodolini, 2022) (OECD, 2022), (OECD, 2024b)

Box 3.2: The role of social partners in supporting the participation of underrepresented groups in the labour market

Effective social dialogue at the European or national level can contribute significantly to the successful modernisation of labour market policies, including the support of the activation of underrepresented groups.

The role of the social partners in bringing more people to the labour market was reconfirmed at the Val Duchesse Social Partners Summit in 2024 and the subsequent European Commission's Action Plan to tackle labour and skills shortages. The Action Plan included various commitments from different social partners such as supporting labour force participation by ensuring inclusive and accessible workplaces, as well as diversity, equality, and non-discrimination, providing training, promoting collective bargaining, and fostering entrepreneurship. To support workers to adapt to new demands and to re-skill, social partners also need to adapt to new modes of organisation and outreach.

European social partners have developed comprehensive approaches across various sectors to promote gender equality and diversity.

The policies aim to facilitate the exchange of experience on gender equality through joint projects involving research, roundtables, and working groups, as well as campaigns to raise awareness and share best practices. Moreover, many social partners' multiannual work programmes⁽¹⁾ focus on enhancing the attractiveness for women of sectors where their numbers remain low, promoting the role of women and addressing issues such as violence and harassment and flexible employment models. The 2021 Women in Rail autonomous agreement between employers and employee representatives promotes the employment of women in the sector. The 2010 multisectoral guidelines to prevent and tackle third-party violence and harassment related to work were updated in May 2025 to include cyberviolence and underscore the principles of gender equality and anti-discrimination.⁽²⁾

Social dialogue between employers and trade unions is important to implement measures such as reasonable accommodation for persons with disabilities.

In Spain, trade unions have developed guidance on reasonable accommodation for workers with disabilities,⁽³⁾ and signed several agreements regarding adaptation and relocation measures with employers. Some trade unions in Luxembourg encourage companies to integrate workers with disabilities and have a department for workers with disabilities to represent the trade union.⁽⁴⁾ In Denmark, the Danish disability organisation (DHF) works with employers to increase the employment of persons with disabilities.

To support migrants, some EU Sectoral Social Dialogue Committees address challenges associated with their integration both at the workplace and in society.

Work programmes⁽⁵⁾ emphasise the attractiveness of sectors and the need to address skills gaps or mismatches, particularly in sectors where there is a need for specific skills. Other programmes aim to ensure that recruitment practices align with established guidelines, emphasising fair recruitment processes, including to combat discrimination, the protection of workers' rights, and the promotion of decent working conditions. The European Partnership for Integration, signed in 2017 by the European Commission and social and economic partners and renewed in 2022, fosters the integration of refugees and other migrants in the labour market. Notably, the Partnership has established key principles for labour market integration, adopting a multi-stakeholder approach that prioritises early support and ensures benefits for both refugees and the broader society. Since 2017, various actions supporting labour market integration of migrants have been implemented by social partners also at the Member State level,⁽⁶⁾ including training activities, language courses, and support services. In Italy, trade unions and migrant associations promote language, civic education, and professional training in sectors such as, ICT, and mechanical industries. In France, actions to raise awareness of migrant workers' rights in industries where they are commonly employed were undertaken. These programmes also pay attention to local and regional needs.

As regards older workers, some multiannual work programmes of social partners at the EU level encourage upskilling of older workers in particular.

This is achieved, for instance, by supporting the collaboration between companies and training centres. At the national level, social dialogue on older workers has been mainly driven by the implementation of the 2017 framework agreement on active ageing⁽⁷⁾ and an inter-generational approach. This has led countries to implement measures related to training, flexible work arrangement, and retention schemes.⁽⁸⁾ Although provisions on hiring older workers are rare, social partners continue to monitor demographics developments. In the chemical sector in Germany and Belgium, trade unions and employer organisations jointly manage a demographic fund to which companies contribute per employee. They further promote discussions and exchanges on

⁽¹⁾ For example, in construction, electricity, ICT, commerce, banking and insurance, furniture, gas, transport, tanning and leather.

⁽²⁾ This was signed by trade unions and employers' organisations from five sectors: HORECA, education, hospitals, local and regional governments, and central government administrations.

⁽³⁾ (European Commission, 2023)

⁽⁴⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion and Human european consultancy, 2023)

⁽⁵⁾ For example, in the construction, agriculture, catering contract, HORECA, chemical industry and education sectors.

⁽⁶⁾ (Fasani, 2024) A list of various programmes by country can be found here.

⁽⁷⁾ In the framework agreement, social partners define active ageing as "optimising opportunities for workers of all ages to work in good quality, productive and healthy conditions until legal retirement age, based on mutual commitment and motivation of employers and workers." See here for more information.

⁽⁸⁾ (Eurofound, 2025)

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Box (continued)

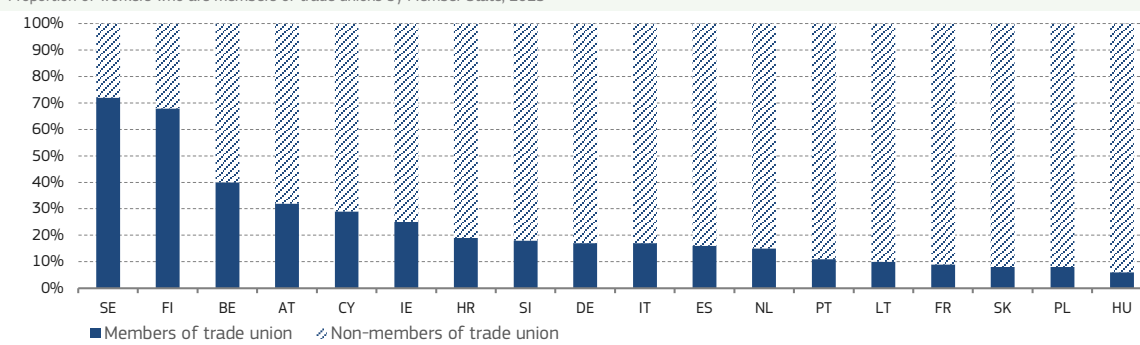
best practices of actions to attract and retain experienced workers. Further support includes the development and introduction of new, innovative measures to enable a more sustainable working life, and decent working conditions including ergonomics. Luxembourg's Vision Zero strategy⁽⁹⁾ enhances workplace safety through ergonomic improvements. In Belgium, the Generation Pact helps older night workers transition to less stressful roles, while Spain's Strategy 55+ improves working conditions and safety for older workers. At the European level, EuroCommerce and Uni-Europa's guidelines advocate for ergonomic solutions to attract and retain older workers in the commerce sector.

The declining trade union membership rates weakens the role of trade unions, including when it comes to promoting the integration of underrepresented groups. Lower trade union membership can weaken workers' collective bargaining power and contribute to broader economic inequalities. Union membership and the share of workers covered by collective agreements have been declining, decreasing on average from 21% to 18% between 2012 and 2023 with significant variation across Member States (Chart 1).⁽¹⁰⁾ This is in part due to a growing number of younger workers who decide not to join trade unions, expansion of non-standard forms of employment,⁽¹¹⁾ and decline of industrial sectors with historically high trade union density.⁽¹²⁾ However, from 2020 onwards, there has been an increase in trade union membership rates of approximately 3 percentage points. This may be explained by trade unions facilitating benefit payments and possibly due to the adoption of the minimum wage directive.

Chart 1

Trade union membership rate across Member States

Proportion of workers who are members of trade unions by Member State, 2023



Note: Based on the ESS 2023, the analysis considered individuals aged 20-64 who are not retired and engaged in a paid activity within the 7 days prior to the survey.

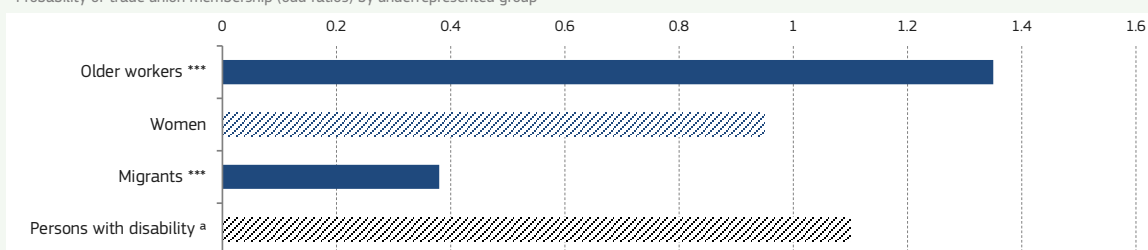
Source: DG EMPL calculations based on the European Social Survey 2023

There are marked differences in trade union membership across Member States and underrepresented groups. Analysis of the European Social Survey (ESS) reveals marked differences in membership by age, with older workers on average more likely to be a trade union member (Chart 2). While the likelihood of joining a trade union does not seem to significantly differ by gender or prevalence of disability, migrants are less likely to be members of a trade union than the domestic-born, controlling for other factors such as the type of contract, occupation, sector, education level, company size, country, or age. (Chart 2). This might create a disadvantage for the latter as trade unions would advocate in the interest of their members.

Chart 2

Likelihood of trade union membership differs by underrepresented group

Probability of trade union membership (odd ratios) by underrepresented group



Note: 18 Member States included in the analysis due to data availability. Based on a logit regression, odd ratios are reported. Striped bars are used to represent odd ratios that are not statistically significant at the 5% level. Values larger than 1 indicate higher likelihood of joining the trade union based on the given characteristic.

^a The variable used to identify persons with disability is not the GALI (Global Activity Limitation Indicator) but the ESS variable measured by the question "Are you hampered in your daily activities in any way by any longstanding illness, or disability, infirmity or mental health problem?"

Source: DG EMPL calculations based on the European Social Survey 2023.

⁽⁹⁾ Co-signed by the Luxembourg Employers Association

⁽¹⁰⁾ (Eurofound, 2019)

⁽¹¹⁾ (Eurofound, 2022)

⁽¹²⁾ (Schnabel, 2020)

3.1. Increasing labour force participation of women

Providing affordable, quality care services for children and adults is key to attract more women to the labour market, given that their (full-time) labour market participation is often limited due to care responsibilities. Early childhood education and care (ECEC) services are particularly important, since much of the underrepresentation of women in the labour market stems from lower labour market participation of mothers with young children (see Chapter 2). In the EU, 37.4% of the youngest children (aged 0-2) participated in ECEC in 2023, with considerable variation across countries.⁽²³⁴⁾ The use of ECEC increased over the last decade, but so did the differences across EU Member States.⁽²³⁵⁾ Research shows that increasing ECEC participation to 50% could improve labour market participation of mothers by between 5% to 30%, depending on the Member State where this takes place.⁽²³⁶⁾

Family-related leaves designed to promote equal sharing of unpaid work within households support women's labour market participation. Whereas mothers often take at least several months of family-related leave following childbirth (maternity, parental leave or combination of both), this is still less common among fathers or at least not taken up to the same extent (though hard to quantify, given that data on leave take-up is limited at EU level and often not comparable across countries).⁽²³⁷⁾ This lower take-up among fathers reflects a combination of factors, including short duration of paid leaves for fathers to take following childbirth (paternity leaves) and longer family-related leaves for fathers being perceived as lack of work commitment in some cultures, with implications for their job security and financial rewards. Traditional male-breadwinner norms and gender gaps in pay in favour of men also encourage fathers to earn money through work while minimising involvement in childcare.⁽²³⁸⁾ Offering leaves for carers (i.e. workers providing personal care or support to a relative or person living in the same household) is also likely to encourage women to stay in the labour market, given that they tend to spend more time on caring responsibilities for adults than men.⁽²³⁹⁾

While flexible working arrangements can help reduce gender gap in labour market participation, they may reinforce other aspects of gender inequality in the labour market. Part-time work often helps parents reconcile paid work with family responsibilities, and thus can contribute to a higher labour market participation rate amongst them, especially in some Member States such as Netherlands or Germany. However, part-time work tends to be taken up disproportionately by women (almost 3 in 10 employed women in the EU work part-time, compared to about 8% of men),⁽²⁴⁰⁾ who often stay employed part-time long after childbirth, especially where tax-benefit systems do not provide strong incentives to switch back to full-time work (see section 2.1. and section 3.2.). Thus, lower gender differences in participation rates can be accompanied by higher gender differences in hours worked,⁽²⁴¹⁾ leaving the impact on total hours worked ambivalent.⁽²⁴²⁾ In addition, choosing to work part-time can have long-term negative impacts on future career prospects and earnings, including pensions.⁽²⁴³⁾

Tax-benefit systems can create traps for secondary earners – mostly women – that hinder labour market participation.⁽²⁴⁴⁾ Joint family taxation creates disincentives for secondary earners to participate in the labour market, yet this remains either a default (e.g. Belgium, France) or voluntary option (e.g. Germany, Ireland, Luxembourg, Portugal, Spain) in several Member States.⁽²⁴⁵⁾ Switching from joint family taxation to individual taxation would boost labour market participation of women, as shown in earlier research on Belgium (+0.21 pp increase in participation) and Spain (+0.64 pp).⁽²⁴⁶⁾ Other aspects of tax-benefit systems may also discourage

⁽²³⁴⁾ Based on Eurostat dataset ilc_caindform25

⁽²³⁵⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion., 2024)

⁽²³⁶⁾ (Narazani et al., 2023)

⁽²³⁷⁾ (EIGE, 2025)

⁽²³⁸⁾ (EIGE, 2025)

⁽²³⁹⁾ (European Commission: Directorate General for Justice and Consumers, 2024)

⁽²⁴⁰⁾ Based on Eurostat dataset [lfsa_eppga].

⁽²⁴¹⁾ Focusing on total hours worked (converted to full-time job equivalents) shows larger than EU average gender gaps both in Germany and the Netherlands. See <https://eige.europa.eu/gender-equality-index/2024/domain/work/DE> and <https://eige.europa.eu/gender-equality-index/2024/domain/work/NL>

⁽²⁴²⁾ Focusing on total hours worked (converted to full-time job equivalents) shows only slightly higher employment rates than EU average in Germany and Netherlands. They are considerably lower than for example in Sweden. See <https://eige.europa.eu/gender-equality-index/2024>

⁽²⁴³⁾ (Olivetti, Pan and Petrongolo, 2024), (EIGE, 2020)

⁽²⁴⁴⁾ (EIGE, 2020)

⁽²⁴⁵⁾ [https://www.europarl.europa.eu/RegData/etudes/ATAG/2025/767188/EPRS_ATA\(2025\)767188_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2025/767188/EPRS_ATA(2025)767188_EN.pdf), <https://taxsummaries.pwc.com>

⁽²⁴⁶⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2023a)

participation of second earners (see also section 2.1.), such as when eligibility of certain benefits depends on specific income thresholds.⁽²⁴⁷⁾

Policies tackling gender stereotypes and discrimination in the labour market can also help women enter the labour market. Various policy measures can help tackle gender stereotypes and discrimination, including for example gender sensitive education materials, teaching practices and career guidance, exposure to role-models in atypical roles (such as women entrepreneurs in STEM fields), or pay transparency measures that help identify pay gaps.

There have been several important EU policy developments that support labour market participation of women. The Action Plan of the European Pillar of Social Rights sets a target to at least halve the gender employment gap by 2030, but the progress has been limited so far (decline from 11.3 pp in 2019 to 10 pp in 2024). This makes further improvements in women's employment critical for reaching the employment target for the entire working age population set at 78%. Notable developments include, among others, the European Care Strategy, which aims to support Member States in providing quality, affordable, and accessible care services, the European Child Guarantee, which aims to guarantee effective, free access of children in need to ECEC, and the Work Life Balance Directive to ensure that families have access to important leave and flexible work arrangements.

Understanding the economic consequences of reducing gender disparities in the labour market is crucial for informing policies that promote inclusive and sustainable economic growth. A growing body of literature highlights the potential macroeconomic benefits of increasing female labour market participation, by boosting GDP through increased productivity due to gender diversity⁽²⁴⁸⁾ or advancement of women into more productive sectors.⁽²⁴⁹⁾ A simulation using the RHOMOLO model (fully detailed in Box A3.2 in the Annex), shows the impact of increasing female labour market participation across EU regions. In the analysis below the difference in gender labour force participation gaps between the best-performing Member State (Lithuania) and other Member States is reduced to 40% (slow progress scenario) and 15% (rapid progress scenario) of the original gap, respectively, within 15 years.⁽²⁵⁰⁾

Increasing the labour force participation of women leads to economic growth and increased total employment, with strong employment gains for women amidst minor decreases in employment of men. The increase in labour supply of women results in a net positive effect on employment, with an additional 4 to 5.4 million persons employed, depending on the scenario. Considering the results by gender, women's employment is projected to rise by 5% to 6.7%,⁽²⁵¹⁾ while the employment of men declines only slightly by less than -0.52% across both scenarios (Chart 3.10). The slight decline in men's employment over time suggests a very limited substitution of men's employment with women's employment or small adjustments in labour market dynamics. As not all women who join the labour force are absorbed directly into employment, the increased labour supply is expected to increase unemployment by 2.4 to 3.4 percentage points in the medium-term (Table A3.4 and Table A3.5).⁽²⁵²⁾ Unemployment among men is expected to rise by 0.34 to 0.45 pp. depending on the scenario. An increase in labour force participation of women⁽²⁵³⁾ is projected to lead to corresponding increases in GDP of 1.2% (slow progress scenario) to 1.7% (rapid progress scenario) in the EU by the time of reaching the targeted labour force participation rates (Chart 3.11).⁽²⁵⁴⁾

⁽²⁴⁷⁾ (EIGE, 2020)

⁽²⁴⁸⁾ (Ostry et al., 2018)

⁽²⁴⁹⁾ (EIGE, 2017)

⁽²⁵⁰⁾ This approach is based on a similar modelling exercise by (EIGE, 2017)

⁽²⁵¹⁾ This is roughly equivalent to a 4 percentage point increase in the employment rate of women in the EU.

⁽²⁵²⁾ The projections consider the labour supply of women to be steadily increased to the target value within 15 years. Thus, longer-term adjustments of the labour market to accommodate the additional labour supply are not considered.

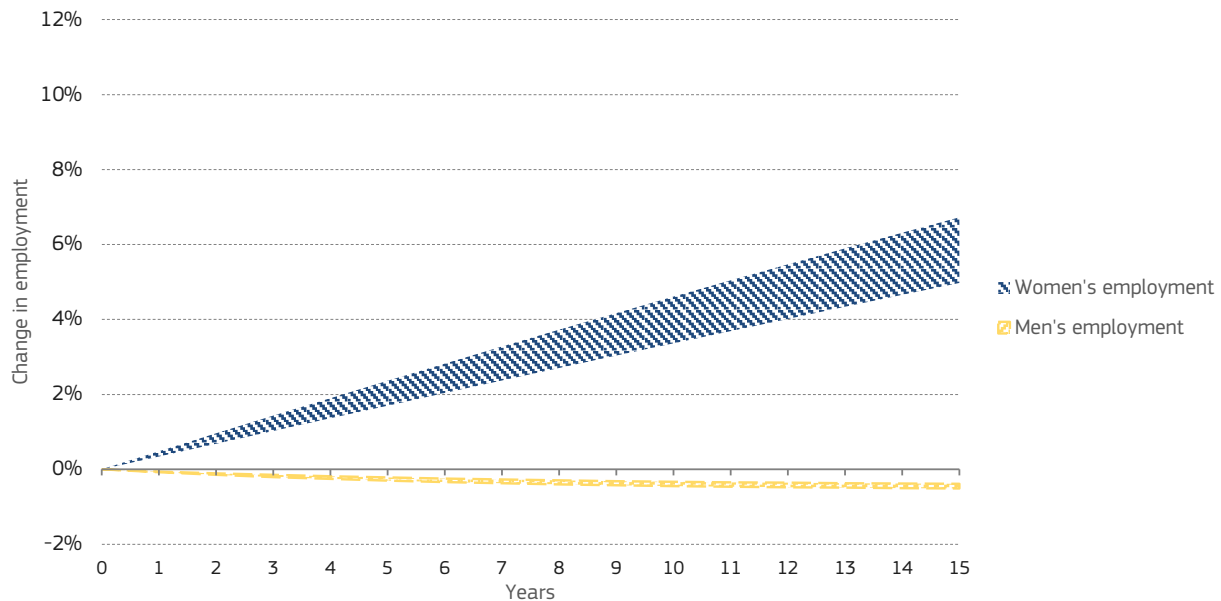
⁽²⁵³⁾ The target value differs depending on the original labour force participation rate of the Member State. The exact target values can be found in Table A3.3 in the annex.

⁽²⁵⁴⁾ The labour force participation rate is simulated to steadily increase over 15 years until the target values are reached.

Chart 3.10

Positive effects on total employment of increasing the labour force participation of women

Percentage changes in EU employment by gender following an increase in women's labour supply



Note: Developments over 15 years until target values in labour force participation are reached are shown depending on two scenarios. For women's and men's employment, graph shows development following a rapid and slow progress scenario, see Box A.3.2. for detailed explanation.

Source: JRC calculations using RHOMOLO.

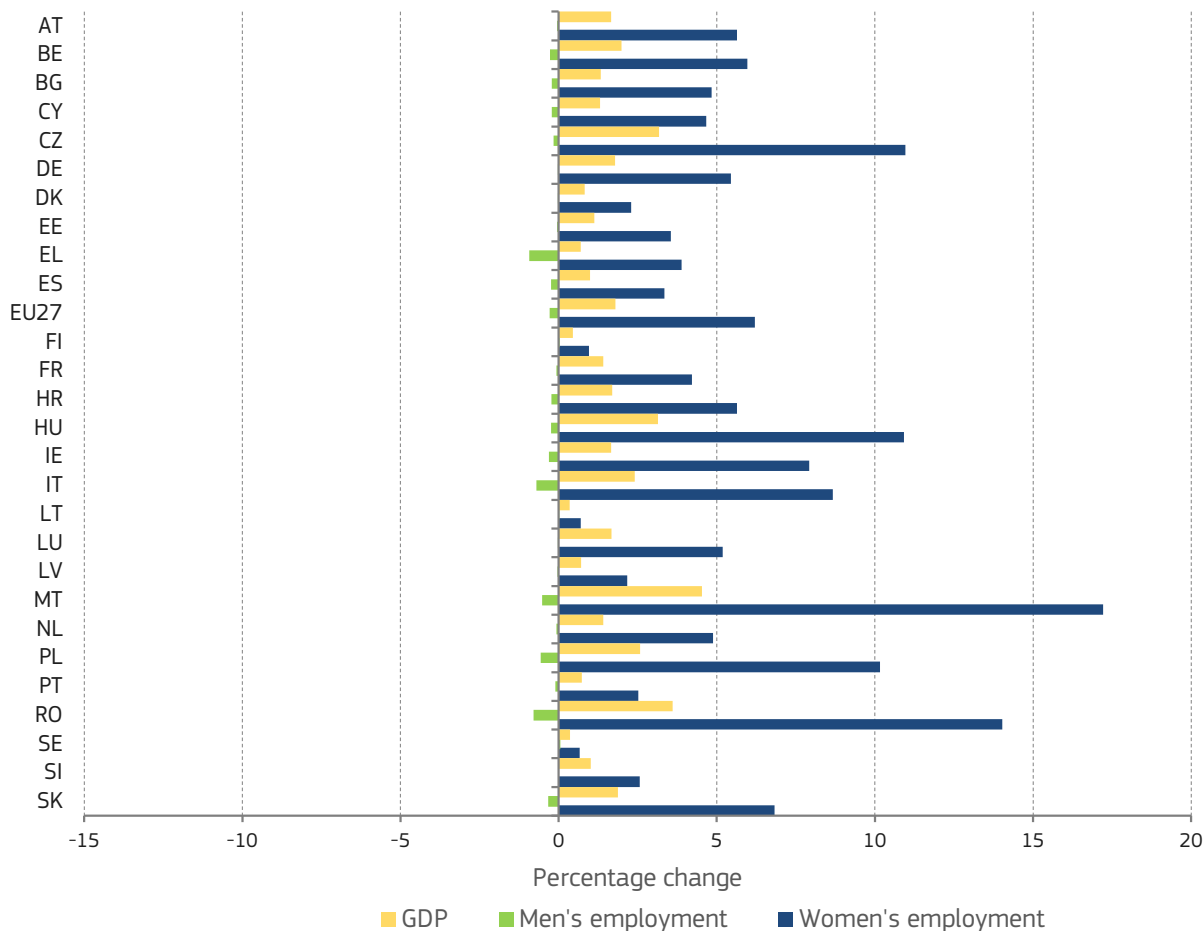
[Click here to download chart.](#)

Women's employment increases between 0.5% and 17.2% across EU Member States depending on the scenario, highlighting heterogeneity across countries. In the rapid progress scenario, where the gender participation gap will be reduced to 15% of its difference to Lithuania, women's employment rises in all Member States, with particularly large increases in Malta (17.22%), Romania (14.03%), Hungary (10.92%), Czechia (10.97%), and Poland (10.16%) (Chart 3.11). The largest gains in absolute terms in the employment of women occur in Germany (1.2 million jobs), Italy (0.95 million jobs), and France (0.56 million jobs). These countries experience the most significant employment gains due to their large labour markets and pre-existing gender participation gaps. Other countries, such as Czechia, Romania, and Spain, also record notable gains in women's employment. While men's employment (green bars) decreases slightly in most countries, the magnitude of the decline is small compared to the increase in the employment of women. In the short run, a higher labour supply is expected to have a dampening effect on real wages in this scenario. This reflects adjustments in the labour market equilibrium as more women enter employment. However, this does not fully account for labour market tightness and existing labour shortages, which may soften the negative wage effects. Complementary measures can facilitate a smooth labour market integration of increased labour supply of women, such as policies aimed at stimulating job creation, enhancing labour demand and supporting wage growth. Additionally, investments in education and skills development, particularly in high-demand sectors, can help align female labour supply with evolving labour market needs, reducing potential displacement effects.

Chart 3.11

Positive employment effects of increased labour supply among women amidst GDP increases

Changes in employment and GDP following an increase in women's labour supply after 15 years, in %



Note: Results for the rapid progress scenario of reducing the participation gap to Lithuania to 15% of its original value

Source: JRC calculations using RHOMOLO

[Click here to download chart.](#)

3.2. Increasing labour force participation of migrants

Even if ALMPs primarily target those actively seeking work, they can also support newly arrived migrants and improve the labour market prospects of those migrants not participating in the labour market. This is the case for counselling and job search assistance, subsidies to employers in the public and private sector, direct employment/job-creation schemes and training.⁽²⁵⁵⁾ A meta-analysis⁽²⁵⁶⁾ of studies evaluating the effect of ALMPs on migrants' labour market outcomes reveals different degrees of effectiveness of ALMPs for migrants. Subsidised employment in the private sector (e.g., wage subsidies for employers hiring disadvantaged workers, payments to workers accepting jobs below their unemployment benefits, and support for those starting their own business) and, to a more limited extent, job search assistance programmes (e.g., typically provided by PES, including counselling and monitoring of job search efforts) seem to be more effective in improving employment opportunities in the short run. Compared to subsidised public sector employment and training programmes, these ALMPs offer quicker integration, stronger alignment with market demands, and help overcome challenges like bureaucratic delays or discrimination. In the long-run, training programmes such as computer courses or courses providing specific occupational knowledge seem to work relatively better than in the

⁽²⁵⁵⁾ (European Commission, 2017)

⁽²⁵⁶⁾ (Butschek and Walter, 2014). Meta-analysis are systematic reviews that combine results from multiple studies to derive a comprehensive understanding of a particular topic. This meta-analysis covers a sample of 33 studies (a total of 93 estimates) evaluating the effects of ALMPs on immigrants' labour market outcomes, dividing the programmes into four ALMP categories: classroom and on-the-job training (training), subsidised private sector employment (wage subsidies), subsidised public sector employment (public works), and job-search assistance and sanctions (services/sanctions). These are relatively standard categories across the literature.

short-run.⁽²⁵⁷⁾ In particular, language trainings, especially for those with the lowest language skills,⁽²⁵⁸⁾ and the on-the-job dimension of vocational training have been proven to improve access to employment.⁽²⁵⁹⁾

Despite the proven effectiveness of some ALMPs, migrants' participation in these policies remains low. Meta analyses reveal an underrepresentation of migrants in job subsidy programmes, training initiatives and job creation programmes due to lack of awareness of their rights, the availability of such programmes and access restrictions linked to the type of work/residence permit required.⁽²⁶⁰⁾ Some of the barriers identified in Chapter 2, e.g. knowledge of the host country's language and the lack of awareness of its cultural codes can increase the risk of exclusion from social interventions by case workers. This negative access bias to ALMP services may ultimately lead to a Matthew effect,⁽²⁶¹⁾ whereby those needing public support less, end up benefiting disproportionately relative to those that most need it.

Labour market integration services for migrants are most effective if embedded in a holistic approach. Such an approach includes language, cultural and contextual workplace support, effective procedures to assess migrants' skills and recognise their qualifications and reducing the administrative burden to obtain a long-term work permit. Labour market integration also depends on access to education, housing and healthcare services, as stressed in the Action Plan on Integration and Inclusion 2021-2027. Approaches should also consider intersectionality when designing policies, as persons often belong to multiple underrepresented groups and face intersecting barriers. This could for instance include creating programmes for migrants which are gender sensitive.⁽²⁶²⁾ In recent years, several Member States have implemented successful initiatives that focus on delivering holistic and tailored services to migrants (see Box 3.3):

- **Tailored language training**, providing beginner, intermediate, and advanced courses designed to meet the diverse and evolving needs of different groups of migrants can improve employment outcomes. A Danish case study showed that the improvement in language proficiency of migrants had substantial positive effects on the probability to enter employment.⁽²⁶³⁾ Similarly, language support programmes have been shown to increase labour force participation in France,⁽²⁶⁴⁾ while in Germany, the employment probability of beneficiaries of international and temporary protection increased through the Job Turbo Initiative launched in 2023, particularly following the initial phase involving job-related language courses. This initiative tries to guarantee that entry into labour market is not delayed due to insufficient language proficiency.⁽²⁶⁵⁾ Despite the initial success of this initiative, mostly for men refugees, the recognition of foreign professional qualifications remains a significant challenge.⁽²⁶⁶⁾ Overall, vocation-specific trainings tend to be most effective in improving labour market integration, particularly if employers are involved.⁽²⁶⁷⁾ Language training is most effective when embedded into a holistic approach that supports long-term integration. In Lithuania, for example, short-term job search programmes largely based on language learning often failed to address long-term integration, leading to recurrent unemployment.⁽²⁶⁸⁾
- **Promoting the recognition of qualifications** obtained in third countries can foster the labour market participation of migrants. More transparent and comparable qualifications of migrants will result in faster and fairer inclusion into the labour market.⁽²⁶⁹⁾ Bridging courses⁽²⁷⁰⁾ can complement migrants' education and training acquired abroad for such purposes as access to practice in a regulated profession, to certain job opportunities, training or to pursue studies in the host country. However, they are not always available or accessible to migrants.⁽²⁷¹⁾ Furthermore, the 2023 Commission recommendation on the recognition of qualifications of third-country nationals aims to simplify and expedite the validation of skills and recognition

⁽²⁵⁷⁾ (Rinne, 2013)

⁽²⁵⁸⁾ (Kiviholma, 2022)

⁽²⁵⁹⁾ (Bilgili, Huddleston and Joki, 2015)

⁽²⁶⁰⁾ (Bonoli and Liechti, 2020a)

⁽²⁶¹⁾ Matthew effects can be defined as the failure to address the needs of the most disadvantaged groups that is caused by a social bias to access social policies. (Bonoli, 2020b)

⁽²⁶²⁾ (European Commission, 2022)

⁽²⁶³⁾ (Clausen et al., 2009)

⁽²⁶⁴⁾ (Lochmann, Rapoport and Speciale, 2019)

⁽²⁶⁵⁾ (OECD, 2024c)

⁽²⁶⁶⁾ More information on the interim balance after one year of the Job Turbo initiative can be found through the following link: <https://www.bundesregierung.de/breg-de/aktuelles/faq-jobturbo-2312344> and <https://www.bundesregierung.de/breg-de/aktuelles/bk-rede-zum-jobturbo-2312244>

⁽²⁶⁷⁾ (European Commission, 2022)

⁽²⁶⁸⁾ (ECE, 2025)

⁽²⁶⁹⁾ Box 3.3 highlights some of the best practices in speeding up the recognition of qualifications

⁽²⁷⁰⁾ Bridging courses can help migrants complement their education acquired abroad.

⁽²⁷¹⁾ (European Commission & European Website on Integration, 2024)

of qualifications of migrants, minimising the bureaucratic burden, providing support during the process and offering full access to user-friendly, complete and up to date information on procedures and related costs. Building on the Recommendation, the Skills Portability Initiative under the Union of Skills will explore whether to propose common rules for simpler procedures for handling the recognition and validation of qualifications and skills. To expedite the recognition of foreign university degrees, Spain enacted reform RD 889/2022 in 2022, reducing processing time from up to two years to an average of four months. This reform has led to a 40% increase in the speed of degree recognition in 2023, addressing a backlog of applications.

- **Simplifying procedures to access the labour market** is key to effectively integrate migrants. The Single-Permit Directive puts in place a single application procedure for a combined EU work and residence permit. It improves the safeguarding of non-EU workers' rights and their protection from labour exploitation. Furthermore, the proposal of the Long-term Residents Directive facilitates the acquisition of a long-term residence status⁽²⁷²⁾ and strengthens the rights of EU long-term residents and their family members, including to move and work in other Member States. As part of the Pact on Migration and Asylum⁽²⁷³⁾, the Reception Conditions Directive and the Qualification Regulation clarify and strengthen key employment-related rights of applicants and beneficiaries of international protection, respectively.

Institutional policy complementarities reinforce the success of labour market activation strategies.

Having a coordinated and mutually reinforcing set of policies is particularly relevant to the labour market participation of migrants due to the high amount of labour market barriers that they face. Prioritising inclusiveness in policy design across all social policies is considered key for the labour market integration of migrants. Granting inclusive access to childcare services to children with a migrant background is particularly important because it can yield a double benefit: improving both the educational and employment outcomes of migrant children, while also indirectly enhancing the employment prospects of migrant mothers. Additionally, ensuring sufficient and equal access to healthcare services, safeguarding and housing are paramount for a successful social and labour market integration of migrants.⁽²⁷⁴⁾

At the EU level, labour market integration of migrants is supported through various policy initiatives.

The Action Plan on Integration and Inclusion 2021-2027 aims, among others, to boost employment opportunities by enhancing skills recognition, promoting skills development and participation in high-quality vocational education and training (VET), and facilitating up- and reskilling via expedited validation procedures for non-formal and informal learning. It also seeks to increase the enrolment of migrant children in quality ECEC, support migrant women's participation in the workforce, and foster migrant entrepreneurship by providing easier access to financing, training, and guidance. The mid-term review of the Action Plan⁽²⁷⁵⁾ took stock of its implementation, highlighting successful practices, ongoing challenges, and areas requiring further attention in integrating migrants into European labour markets and societies. This is complemented with directives that support broader integration into society, such as the Directive on the status of non-EU nationals who are long-term residents which facilitates the acquisition of a long-term residence status. Moreover, under the Union of Skills, the Skills Portability Initiative (planned for 2026) will include a focus on addressing barriers to the validation of skills and recognition of qualifications of migrants, while the EU Talent Pool, the EU Visa Strategy and the 'Choose Europe' pilot will aim at attracting and retaining talent from abroad.⁽²⁷⁶⁾ In particular, the EU Talent Pool will aim to facilitate the recruitment of jobseekers from non-EU countries in EU-wide shortage occupations, to make international recruitment easier and faster, and to help employers access a wider pool of skills and talent.

⁽²⁷²⁾ https://enlargement.ec.europa.eu/news/legal-migration-attracting-skills-and-talent-eu-2022-04-27_en

⁽²⁷³⁾ https://home-affairs.ec.europa.eu/policies/migration-and-asylum/pact-migration-and-asylum_en

⁽²⁷⁴⁾ (OECD, 2023a)

⁽²⁷⁵⁾ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025SC0162>

⁽²⁷⁶⁾ https://commission.europa.eu/topics/eu-competitiveness/union-skills_en

Box 3.3: Selected practices of labour market integration of migrants

“Strong in the workforce” in Germany

The programme “Stark im Beruf – Mütter mit Migrationshintergrund steigen ein” (2015-2022), co-financed by the European Social Fund, was implemented in Germany in 2015 with the aim of integrating migrant mothers into the labour market. Around 80 local support centres across the country provided non-employed migrant mothers with individual assistance including consulting, language courses, coaching and training services. They developed partnerships with local job centres, employment agencies as well as educational providers, businesses, migrant organisations, cultural institutions, and language course providers. The participant's employability was enhanced through skills assessments, training, and career exploration opportunities. By August 2022, approximately 17,500 mothers were supported in their employment.⁽¹⁾ The findings of this programme are now being used in the implementation of the ESF-funded programme “MY TURN – Frauen mit Migrationserfahrung starten durch (2022-2028)” (Women with migration experience get started). Aiming to improve labour market integration of migrant women, the programme includes initiatives such as digital skills training, language practice, career-family compatibility counselling, and networking with employers for internships and jobs. An optional “Childcare Pilot Office” assists with accessing childcare, crucial for participation, while a network office promotes collaboration among project sponsors and visibility for the programme.⁽²⁾

The fast-track initiative in Sweden

Sweden's new “Four-Category” system for work permits, implemented in early 2024, replaces the former Fast Track Scheme. In 2015, the fast-track initiative was proposed by the government to coordinate PES policies into a streamlined trajectory for newly arrived migrants that match occupations in which there are labour shortages. To speed up the entry of skilled migrants into occupation with labour shortages, activities were set up that map, validate and bridge the skills of migrants. Language courses run concurrently throughout the process. After 19-21 months of participation, 49% of the participants in the non-regulated professions were in employment while the share for those in regulated professions was 35%. The new “Four-Category” system categorises applications based on profession, education level, industry, and case specifics to accelerate processing times and address backlogs.⁽³⁾ The new model promotes recruitment of highly skilled workers from outside the EU and shortens the processing time for obtaining the needed permit. Initial learnings indicate successful outcomes.⁽⁴⁾ This system change occurred alongside changes in the EU Blue Card policy, easing the process for highly skilled foreigners.

“Duo for a job programme” in Belgium

The Duo for a Job programme in Brussels was launched in 2014 to support labour market integration of jobs seekers. The initial pilot was funded by a 3-year Social Impact Bond and co-financed by the public employment service Actiris and private investors. For six months, senior native mentors help young migrant jobseekers to gain insights in the job market. They help them draft the CVs, prepare for interviews, and expand their social networks by creating connections with people in their field of interest. The evaluation showed positive employment effects of the project, as the employment rate of DUO participants was 28% higher than that of those without mentorship.⁽⁵⁾ The programme illustrates policy measures that are both targeted primarily on migrant jobseekers and secondarily on jobseekers of migrant background and offer tailor-made individualised assistance through the innovative, flexible and diverse support provided by experienced mentors.

“Dispositivo Ampara project” in Spain

This ESF-funded project provides specific support to applicants for international protection and beneficiaries of international and temporary protection with the aim of supporting labour market integration through promoting their autonomy. The needs and skills are initially assessed through a personalised interview. Participants are involved in a pre-training that combines skills development with civic integration. Vocational training opportunities are offered to the applicants as well as information and advice. Throughout the different phases, applicants are financially supported, focusing on the basic needs, childcare, transportation costs, obtaining documentation for qualification recognition and monthly payments for professional training courses. This project started in 2017 and has successfully integrated 90% of the applicants so far.⁽⁶⁾

⁽¹⁾ (BMFSFJ, 2021)

⁽²⁾ More information on the “MyTurn” project can be found here: <https://www.my-turn.info/das-programm>

⁽³⁾ The categories are “Category A” for highly qualified occupations with priority processing within 30 days; “Category B” for roles with unique conditions, like seasonal workers, with varying processing times; “Category C” for non-highly qualified roles that need minimal investigation; and “Category D” for employment in industries defined as demanding by the Swedish Migration Agency.

⁽⁴⁾ Especially for Category A, with sustained dialogue between the Migration Agency and employers to ensure accurate submissions

⁽⁵⁾ (OECD, 2024)

⁽⁶⁾ (European Migration Network, 2023)

3.3. Increasing the labour force participation of persons with disabilities

Person-centred approaches and holistic multifaceted support are found to be effective in improving the transition of persons with disabilities to the labour force and to employment. Identifying individual needs and offering holistic, combined support particularly to persons with disabilities facing complex barriers, helps develop their capacities and better enables them to work in the open labour market. In Poland, the NGO Association Otwarte Drzwi first ensures social activation of persons with disabilities through day support centres where beneficiaries could attend classes to develop social and communication skills. For employment activation, the NGO offers a job coach who accompanies the beneficiary from home to work, practicing independent commuting, supports in workplace and task adaptations and trains co-workers and managers. Other similar practices have been implemented in Czechia, Italy, Malta, Romania and Slovakia.⁽²⁷⁷⁾ In general, though Member States apply a range of measures to activate and integrate persons with disabilities into the labour market, few evaluations of their impact have been conducted highlighting a lack of quantitative evidence.⁽²⁷⁸⁾

Supported employment and related approaches help persons with disabilities to secure or maintain paid employment. This includes not only supported employment but also approaches with professional and personal guidance, information, strengthening job search skills, medical and psychological profiling of working possibilities, job identification and placement in cooperation with committed employers, ongoing support that is individualised and provided as needed for both the employee and the employer. Also included is customised employment, which typically involves job carving, creating jobs tailored towards employees' skill sets. All types of supported employment require the role of a job coach or an equivalent position. For some forms of supported employment, such as Individual Placement and Support (IPS) targeting persons with serious mental health issues, strict guidelines exist which need to be adhered to ensure effectiveness. Supported self-employment refers to programs that provide potential entrepreneurs with disabilities with upfront and continuous support (used for example in Sweden, Austria and the Netherlands).⁽²⁷⁹⁾

Provision of accessible mainstream education, training, upskilling and vocational rehabilitation to persons with disabilities are key drivers to increasing their employability and work retention. Across Europe, various programmes have been developed to enhance learning opportunities for individuals with disabilities. Portugal's Insertion Internships showed a success rate of almost 40%: 34.4% of participants found a job at the internship employer and 2.2% found a job by themselves. This 12-month traineeship programme includes a monthly grant, food allowance and transport for persons with disabilities along with financial and other support for employers. Similarly, the "Croatian programme of employment rehabilitation" encourages people with disabilities, particularly in older ages, to find jobs through vocational rehabilitation, providing a rehabilitation assessment of work capacity, knowledge, skills, work habits, and professional interests.⁽²⁸⁰⁾ The Slovenian pilot project Early Vocational and Employment Rehabilitation in the Return-to-Work Process 2020-2022 focuses on vocational rehabilitation, based on a comprehensive model promoting collaboration among all stakeholders involved in the return-to-work processes. The evaluation showed that 25 out of 100 total participants were successfully rehabilitated. Initiatives in some Member States also run programmes focusing on young persons with disabilities: in Belgium an NGO provides practical training for school leavers with intellectual disability and in Spain, the UniDiversidad programme promotes inclusive higher education.⁽²⁸¹⁾

In some Member States effective measures were taken to remove benefit traps. These actions aim to increase the attractiveness of employment by mitigating the impact of the loss or reduced benefits and increased costs associated with taking up employment. Some Member States such as France and Ireland taper benefits of persons with disabilities who enter employment. In nine Member States, persons with disabilities continue to receive basic disability benefits while they are employed. Moreover, in Bulgaria and Cyprus persons with disabilities are compensated for the additional costs they face (such as transport or work equipment).⁽²⁸²⁾

While digitalisation and technological advancements could support the activation of persons with disabilities in the labour market, they also pose some risks.⁽²⁸³⁾ Voluntary telework has the potential to remove some barriers related to mobility and physical location, along with facilitating a better work-health needs balance.⁽²⁸⁴⁾ Moreover, digitalisation could create new jobs opportunities for some persons with disabilities.

⁽²⁷⁷⁾ (World Health Organization, 2011), (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025f)

⁽²⁷⁸⁾ (ETUI, 2023), (Eurofound, 2021), (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2023b)

⁽²⁷⁹⁾ (European Commission: Directorate-General for Employment, Social Affairs and Inclusion, Empirica, Sozialhelden e.v, Gareis, K., Behrend, S. et al., 2025)

⁽²⁸⁰⁾ (Eurofound, 2025a)

⁽²⁸¹⁾ (World Health Organization, 2011), (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025f)

⁽²⁸²⁾ (World Health Organization, 2011), (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025f)

⁽²⁸³⁾ (International Labour Organization & Fundación ONCE, 2021)

⁽²⁸⁴⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025f), (Eurofound, 2021)

However, to fully benefit from technology and not create new barriers, persons with disabilities should be provided with the required digital skills and teleworking infrastructure and other digital tools should be accessibly designed.⁽²⁸⁵⁾ The existence of telework opportunities should however not lead to reduced workplace adaptation but rather be provided simultaneously – there is a risk that employers may oblige employees to work from home to avoid adapting the workplace, which may pose a risk of increased social isolation, which may already be high for persons with disabilities.⁽²⁸⁶⁾ Finally, as persons with disabilities are often employed in low-skilled occupations, they face a greater risk of losing their jobs because of automation. Research suggests that the overall increase in remote opportunities following the COVID-19 pandemic between 2019 and 2023 has not significantly improved employment outcomes for persons with disabilities.⁽²⁸⁷⁾

While financial incentives for employers such as wage subsidies or reductions in social security, are commonly used in most Member States, evaluations show mixed results with respect to their effectiveness.⁽²⁸⁸⁾ An evaluation of the introduction of a wage subsidy scheme in Spain found that the scheme was ineffective at incentivising transitions to employment for persons with disabilities.⁽²⁸⁹⁾ A Swedish study finds that participants in a wage subsidy programme were less likely to leave the labour market but also less likely to transition into unsubsidised employment.⁽²⁹⁰⁾ In the Netherlands, the Wage Dispensation and Labour Cost Subsidy have been assessed to have increased the employment of persons with disabilities who would otherwise not be employed.⁽²⁹¹⁾ Reasons behind the limited effectiveness include a low amount of wage subsidy paid or the limited time period subsidised, and employers not seeing subsidies as the decisive factor when hiring persons with disabilities.⁽²⁹²⁾ By contrast, some good practices have been identified. In Spain, employers hiring a person with disability on a permanent contract receive a rebate on social security contributions. In Sweden, employers could receive compensation for sick leaves. Financial support can also cover reasonable accommodation measures at work, which should cover 100% of the cost.⁽²⁹³⁾

Employment quota schemes can have a positive impact on the employment rate of persons with disabilities if they are appropriately designed. Most Member States apply a quota scheme to certain employers,⁽²⁹⁴⁾ which requires between 2% and 10% of reserved positions for registered or officially recognised persons with disabilities. In Hungary, the quota scheme has been successful in increasing the employment rate of the group covered by the quota from 28.8% in 2011 to 44% in 2021, due to a costly fee in case of non-compliance.⁽²⁹⁵⁾ Too low fees, the possibility of substituting the quota partially with other measures⁽²⁹⁶⁾ and the limited scope of the quota in some countries can decrease the effectiveness of these schemes. In addition, many quota schemes set only quantitative requirements for employers, but do not necessarily foster job quality of persons with disabilities, their career development or employment in high positions.⁽²⁹⁷⁾

Combatting discrimination remains essential to improve labour market outcomes for persons with disabilities. Reducing stereotypes and unconscious bias amongst employers can help protect the right against labour market discrimination. Negative perceptions held by employers and the public represent a barrier to persons with disabilities accessing and continuing in the labour market and can be addressed via awareness raising and information campaigns. This can be supported by measures to inform and advise employers on their obligation to guarantee equal access and increase the inclusiveness of work environments.⁽²⁹⁸⁾

Though reasonable accommodation (workplace adaptation)⁽²⁹⁹⁾ is a legal obligation established at EU level in the Employment Equality Directive, awareness challenges remain. Despite all Member States

⁽²⁸⁵⁾ For instance, deaf people might not be able to follow meetings due to a lack of accurate closed captioning systems.

⁽²⁸⁶⁾ (World Health Organization, 2011), (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025f), (Eurofound, 2021)

⁽²⁸⁷⁾ (Barslund et al., forthcoming)

⁽²⁸⁸⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025f)

⁽²⁸⁹⁾ (Jiménez-Martín, Juanmartí Mestres and Vall Castelló, 2019)

⁽²⁹⁰⁾ (Angelov and Eliason, 2018)

⁽²⁹¹⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025f)

⁽²⁹²⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025f)

⁽²⁹³⁾ Including the recruitment stage, job coaches, training or transport.

⁽²⁹⁴⁾ With a minimum of 15 to 50 employees depending on the country.

⁽²⁹⁵⁾ Nine times the minimum wage per year and unfilled position.

⁽²⁹⁶⁾ Such as acquiring goods or services from sheltered workshops, implementing support programs or making financial donations to associations supporting persons with disabilities, as in Spain.

⁽²⁹⁷⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2023b)

⁽²⁹⁸⁾ E.g. job adverts should be provided in a format that does not discriminate against applicants with disabilities. (European Commission: Directorate-General for Employment, Social Affairs and Inclusion and Fondazione Giacomo Brodolini, 2022)

⁽²⁹⁹⁾ Reasonable accommodation can include technical solutions such as assistive devices, but also organisational arrangements such as adjusted working hours.

having transposed the Directive in national laws, they only define broadly what is considered reasonable accommodation at work. This should not cover only the onboarding phase and workplace adaptation, but also the recruitment, career development, and retention (when a person develops an impairment or the impairment changes), and can include providing assistive technology, personal assistance, adjusting the workplace, flexible working arrangements and offering teleworking.⁽³⁰⁰⁾ Offering information and logistical support can facilitate employers making reasonable accommodations at work. In most EU countries, a good-practice guide (including checklists, examples of real-life accommodations and case studies) exists regarding reasonable accommodation. Websites and advice services directed at employers are other sources of relevant information. Logistical support schemes are found in most Member States, often through establishing partnerships with public bodies, NGOs, employer organisations, trade unions or even doctors. In Denmark, Cabi's consultants, an independent institution working under the Ministry of Employment, offer advice and guidance to employers and municipal job centres. In Austria, a programme called Service for Businesses, established in 2020, includes comprehensive information and advice on funding, support in the recruiting process and assistance in adapting workplaces.

Other employer-focused measures such as mediation services, as well as individual employers' initiatives, can have positive effects on the employment of persons with disabilities. A programme in Spain,⁽³⁰¹⁾ involving 100 leading companies, includes guidance, training (74,000 students between 2019 and 2022) and intermediation with employers acting as an employment service (about 12,000 contracts per year). Other programmes such as a job search online platform for persons with disabilities (e.g. in Hungary⁽³⁰²⁾) or initiatives that identify tasks and create jobs for persons with disabilities can also help persons with disabilities find employment.⁽³⁰³⁾ In Bulgaria, one of the leading metallurgy companies established a subsidiary company for employing persons with disabilities after identifying tasks suitable for persons with disabilities. Moreover, it also offers professional rehabilitation for workers of the primary company who lose their working capacity.

The EU Strategy for the Rights of Persons with Disabilities 2021-2030 outlines that participation in employment is the best way to ensure their economic autonomy and social inclusion. Therefore, reducing the employment gap between persons with and without disabilities is a key objective of the EU. Under this Strategy, the European Commission launched in 2022 the Disability Employment Package,⁽³⁰⁴⁾ a flagship initiative to support Member States improving labour market outcomes of persons with disabilities. Furthermore, the EU has reinforced its commitment to full participation of persons with disabilities in the Council conclusions,⁽³⁰⁵⁾ adopted in December 2024, aiming to promote the inclusion of persons with disabilities in the open labour market.

3.4. Supporting longer working lives among older workers

Older workers represent one of the largest potentials to increase labour market participation further despite considerable improvements over the last decades. Since 2009, the labour force participation of older people (aged 55-64) increased by 21 pp, reaching a labour force participation rate of 68.2 % in 2024.⁽³⁰⁶⁾ In a context of demographic change, leading to a shrinking working-age population, as well as labour and skills shortages, policies to further support labour force participation of older people and extension of working lives are crucial. Without further changes, population ageing could exacerbate labour shortages and represent a considerable challenge to economic growth and the sustainability of living standards.⁽³⁰⁷⁾ A wide range of policy measures have been implemented in this respect by Member States including pension reforms, linked to increases in the retirement age, early retirement reforms and financial incentives. Wider measures encompass workplace policies, training activities, wage subsidies and combatting ageism. To activate and retain older people in the labour market, cooperation is required at all levels, employing a holistic approach that includes all crucial stakeholders such as industry, government, social partners, and educational training institutions.

Over the last two decades, nearly all Member States have increased or have legislation foreseeing to increase⁽³⁰⁸⁾ the statutory retirement age, contributing to rising employment rates.⁽³⁰⁹⁾ The average statutory retirement age for men stood at 65.2 years in 2022, ranging from 62.8 years in Slovakia to 67 years in

⁽³⁰⁰⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024d)

⁽³⁰¹⁾ INSERTA Program and Forum developed by ONCE Foundation.

⁽³⁰²⁾ Érték vagy! (You have value!) programme or in Denmark the KLAPjob initiative.

⁽³⁰³⁾ The KLAP job project in Denmark has created more than 4,000 jobs for persons with disabilities since 2009.

⁽³⁰⁴⁾ See Disability Employment Package here

⁽³⁰⁵⁾ Council Conclusions 15842/24 on fostering social inclusion of persons with disabilities through employment, reasonable accommodation and rehabilitation. See here

⁽³⁰⁶⁾ Eurostat [lfsa_argan]

⁽³⁰⁷⁾ (OECD, 2025a)

⁽³⁰⁸⁾ With the exception of Luxembourg, Poland and Ireland, comparing statutory retirement ages between 2009 and 2024.

⁽³⁰⁹⁾ (OECD, 2025a)

Italy, Denmark, Greece, and France. For women, the average statutory retirement age in 2022 stood at 64.4 years, ranging from 60 years in Austria and Poland to 67 years in Italy, Denmark, Greece, and France (Chart A3.4 in the Annex). With notable differences across Member States, the average statutory age is expected to increase to around 67 years by 2070.⁽³¹⁰⁾ Since 2012, rising statutory ages were accompanied by the EU average effective retirement age increasing by 2.1 years, from 59.2 to 61.3 years. Literature suggests that a one-year increase in the statutory retirement age leads to an average postponement of retirement by four to five months.⁽³¹¹⁾ Pension reforms strongly contributed to the rising employment rate in the EU between 2014 and 2023, especially for highly educated workers. By 2070, the EU employment rate of people aged 55 to 64 is projected to increase further by 10.9 pp (+13 pp for women and +6 pp for men) from 56.9% in 2022, to 67.8%. Greece (+22.3 pp), Italy (+18.2 pp), and Slovenia (+17.3 pp) are expected to see the highest increases in the employment rate by 2070; while only very limited changes are projected in Czechia (+0.0 pp), Lithuania (+0.1 pp) and Latvia (+1.1 pp).⁽³¹²⁾

Pension reforms can have positive impacts on labour market participation and employment of older people. Pension reforms strongly contributed to the rising employment rate in the EU in recent years, especially for highly educated workers.⁽³¹³⁾ Studies of pension reforms in Germany conclude that increasing the early retirement age for women led to postponement of retirement and higher employment rates.⁽³¹⁴⁾ Estimates for Italy point to the same developments but with significant effects on sick leaves and disability. An increasing number of studies suggests that raising the retirement age may however have some harmful effects on workers who occupy blue collar or lower paid jobs or who have pre-existing health issues, affecting their health and increasing the risk of hospitalisation and prevalence of disability.⁽³¹⁵⁾

Other financial incentives linked to deductions and bonuses for early and late retirement, respectively, can also encourage older workers to remain in the labour force for longer.⁽³¹⁶⁾ These include, among others, increased bonuses or pension benefits for working past the retirement age (Croatia, Denmark, Finland), tax-free payments (Denmark), lump sum or higher monthly pensions (Spain), and reduced pension taxation for post-67 retirement (Sweden).⁽³¹⁷⁾ In Germany, deductions for early retirement have led to an increase in retirement age for women by around 15 months.⁽³¹⁸⁾ Currently, 24 Member States apply bonuses for older workers who retire later, while all allow cumulating income from employment with pensions up to certain limits.⁽³¹⁹⁾ In addition, arrangements in some Member States relate to phased retirement, allowing reduced working hours prior to statutory retirement.⁽³²⁰⁾ Nevertheless, new data suggests that remaining in the workforce while receiving a pension is more common among certain socio-demographic groups, such as migrants and the self-employed (Box 3.4). For instance, persons with high educational attainment enter but also leave the labour market later than persons with lower levels of education, and tend to have higher life expectancy. These socioeconomic inequalities may necessitate adjusted retirement pathways for different career profiles to avoid increasing inequalities.⁽³²¹⁾ Several Member States also allow for earlier retirement for those working in arduous/hazardous jobs albeit with varying deductions.⁽³²²⁾ Austria recently announced an upcoming change in early retirement rules to allow care workers to be classified as heavy labourers who can retire at 60 with reduced penalties.⁽³²³⁾

⁽³¹⁰⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2024)

⁽³¹¹⁾ (Turner and Morgavi, 2020)

⁽³¹²⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2023a)

⁽³¹³⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025c)

⁽³¹⁴⁾ (Geyer and Welteke, 2019)

⁽³¹⁵⁾ (Serrano-Alarcón et al., 2023), (Ardito, 2020)

⁽³¹⁶⁾ (Konle-Seidl, 2017)

⁽³¹⁷⁾ (Eurofound, 2025a)

⁽³¹⁸⁾ (Engels, Geyer and Haan, 2017)

⁽³¹⁹⁾ E.g. in Slovenia the maximum amount equals 12% of the pension. For more information, see MISSOC database.

⁽³²⁰⁾ For example, in Austria, the part-time model allows reducing older workers' working hours to 40-60% of the collectively agreed time.

⁽³²¹⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion & Social Protection Committee (SPC), 2024)

⁽³²²⁾ (European Commission: Directorate General for Economic and Financial Affairs, 2024), (European Commission, 2024)

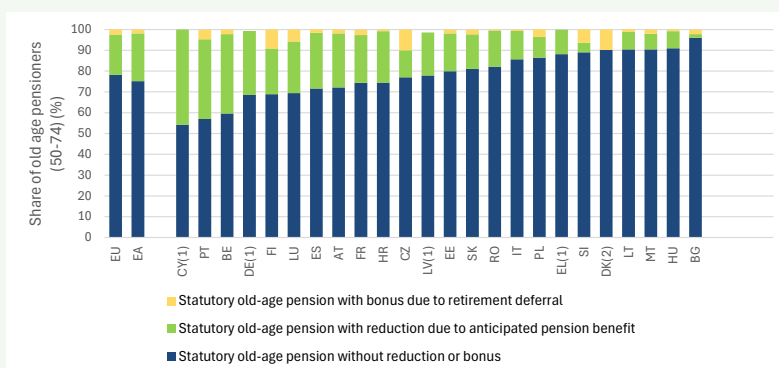
⁽³²³⁾ More information available here.

Box 3.4: Transitions from work to retirement

In the context of early retirement restrictions and financial incentives to prolong labour market participation, more than 80% of people retire without pension reductions. Among EU pensioners aged 50 to 74 in 2023,⁽¹⁾ 19.4% had opted for early retirement despite a reduced statutory old age pension. Delayed pensions were less common, with only 2.4% of pensioners having retired after the statutory age and obtained an augmented first pension receipt.⁽²⁾ Among EU Member States⁽³⁾ with a system of bonus or reduction of statutory pensions, the large majority of old age eligible pensioners aged 50 to 74 retired without reduction or bonus (78.2%). Cyprus displays the highest share of early retirement with a reduced pension (45.8%), followed by Portugal (38.3%) and Belgium (38.2%), whereas early retirement with reduction is less prevalent in Bulgaria (1.8%) and Slovenia (4.6%). Postponed retirement is most common in Czechia (10.0%), Denmark (9.8%) and Finland (9.1%) (Chart 1). Early retirement remains more prevalent among women, particularly with caregiving responsibilities, as well as among low-skilled workers and those in physically demanding occupations.⁽⁴⁾

Chart 1

Composition of old age pension recipients aged 50 to 74, by initial statutory old age pension receipt type



Note: Ireland, the Netherlands, and Sweden are excluded since they do not have a system of bonus or reduction of statutory pensions. (1) With bonus: missing data for Cyprus, Germany, Latvia, and Greece due to low reliability. (2) With reduction: missing data for Denmark.

Source: Eurostat [lfso_23pens04]

In the EU, most older people stop working at the first old age pension receipt they are eligible to, with considerable heterogeneity across countries and groups, reflecting in part different retirement systems.⁽⁵⁾ Almost two thirds (64.7%) of pensioners aged 50 to 74 stopped working after receiving the first old-age pension,⁽⁶⁾ with Slovenia (84.3%), Romania (84.0%), and Bulgaria (79.1%) reporting the highest rates and Ireland (25.3%), Estonia (31.6%) and Cyprus (34.8%) the lowest (Chart A.3.5). A slightly higher share of men stopped working beyond the first pension receipt than women (67.2% and 64.1%, respectively). Moreover, migrants are less likely to stop working upon receiving a pension compared to those born in the EU (58.4% and 65.9%, respectively), and so are self-employed compared to employees (69.5% and 78.4%, respectively) (Chart A.3.6.).

Re-entering the labour market after retirement remains a rare occurrence, with less than 5% of pensioners re-entering at least 6 months after receiving their first old age pension. Of these, almost one third returns because of financial necessity (30.2%) and over a quarter returns because they enjoy working or being productive (28.4%). Re-entering was more prevalent among men (4.9%) and highly educated people (6.5%), although reasons remain diverse across groups.

Besides statutory arrangements, reasons for exiting the labour market upon receiving their first pension differ across population groups. Among the 64.7% old age pensioners who stopped working upon the first pension receipt, the majority (76.8%) chose to retire because they reached the eligibility for a pension (Chart A.3.7.). Over 6% of the old age pensioners who stopped working upon pension receipt did so because they reached the maximum retirement age (6.3%). Additionally, over 6% of pensioners stopped working due to disability or illness, a share which is higher for migrants (13.2%) and the lower educated (8.9%), the latter usually reporting also higher exposure to

⁽¹⁾ While the interviews were conducted in 2023, pensioners interviewed have not necessarily retired in 2023 but could have retired in any previous year.

⁽²⁾ Eurostat [lfso_23pens04]. It excludes Ireland, the Netherlands, and Sweden as they do not have a system of bonus or reduction of statutory pensions.

⁽³⁾ Pension systems and eligibility conditions differ across Member States. For more detailed information on these differences, see MISSOC database and the Pension Adequacy Benchmarking Framework.

⁽⁴⁾ (European Commission: Directorate-General for Employment, Social Affairs and Inclusion, 2025)

⁽⁵⁾ Combining work and pension is allowed in all EU Member States. However, conditions vary across pension schemes and pensioners might be subject to a cut in their benefits when combining both. See MISSOC database for more details.

⁽⁶⁾ The LFS ad hoc module on pensions asks respondents whether they continued or stopped working when they started to receive an old age pension.

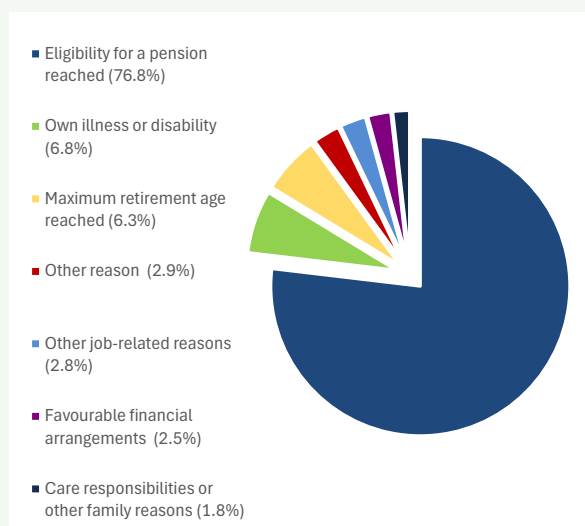
(Continued on the next page)

Box (continued)

health risk factors at work, leading to limiting health conditions.⁽⁷⁾ Although lower-skilled and lower-educated older workers have a higher prevalence of chronic diseases and limiting illnesses than other groups, they are also less likely to benefit from reasonable accommodations at work. The lack of reasonable accommodation faced by lower-educated older workers and those with a limiting illness makes them more vulnerable to unemployment and long-term unemployment, as well as more likely to believe their work to be unsustainable and to exit the labour market rather than reduce their working hours.⁽⁸⁾ Other disparities are found regarding the weight of care responsibilities and family reasons, as it is impacting more women (2.7% against 0.7% for men) and migrants (2.6% against 1.6% for domestic-born) in their decision to stop working (Chart A.3.7.).

Chart 2

Main reasons to stop working upon the first old age pension receipt in the EU



Source: Eurostat [lfso_23pens07]

Low-educated pensioners and migrants are more likely to continue working out of financial necessity.

Among the old age pensioners who continued working after receiving their first old age pension (13.0%), the largest share (36.3%) continued because they enjoy working and being productive. Over a quarter (28.6%) of pensioners cite financial necessity as their main reason to continue working beyond old-age pension receipt (Chart 3). Clear disparities emerge between migrants and those born in the EU, with almost half (45.9%) of migrants reporting working longer out of financial necessity compared to 27% of EU-born. Similar differences are present between pensioners with lower levels of education (35.6% keep working out of financial necessity) compared to those with high levels of education (18.9%). Generally, higher earners and workers in white-collar occupations are more likely to work beyond the statutory retirement age as they benefit from favourable working conditions, possibilities for continued employment, and better health conditions. As a result, they are expected to benefit more from deferred or flexible retirement pathways.⁽⁹⁾ In parallel, the share of women who continue working out of financial necessity is 3.2 pp higher than that of men (Chart 3). In addition, a significantly higher share of pensioners continues to work out of financial necessity in countries such as Estonia, Latvia, and Lithuania (54.9%, 44.2%, and 43.7% respectively), likely related to low pension adequacy.⁽¹⁰⁾ In fact, employment has been the most effective safeguard against poverty and social exclusion in older age groups. In 2023, 10% of employed persons aged 55+ were at risk of poverty and social exclusion, compared to 69% of the unemployed and 19% of retirees.⁽¹¹⁾

⁽⁷⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024)

⁽⁸⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024), (Eurofound, 2019)

⁽⁹⁾ (European Commission: Directorate-General for Employment, Social Affairs and Inclusion, 2025)

⁽¹⁰⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024)

⁽¹¹⁾ (Eurofound, 2025)

(Continued on the next page)

Box (continued)

Chart 3

Main reasons to continue working beyond the first old age pension receipt in the EU

Note: Only the two most cited reasons to continue working are shown, the others being 'Financially attractive', 'Partner/spouse still working', 'Stay socially integrated', 'Other reasons'

Source: EU-LFS 2023

Policies to help older workers re-enter employment after a period of unemployment help prolong working lives.

In 2023, 22.4% of EU old age pensioners aged 50 to 74 declared that they were already not working before the first old age pension receipt (Chart A.3.5). In addition to the numerous barriers that older workers are facing in the labour market, including discrimination and a lack of workplace flexibility and accommodations, they face more difficulties and have a lower propensity to re-enter the labour market after a job loss than younger workers.⁽¹²⁾ Therefore, they are more likely to transit from unemployment into long-term unemployment, being outside the labour force, invalidity, retirement or other social welfare schemes.⁽¹³⁾ Although unemployment of older workers stands below that of mid-career workers, they face a higher risk of long-term unemployment once displaced from the labour market.⁽¹⁴⁾ Not working before the first pension receipt is more common for people with lower education (27.9% against 15.6% of high-educated), migrants (29.3% against 21.2% of domestic-born), and people working in labour shortages occupations (22.5% against 14.5% for non-labour shortages occupations) (Chart A.3.6.). Women are particularly affected (24.7% against 18.3% for men), with long-term inactive women also representing the biggest inactive group within the non-retired population aged 55 to 68. Over two thirds (67.6%) of women have not been active for one year or more and many of them do not fulfil the requirements for receiving a statutory old age pension, increasing their vulnerability to poverty.⁽¹⁵⁾

⁽¹²⁾ (Mandl et al., 2018)

⁽¹³⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024)

⁽¹⁴⁾ (Eurofound, 2025)

⁽¹⁵⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024)

Beyond pension reforms, work-related factors such as flexible work arrangements and workplace accommodations also play a significant role in increasing participation in the labour force. To be effective, workplace policies need to take into consideration differences among sectors, industries and occupations and should be implemented in a preventative approach.⁽³²⁴⁾ These include enabling older workers to work from home and to work part-time, with the first mainly applicable to white-collar workers.⁽³²⁵⁾ As older workers are more inclined to work part-time,⁽³²⁶⁾ lack of flexible work arrangements can be a reason to leave the labour market prematurely.⁽³²⁷⁾ Workplace accommodations that relate to the provision of ergonomic adjustments, for example for the manual handling of loads, ergonomic chairs and desks, or adapted computer screens, can as well work as an incentive to prolong working life.⁽³²⁸⁾ Workplace adaptations related to strong workplace health and safety arrangements as well as reduced physical and psychosocial risks can also support

⁽³²⁴⁾ (Chen and Gardiner, 2019)

⁽³²⁵⁾ (Chen and Gardiner, 2019)

⁽³²⁶⁾ (Albinowski, 2024a)

⁽³²⁷⁾ (Eiffe, Muller and Weber, 2024)

⁽³²⁸⁾ (Strategic Consulting Services, 2023), (Eurofound, 2025a)

extending working lives.⁽³²⁹⁾ Collective bargaining also plays a crucial role in ensuring better working conditions and support older workers in the work place (Box 3.4).

Up- and reskilling as well as targeted career guidance can help maintain productivity and increase labour market participation of older workers.⁽³³⁰⁾ Education and training are found to be among the most effective tools for supporting older workers' employment,⁽³³¹⁾ with job-related, self-paced, and work integrated trainings found to be particularly effective. However, older persons tend to participate less in training compared to other socio-economic groups.⁽³³²⁾ Evidence from Germany suggests that when firms offered special training programmes targeted at older workers, women, and especially those with low wages, were less likely to retire.⁽³³³⁾ A counterfactual impact evaluation of five training programmes in Slovenia showed that these programmes have positive employment effects, reduce labour market exits and are particularly beneficial for jobseekers over 50, particularly women.⁽³³⁴⁾ Similar evidence was obtained in Finland,⁽³³⁵⁾ while in Greece training programmes proved to be effective for all groups, albeit with smaller effects for older job seekers. Given that a significant share of older workers are not working right before being eligible for retirement benefits (Box 3.4), fostering trainings for older persons outside the labour force could help bringing them to employment and in a second step postpone retirement.

A supportive organisational climate and social support are positively connected with older workforce participation.⁽³³⁶⁾ Despite their wealth of experience and ability to provide mentoring to younger colleagues, firms may avoid hiring older workers. When considering the recruitment process, 52% of the EU citizens believe age is the most significant factor that can present a disadvantage for a job candidate, due to various reasons that can relate to wrong perceptions by employers regarding adaptivity, physical capabilities, limited competences as well as the needs for more flexibility and accommodation measures.⁽³³⁷⁾ In particular, employers tend to stereotype older workers regarding their productivity, technologic adaptability, and organisational change.⁽³³⁸⁾ Measures such as local campaigns and awareness raising of benefits of age diversity in firms, or the promotion of job mobility for older workers, can further contribute to fighting ageism in the labour market and prolonging working lives.⁽³³⁹⁾

An increasing availability of adequate care services is required to further support older workers' participation in the labour market, particularly for older women. Across the EU, not working for personal and family reasons, as well as care responsibilities are among the main drivers of older workers' remaining outside the labour market and early exit from the labour market.⁽³⁴⁰⁾ This often relates to the scarcity of care facilities – such as in Romania, Hungary, and Latvia – and particularly affects women as they on average assume more caregiving responsibilities, often due to social norms and gender attitudes (see also Chapter 2).⁽³⁴¹⁾ In this context, providing suitable and adequate social care infrastructures, including formal child and long-term care services, as well as flexible working arrangement is essential to support older workers with care responsibilities enter or remain in the labour market.

A broad range of EU policies support the labour force participation and employment of older workers through improving working conditions and providing support to transition into employment. The Demography Toolbox⁽³⁴²⁾ includes policy tools geared towards reducing ageism and adapting work practices for older workers, providing tailored assistance, lifelong learning opportunities, and incentives to encourage job search behaviour. Complementary initiatives, like the European Innovation Partnership on Active and Healthy Ageing,⁽³⁴³⁾ aim to improve the health and quality of life of older individuals, thereby enabling their continued employment.

⁽³²⁹⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024b)

⁽³³⁰⁾ (OECD, European Commission, 2025)

⁽³³¹⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024b)

⁽³³²⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2025b)

⁽³³³⁾ (Berg et al., 2017)

⁽³³⁴⁾ (OECD, European Commission, 2025)

⁽³³⁵⁾ (OECD, 2023a)

⁽³³⁶⁾ (Chen and Gardiner, 2019)

⁽³³⁷⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024b)

⁽³³⁸⁾ (Eurofound, 2025a)

⁽³³⁹⁾ (Age Platform Europe, 2023), (OECD, 2025a)

⁽³⁴⁰⁾ (European Commission: Directorate General for Employment, Social Affairs and Inclusion, 2024b)

⁽³⁴¹⁾ (Eiffe, Muller and Weber, 2024)

⁽³⁴²⁾ (European Commission, 2023)

⁽³⁴³⁾ <https://digital-strategy.ec.europa.eu/en/policies/eip-aha>

4. CONCLUSIONS

Labour force participation can be supported through a variety of supply- and demand-side measures with long-lasting positive effects.

- On the demand side, employer-focused measures to improve support in the workplace and combat discrimination are essential to ensure increased labour supply is matched by labour demand.** Discrimination remains a key barrier for all underrepresented groups assessed. Employer counselling and awareness campaigns can help prevent discrimination against these groups. Demand-side measures that focus on financial incentives for employers to hire persons from underrepresented groups and employment quotas have shown varying effectiveness. Accessible workplace and adequate accommodation at work, including telework opportunities, can facilitate the recruitment and retainment of workers for a number of underrepresented groups. Other employer-focused measures such as mediation services and guidance can have positive effects on employment.
- On the supply side, increasing financial incentives through in-work benefits targeted at workers with low income can support labour force participation particularly of women and young people.** Analysis of in-work benefits suggests potential increases in labour supply by 0.09% to 0.34% in additional persons employed across the eight Member States assessed. This is accompanied by strong poverty reducing effects, decreasing AROP rates by 2.31 pp to 5.6 pp. Results highlight that underrepresented groups respond differently to the in-work benefit. Labour supply effects are the weakest for older workers and women and stronger particularly for migrants. The design of in-work benefits matters for the ability to increase the labour supply of specific target groups, for the administrative burden of its implementation and its effect on reducing poverty.

The design of tax-benefit systems in Member States tend to provide lower financial incentives for some part-time workers to increase their hours worked, particularly for older workers, migrants and low-wage single parent households. Depending on household composition and average wage levels, the increase in disposable income from moving from part-time to full-time work can differ strongly across groups. The results vary depending on each Member States' tax benefit system but tend to provide weaker incentives to increase hours worked for older workers and migrants. In some cases, single parent households with children experience lower incentives to increase hours, as evident through particularly high full-time participation tax rates due to the loss of benefits when increasing hours worked.

Increased educational attainment and training remain key drivers to increase the employment of underrepresented groups. Simulations suggest that significant increases in educational attainment within the EU workforce can help reduce negative employment effects expected due to demographic change by 2050 and can lead to increases in labour force participation by 2050. Going beyond educational attainment, active labour market policies including the provision of accessible and inclusive training and vocational rehabilitation has been shown to be effective at increasing the employability of persons with disabilities, migrants and older workers and also increase their work retention.

On the specific policies that could support participation of each underrepresented group, this chapter finds that:

- For women:** joint taxation of couples can cause disincentives for women, as they are often the secondary earners. Increasing the labour force participation of women would not only lead to significant employment gains, but also positive knock-on effects on GDP and very limited decreases in men's employment. To enable persons with care responsibilities, who are disproportionately women, to take up employment, the provision of affordable, quality external care services for children and adults is particularly important. Policies tackling gender stereotypes and promoting equal sharing of unpaid work within households can further support women's labour force participation.
- For older workers:** pension reforms, including changes in statutory retirement age, can increase older workers' participation. Providing flexible work arrangements and work-place accommodations can support their continued employment. In addition, improving the affordability and quality of external care services for children and adults is key to attract older persons to the labour market, as many of them have care responsibilities.
- For migrants:** simplification and expedition of the recognition of skills and qualifications of migrants obtained in third countries and support during the process can foster their labour market participation. The simplification of procedures to access the labour market via work and residence permits can further increase labour supply. Job search assistance has shown to be effective. Support needs to be tailored to the groups

targeted, for instance by embedding language training into cultural and contextual workplace support thus providing holistic support addressing multiple barriers to labour market participation.

- **For persons with disabilities:** benefit traps remain a significant disincentive for this group. Supported employment and employment quotas have shown to be effective in helping persons with disabilities transition into employment. Accessible training provision and inclusive education, combined with other policies mainstreaming accessibility, e.g. in transport and other service provision, can be particularly effective. Providing flexible work arrangements and work-place accommodations is also crucial.

A person-centred, holistic, and multifaceted approach is required to adequately support persons from underrepresented groups and should take into account intersectional barriers to participation. Individuals who belong to more than one underrepresented group often encounter overlapping barriers. Comprehensive, tailor-made policy approaches that consider these intersections can address multiple challenges and help underrepresented groups develop their capacities.

EU initiatives and policies support the labour force participation of underrepresented groups through a wide range of measures. Several measures implemented under the 2021 European Pillar of Social Rights Action Plan promote access to inclusive labour markets through the EU employment target, including the Recommendation on adequate minimum income. The EU Action Plan on labour and skills shortages also focuses on increasing the labour force participation of underrepresented groups. Moreover, the Employment Equality Directive provides protection against discrimination in employment, aiming to ensure fair treatment for persons from underrepresented groups in the workplace. Additional initiatives and policies have been introduced which focus on specific underrepresented groups, such as the Gender Equality Strategy, the Strategy for the Rights of Persons with Disabilities 2021-2030 and its Disability Employment Package⁽³⁴⁴⁾ and, with respect to migrants, the Action Plan on Integration and Inclusion 2021-2027. The Employment Guidelines and country-specific recommendations of the European Semester provide concrete guidance on how labour force participation could be enhanced further. Some of these initiatives are also supported by EU funds such as the European Social Fund Plus, the European Regional Development Fund, the Recovery and Resilience Facility and the Technical Support Instrument. Together, these policies aim to create a supportive environment for underrepresented groups within the EU labour market. To support these initiatives, the role of social partners will be key.

To address demographic changes and persistent labour and skills shortages, increased efforts to bolster labour force participation are essential. The EU, Member States, and social partners have to collaboratively promote employment transitions, access to quality jobs, and equal opportunities, while enhancing social protection standards. Several recent and planned initiatives align with this goal. The recently launched Union of Skills will support up- and reskilling and step up efforts to attract, develop, and retain talent. The new Action Plan for the European Pillar of Social Rights, which will be adopted before the end of 2025, aims to strengthen labour market access and promote equal opportunities. Moreover, the forthcoming Quality Jobs Roadmap will further contribute to fair wages, favourable working conditions, and smooth job transitions. Providing tailored support to overcome the individual barriers faced by different groups remains vital to ensure no one is left behind. Ultimately, thorough policy evaluations, particularly of incentives within Member States' tax-benefit systems, are necessary to eliminate benefit traps and boost net income from employment.

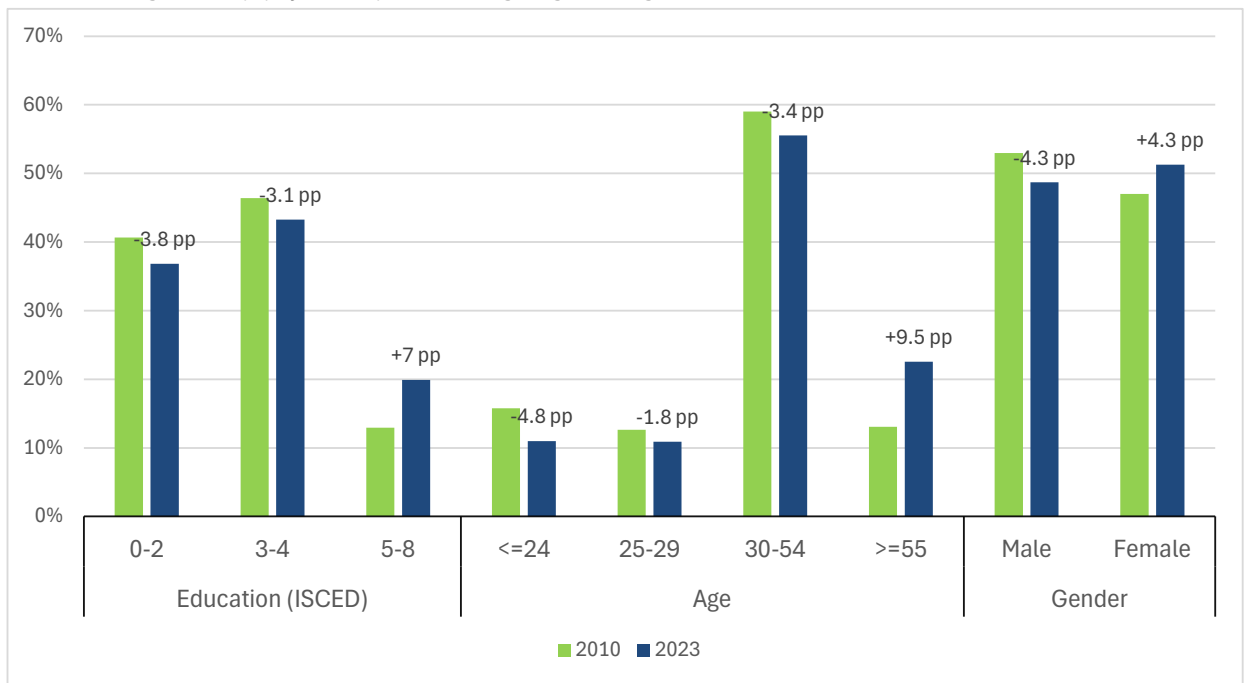
⁽³⁴⁴⁾ Disability Employment Package to improve labour market outcomes for persons with disabilities

Annex 3: Chapter 3

A3.1. PUBLIC EMPLOYMENT SERVICES’ SUPPORT OF VULNERABLE GROUPS

Albeit a reduction has been recorded since 2010, PES are progressively covering more fragile individuals in the labour markets, such as older workers and women. Starting from the first group, an increase in 9.5 percentage points since 2010 is visible, going from 13.1% to 22.6% in 2023. This is clearly visible when comparing the younger to the oldest cohort. When considering the gender composition, the average share of women across EU-27 PES rose from 47.0% in 2010 to 51.3% in 2023, increasing of 4.3 percentage points. This trend is coherent with the increasing participation of women in EU labour markets. Delving into the composition by education⁽³⁴⁵⁾, comparing the lowest and highest skilled individuals’ groups, we notice a decrease in the lowest educated groups composition of -3.8 percentage points, from the recorded level of 40.6% of 2010 to 36.8% of 2023. Contrarily, the composition of the highly educated has increased from 12.9% in 2010 to 19.9% (+7.0 percentage points)⁽³⁴⁶⁾. Such results are coherent with the increasing level of higher education in EU-27 countries⁽³⁴⁷⁾. A comparison between 2010 and 2023 is visible in Chart A3.1.

Chart A3.1
Development in registered unemployment seekers
Share of stock of registered unemployed jobseekers by education level, age and gender, average across PES within the EU-27, 2010 and 2023 (% total stock)



Note: PES-BL data collection, data extracted on 27 November 2024
Source: Data refer to average share of stock across PES based within the EU-27. Note, that coverage of PES differs between 2010 and 2023 depending on the availability of the breakdowns by education, age and gender
[Click here to download chart.](#)

A3.2. IN-WORK BENEFIT REFORMS

The analysis in Chapter 3 section 2.1. explores both the individual-based and the household-based in-work benefit designs. (Table A3.1) The individual-based scheme operates as a wage supplement of 20% of gross employment income, requiring minimum 16 weekly working hours. The phase-out of the benefit is starting when income reaches 50% of equivalised median disposable income. The benefit is phased out when income reaches 70% of equivalised median disposable income. However, to ensure that only part-time work is favoured, if the

⁽³⁴⁵⁾ Classifying those groups according to the ICSED 0-8 criterion.
⁽³⁴⁶⁾ Share of stock of registered unemployed jobseekers by education level, age and gender, average across the PES Network, 2010 and 2023 (% total stock). Source: PES-BL data collection, data extracted on 27 November 2024. Note: Data refer to average share of stock across the PES Network members. Note, that coverage of PES network members differs between 2010 and 2023 depending on the availability of the breakdowns by education, age and gender.
⁽³⁴⁷⁾ Eurostat, *educ_uoe_enrt01*, Students enrolled in tertiary education by education level (ISCED Levels 5-8).

minimum wage is not in the middle of the phase-out interval, the benefit is prolonged beyond 70% of equivalised median threshold. This design is implementable through the payroll system, creating strong participation incentives without much additional administrative burden.

Table A3.1

Comparison of individual- and household-based in-work benefits used in the analysis

	Individual-based scheme	Household-based scheme
Assessment unit	Individual	Household
Reference income	Gross employment income	Equivalised disposable income
Eligibility	At least 16 hours per week	At least 16 hours per week (could be shared among household members)
Benefit amount (per individual, in case of individual design; equivalised amount for household design)	20% of reference income	20% of reference income
Phase-out start	Reference income at 50% of the median equivalised disposable income	Reference income at 50% of the median equivalised disposable income
Phase-out end	Defined such that full-time minimum wage is in the middle of phase-out, or reference income at 70% of the equivalised median for countries without statutory min wage.	Reference income at 70% of the equivalised median

Note: Equivalised amount implies further adjustment by the equivalence scale to obtain total amount; for example, one-person household will get 1 equivalised amount, 2-adult household will get 1.5 equivalised amount, 1 adult with 1 child household will get 1.3 times equivalised amount etc.

[Click here to download table.](#)

Table A3.2

Impact of in-work benefits on employment of underrepresented groups

Percentage change in the number of employed persons

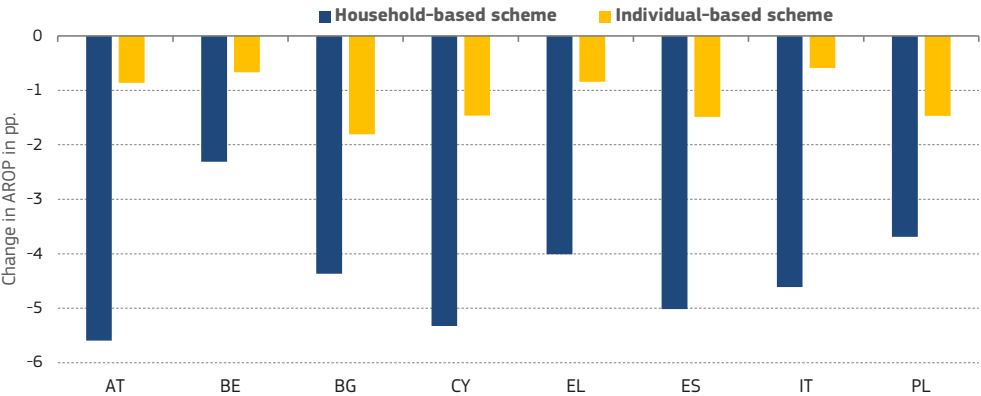
	Individual benefit design								Household benefit design						
	All	Youth	Older	Migrants	Women				All	Youth	Older	Migrants	Women		
					All	Youth	Older						All	Youth	Older
AT	0.24%	0.45%	0.21%	0.52%	0.30%	0.44%	0.20%		0.37%	0.58%	0.39%	1.35%	0.21%	0.23%	0.13%
BE	0.34%	0.79%	0.34%	0.88%	0.25%	0.44%	0.14%		0.31%	0.25%	0.33%	1.44%	0.09%	0.07%	0.10%
BG	0.15%	0.17%	0.13%	0.47%	0.22%	0.24%	0.14%		0.43%	0.61%	0.52%	0.82%	0.22%	0.25%	0.17%
CY	0.19%	0.26%	0.15%	0.31%	0.40%	0.55%	0.36%		0.12%	0.07%	0.07%	0.27%	0.19%	0.15%	0.10%
EL	0.33%	1.38%	0.38%	0.48%	0.21%	0.33%	0.16%		0.46%	0.89%	0.62%	0.86%	0.17%	0.24%	0.15%
ES	0.20%	0.47%	0.24%	0.36%	0.19%	0.29%	0.16%		0.33%	0.28%	0.40%	0.99%	0.13%	0.08%	0.11%
IT	0.23%	0.76%	0.22%	0.44%	0.15%	0.24%	0.08%		0.53%	0.74%	0.56%	1.24%	0.16%	0.18%	0.10%
PL	0.34%	0.37%	0.49%	0.33%	0.40%	0.40%	0.38%		0.22%	0.22%	0.29%	0.26%	0.25%	0.25%	0.18%

Note: youth is defined as people aged between 20-29; older people as aged between 55-64

Source: JRC calculations using EUROMOD and EUROLAB

[Click here to download table.](#)

Chart A3.2
Poverty-reducing effects of In-Work benefits are larger in household-based schemes
Changes in the AROP rate (in pp.) following the introduction of an IWB, by type of IWB



Note: does not include labour supply effects
Source: JRC calculations using EUROMOD
[Click here to download chart.](#)

Box A3.1: Estimating financial incentives to increase hours worked

The analysis uses EUROMOD⁽¹⁾ to assess the (dis-)incentives for part-time workers to increase their working hours. This is achieved by comparing the disposable income from part-time employment with that of full-time employment. In order to compare disposable incomes, the so-called **full-time participation tax rate (FPTR)** is used as an indicator of labour supply incentives. The FPTR measures the share of a doubling in gross employment income (from part-time to full-time) that is “taxed away” due to taxes, social insurance contributions and losing means-tested benefit entitlements, i.e. not translating into increased disposable income.⁽²⁾ The indicator is calculated as follows:

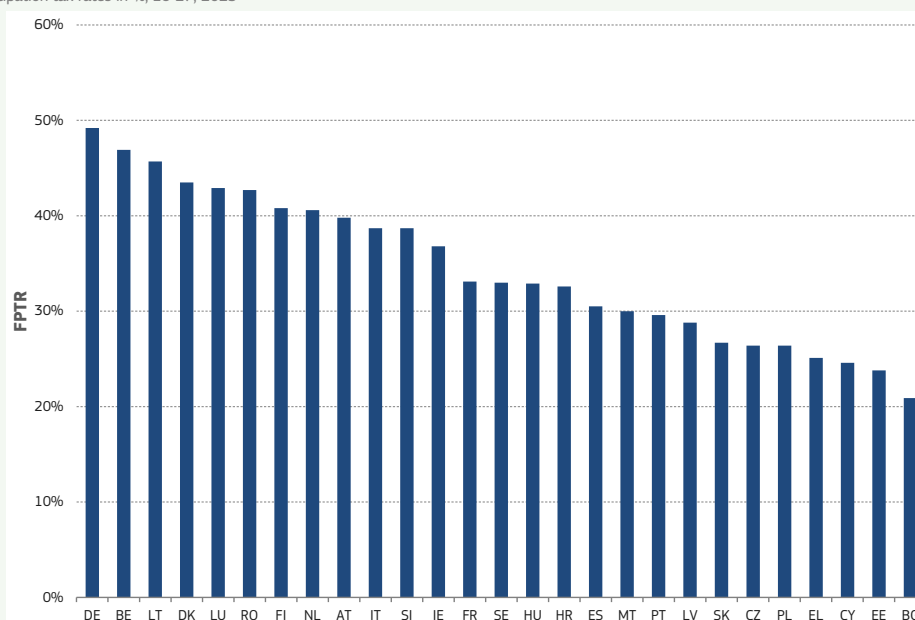
$$FPTR = 1 - \left(\frac{Y_{HH}^{ft} - Y_{HH}^{pt}}{E_i^{ft} - E_i^{pt}} \right),$$

where Y_{HH}^{ft} is the household disposable income given full-time employment earnings, Y_{HH}^{pt} is the household disposable income given part-time employment earnings and $E_i^{ft} - E_i^{pt}$ is the individual difference between full-time and part-time employment income.⁽³⁾ The FPTR indicator captures the effective tax rate associated with transitioning from part-time to full-time work. For instance, if a part-time worker earning €1,000 per month increases her income to €2,000 by transitioning to full-time work, and her household disposable income rises by €700, the FPTR would be 30%. The higher the FPTR indicator, the weaker is the incentive to switch from part-time to full-time employment.

Chart 1

Financial incentives to move from part-time to full-time work are highest in Bulgaria, Estonia and Cyprus

Full-time participation tax rates in %, EU 27, 2023



Note: FPTR is a full-time participation tax rate. This has been calculated for all working individuals of a country, independently of their actual working pattern. Averages are calculated over all working individuals, and with the use of sample weights

Source: JRC calculations using EUROMOD

⁽¹⁾ EUROMOD is used to calculate the disposable income for different hypothetical levels of employment income. (Sutherland and Figari, 2013)

⁽²⁾ The change in the disposable income (the numerator) reflects the workings of the tax-benefit system. Focusing on changes in employment income rather than gross income in general allow the FPTR indicator to reflect the labour incentives on the intensive margin. Earnings of other adult members of the household (if present) are kept constant.

⁽³⁾ When using EU-SILC-based EUROMOD data, earnings are adjusted independent of the observed amount of working time, to part-time and full-time equivalents. Part-time and full-time hours are set at 20 and 40 weekly working hours, respectively. Exceptions include Belgium (19 and 38 working hours), Denmark (18.5 and 37 working hours), Finland (19 and 38 working hours), and France (17.5 and 35 working hours). These working schedules were derived from the empirical distribution of working hours in the EU-SILC 2022 surveys. Collectively agreed working hours are not considered, not only because they can vary within countries by sector (Eurofound, 2023), but also because actual working hours may differ from these collectively agreed hours.

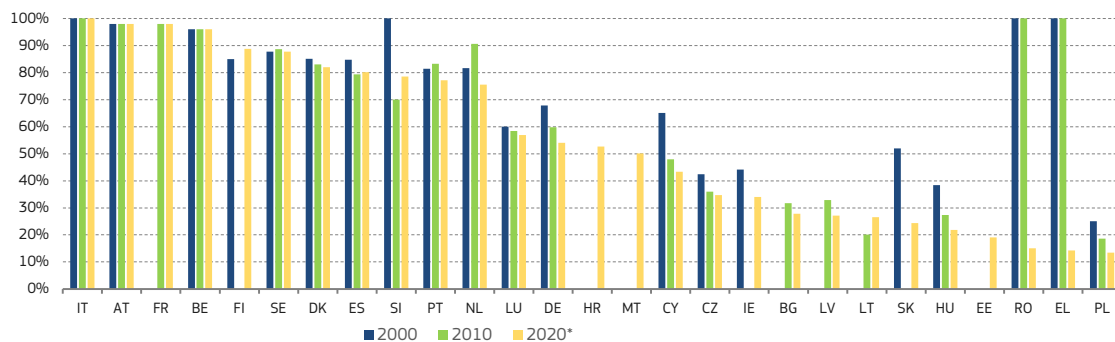
A3.3. COLLECTIVE BARGAINING COVERAGE

The variation in collective bargaining coverage rates over the past two decades differs considerably across Member States. In countries like Italy, Austria, France, and Belgium, the rates have remained high and relatively stable, consistently registering above 90%. Conversely, countries such as Cyprus and Slovakia have seen significant decreases from modest rates, while Romania and Greece have experienced declines from very high rates to some of the lowest. Spain, Slovenia, and Lithuania are the exceptions, showing increases in collective bargaining coverage since 2010 (Chart A3.3). To address this trend, Article 4(2) of the Directive (EU) 2022/2041 on adequate minimum wages mandates that Member States with collective bargaining coverage below 80% must develop national action plans in collaboration with trade unions and employers' organisations to gradually improve coverage. National social partners have focused their initiatives on challenges in collective bargaining, particularly on wages, working time, establishing sector agreements, and supporting (re-)skilling and training tied to digitalisation, the green transition, and labour shortages.

Chart A3.3

Collective bargaining coverage rates in the EU

Rate of employees covered by collective agreements among employees with the right to bargain in 2000, 2010, and 2020*



Note: *or most recent year available

Source: DG EMPL calculations based on the OECD/AIAS database

[Click here to download chart.](#)

Box A3.2: Increasing female labour supply

The analysis uses the RHOMOLO model, the European Commission's spatial dynamic general equilibrium model to estimate the impact of increasing female labour supply on macroeconomic outcomes. The version of RHOMOLO used divides the workforce by gender at each region-sector pair, giving the model a new gender dimension.⁽¹⁾ The model explicitly accounts for gender-specific employment patterns, wage adjustments, and interregional labour mobility, providing a comprehensive framework to evaluate the potential economic trade-offs of gender policy interventions. The advantage of using RHOMOLO lies in the detailed regional results provided.⁽²⁾

Reductions in the gender gap in labour force participation rates are modelled for each NUTS2 region. The gender gap in participation rates is calculated as: one minus the ratio of female labour force participation rate divided by the male labour force participation rate:⁽³⁾

$$PG_{t0} = 1 - \frac{PR_{f,t0}}{PR_{m,t0}}$$

Where PG is the participation gap; PR is the participation rate, f and m refer to female and male workers, respectively; and t0 refers to the baseline values. Only direct effects of the increased labour force participation on labour market outcomes are modelled.

The analysis simulates two scenarios of improving female labour market participation, by comparing all Member States to the country performing best in the baseline (Lithuania).⁽⁴⁾ Two scenarios⁽⁵⁾ are modelled:

- **Rapid progress scenario:** For each non-best-performing MS, we assume that the difference between its gender participation gap and that of Lithuania will be reduced to 15% of its original value over time, thus leading to an 85% reduction of the original gap.
- **Slow progress scenario:** For each non-best-performing MS, assume that the difference between its gender participation gap and that of Lithuania will be reduced to 40% of its original value over time.

⁽¹⁾ The model uses 2017 data for calibration for all EU NUTS2 regions.

⁽²⁾ More information on the model available under Regional Holistic Model (RHOMOLO) - European Commission.

⁽³⁾ As in (EIGE, 2017)

⁽⁴⁾ This is based on a study by (EIGE, 2017)

⁽⁵⁾ The figures are based on historical analysis of potential progress of an average country that originally lagged behind Lithuania.

Table A3.3

Projected gender gaps in labour force participation rates and differences with respect to baseline

Member State	Baseline participation gap (I)	Difference with respect to best performing gap (II)	Target gender gaps in activity rates		Differences between targets and baseline gender gaps (pp.)		Shock to female participation rates	
			Slow progress scenario (III)	Rapid progress scenario (IV)	Slow progress scenario (V)	Rapid progress scenario (VI)	Slow progress scenario (VII)	Rapid progress scenario (VIII)
LT	3.63	0	3.63	3.63	0	0	0	0
SE	4.31	0.67	3.9	3.73	0.4	0.57	0.42	0.6
FI	4.58	0.95	4.01	3.78	0.57	0.81	0.6	0.85
LV	6.88	3.25	4.93	4.12	1.95	2.76	2.09	2.97
DK	6.91	3.28	4.94	4.12	1.97	2.78	2.11	2.99
SI	7.56	3.92	5.2	4.22	2.35	3.34	2.55	3.61
PT	7.88	4.24	5.33	4.27	2.55	3.61	2.76	3.92
EE	8.41	4.77	5.54	4.35	2.86	4.06	3.13	4.43
DE	10.16	6.52	6.24	4.61	3.91	5.55	4.36	6.17
FR	10.56	6.92	6.4	4.67	4.15	5.89	4.64	6.58
LU	10.58	6.95	6.41	4.68	4.17	5.91	4.66	6.6
NL	10.61	6.98	6.42	4.68	4.19	5.93	4.68	6.64
BG	11.05	7.41	6.6	4.75	4.45	6.3	5	7.08
AT	11.34	7.71	6.72	4.79	4.63	6.55	5.22	7.39
CY	12.07	8.44	7.01	4.9	5.06	7.17	5.76	8.16
ES	12.8	9.17	7.3	5.01	5.5	7.79	6.31	8.93
BE	13.16	9.53	7.44	5.06	5.72	8.1	6.58	9.33
HR	14.09	10.46	7.82	5.2	6.27	8.89	7.3	10.35
IE	15.43	11.8	8.35	5.4	7.08	10.03	8.37	11.86
SK	15.79	12.15	8.5	5.46	7.29	10.33	8.66	12.27
CZ	17.14	13.51	9.04	5.66	8.11	11.48	9.78	13.86
HU	17.91	14.28	9.35	5.78	8.57	12.14	10.44	14.79
PL	18.29	14.66	9.5	5.83	8.8	12.46	10.77	15.25
EL	21.18	17.55	10.65	6.27	10.53	14.92	13.36	18.93
RO	23.53	19.9	11.59	6.62	11.94	16.91	15.61	22.12
IT	25.45	21.82	12.36	6.91	13.09	18.54	17.56	24.87
MT	27.79	24.16	13.3	7.26	14.5	20.54	20.08	28.44

Note: Since the data used is at the regional level while targets are at the country level, regions with initially lower participation are modelled to achieve faster improvements. All results are in percentages unless otherwise indicated

Source: JRC calculations

[Click here to download table.](#)

Table A3.4

Full results of the rapid progress scenario of increasing women's labour force participation, by MS

	GDP	Employment				Unemployment		Real wages	
		Women		Men		Women	Men	Women	Men
	%	%	thousands	%	thousands	pp	pp	%	%
AT	1.66	5.64	119.96	-0.04	-0.99	1.35	0.16	-4.34	-0.11
BE	1.99	5.97	137.80	-0.27	-6.67	2.46	0.44	-4.57	-0.60
BG	1.34	4.83	77.26	-0.22	-4.21	1.70	0.35	-3.70	-0.51
CY	1.31	4.66	9.23	-0.22	-0.45	2.64	0.38	-3.43	-0.30
CZ	3.18	10.97	259.28	-0.16	-4.72	2.16	0.27	-7.99	-1.25
DE	1.79	5.44	1154.48	-0.03	-6.35	0.66	0.12	-3.57	-0.12
DK	0.83	2.29	31.58	-0.03	-0.44	0.61	0.09	-1.60	-0.09
EE	1.13	3.55	11.48	-0.05	-0.16	0.74	0.14	-2.47	-0.13
EL	0.70	3.89	72.94	-0.93	-24.00	8.89	1.06	-3.78	-0.66
ES	0.99	3.34	305.75	-0.24	-24.70	3.76	0.39	-2.53	-0.21
FI	0.45	0.96	11.83	0.03	0.38	0.30	0.02	-0.56	0.05
FR	1.41	4.21	557.27	-0.07	-10.14	1.70	0.22	-2.86	-0.11
HR	1.69	5.64	41.74	-0.23	-1.99	3.47	0.43	-4.07	-0.35
HU	3.14	10.92	229.46	-0.24	-5.84	2.82	0.42	-7.93	-1.17
IE	1.66	7.93	80.05	-0.31	-3.50	2.93	0.52	-6.25	-0.69
IT	2.41	8.67	947.90	-0.71	-100.42	10.20	1.06	-6.79	-1.01
LT	0.35	0.70	4.92	0.03	0.18	0.22	0.03	-0.37	0.07
LU	1.67	5.19	9.30	-0.03	-0.07	1.15	0.14	-3.42	-0.08
LV	0.71	2.17	9.69	-0.04	-0.17	0.69	0.12	-1.51	-0.06
MT	4.53	17.22	15.59	-0.52	-0.68	7.02	0.83	-12.36	-2.18
NL	1.41	4.88	205.32	-0.07	-3.68	1.37	0.16	-4.11	-0.29
PL	2.57	10.16	757.66	-0.57	-50.64	3.63	0.77	-8.35	-1.84
PT	0.73	2.52	58.82	-0.11	-2.68	1.19	0.20	-1.88	-0.21
RO	3.60	14.03	521.75	-0.80	-39.07	5.37	1.17	-10.92	-2.22
SE	0.37	0.67	15.93	0.06	1.51	0.22	-0.02	-0.43	0.14
SI	1.01	2.56	11.79	0.00	0.00	0.87	0.08	-1.66	-0.01
SK	1.88	6.83	75.10	-0.33	-4.24	3.72	0.55	-5.12	-0.66
EU27	1.66	6.73	5,733.86	-0.51	-293.76	3.38	0.45	-4.66	-0.59

Note: The rapid progress scenario assumes that countries reduce their difference in gender activity gaps compared to Lithuania to 15% of the original difference within 15 years

Source: JRC calculations using RHOMOLO

[Click here to download table.](#)

Table A3.5

Full results of the slow progress scenario of increasing women's labour force participation, by MS

	GDP	Employment				Unemployment		Real wages	
		Women		Men		Women	Men	Women	Men
	%	%	thousands	%	thousands	pp	pp	%	%
AT	1.19	4.06	86.29	-0.03	-0.73	0.91	0.12	-3.17	-0.08
BE	1.45	4.37	100.97	-0.21	-5.01	1.68	0.32	-3.41	-0.45
BG	0.96	3.50	55.94	-0.16	-3.09	1.16	0.26	-2.72	-0.38
CY	0.96	3.40	6.72	-0.16	-0.33	1.82	0.28	-2.53	-0.22
CZ	2.31	8.01	189.35	-0.12	-3.52	1.39	0.19	-6.00	-0.95
DE	1.28	3.88	823.20	-0.02	-4.52	0.45	0.08	-2.58	-0.08
DK	0.59	1.64	22.51	-0.02	-0.30	0.42	0.07	-1.14	-0.06
EE	0.81	2.53	8.18	-0.03	-0.11	0.51	0.10	-1.77	-0.09
EL	0.53	3.00	56.30	-0.73	-18.74	6.41	0.82	-2.95	-0.52
ES	0.72	2.45	224.35	-0.18	-18.53	2.65	0.29	-1.88	-0.16
FI	0.32	0.68	8.42	0.02	0.30	0.20	0.01	-0.39	0.04
FR	1.02	3.04	402.45	-0.05	-7.44	1.17	0.16	-2.09	-0.08
HR	1.24	4.14	30.68	-0.17	-1.50	2.39	0.32	-3.04	-0.26
HU	2.29	8.02	168.55	-0.18	-4.42	1.84	0.31	-5.99	-0.90
IE	1.22	5.84	58.95	-0.23	-2.63	1.96	0.38	-4.69	-0.53
IT	1.84	6.72	734.75	-0.58	-82.65	7.29	0.84	-5.39	-0.83
LT	0.25	0.50	3.49	0.02	0.14	0.15	0.02	-0.26	0.05
LU	1.20	3.71	6.66	-0.02	-0.05	0.79	0.10	-2.48	-0.06
LV	0.51	1.54	6.90	-0.03	-0.11	0.48	0.09	-1.08	-0.04
MT	3.51	13.65	12.36	-0.43	-0.57	4.29	0.65	-10.17	-1.85
NL	1.02	3.52	148.08	-0.05	-2.70	0.93	0.12	-3.01	-0.22
PL	1.91	7.62	568.45	-0.43	-38.62	2.35	0.57	-6.44	-1.44
PT	0.53	1.82	42.42	-0.08	-1.93	0.82	0.14	-1.37	-0.15
RO	2.73	10.86	403.84	-0.64	-31.58	3.34	0.90	-8.75	-1.82
SE	0.26	0.48	11.33	0.04	1.14	0.15	-0.01	-0.30	0.11
SI	0.72	1.83	8.41	0.00	0.00	0.61	0.06	-1.19	0.00
SK	1.37	5.05	55.55	-0.26	-3.24	2.54	0.41	-3.86	-0.51
EU27	1.22	4.97	4,245.09	-0.38	-230.74	2.34	0.34	-3.55	-0.46

Note: The slow progress scenario assumes that countries reduce their difference in gender activity gaps compared to Lithuania to 40% of the original difference within 15 years

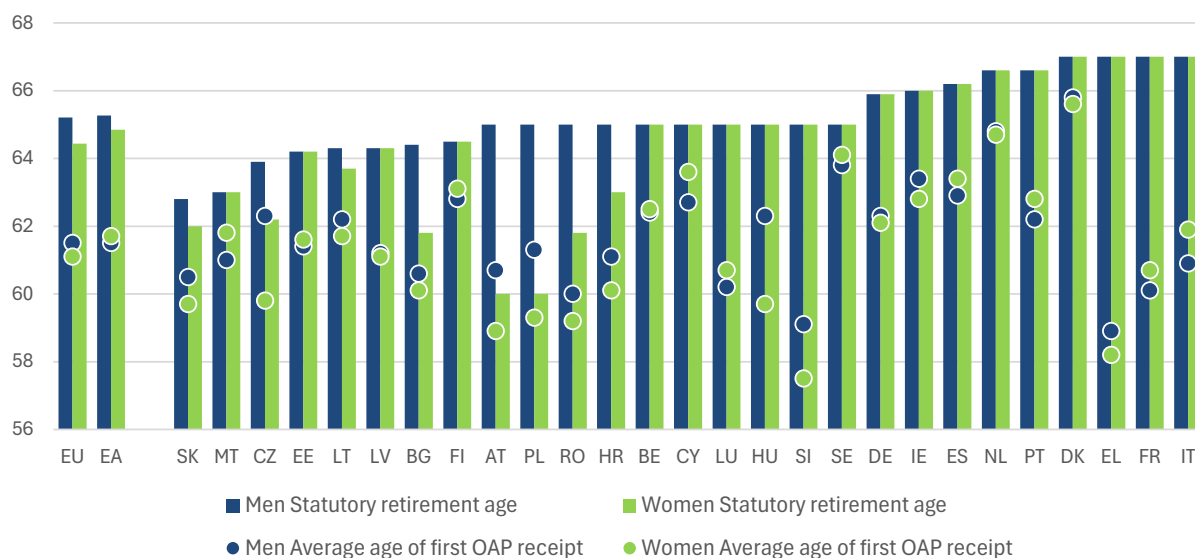
Source: JRC calculations using RHOMOLO

[Click here to download table.](#)

A3.4. TRANSITIONS FROM WORK TO RETIREMENT

Chart A3.4

Statutory retirement age and average age of first old age pension receipt, by gender



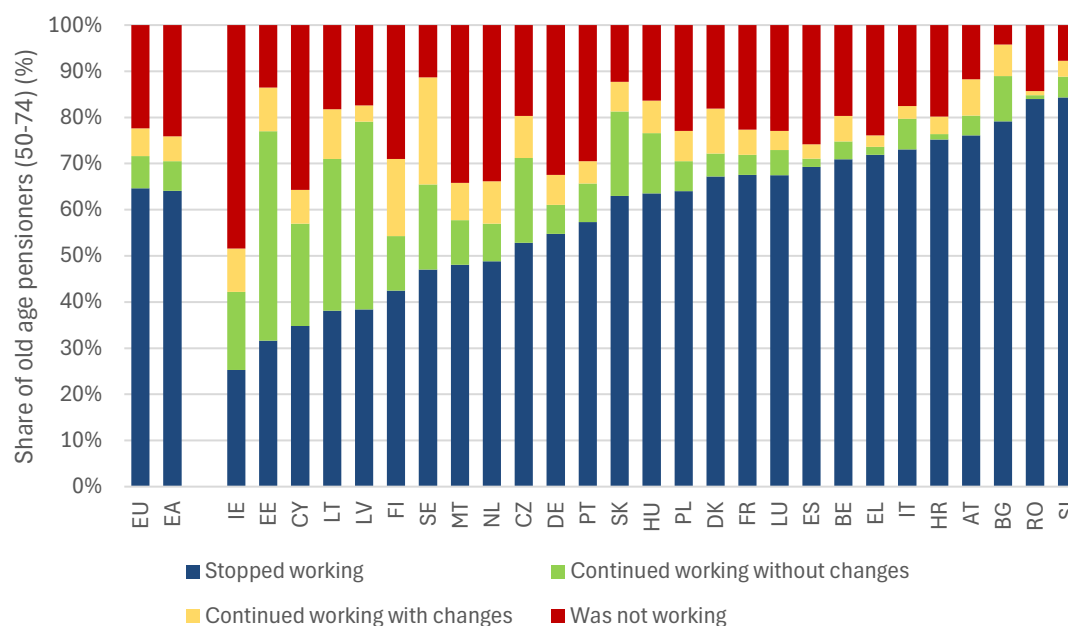
Note: Statutory retirement ages are extracted from the Ageing Report 2024 and for 2022. Average age at the first old age pension receipt are extracted from Eurostat and for 2023

Source: 2023 Eurostat LFS ad hoc module [lfso_23pens03], and Ageing Report 202

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Chart A3.5

People aged 50 to 74 receiving an old age pension, by their work situation at the beginning of the pension receipt

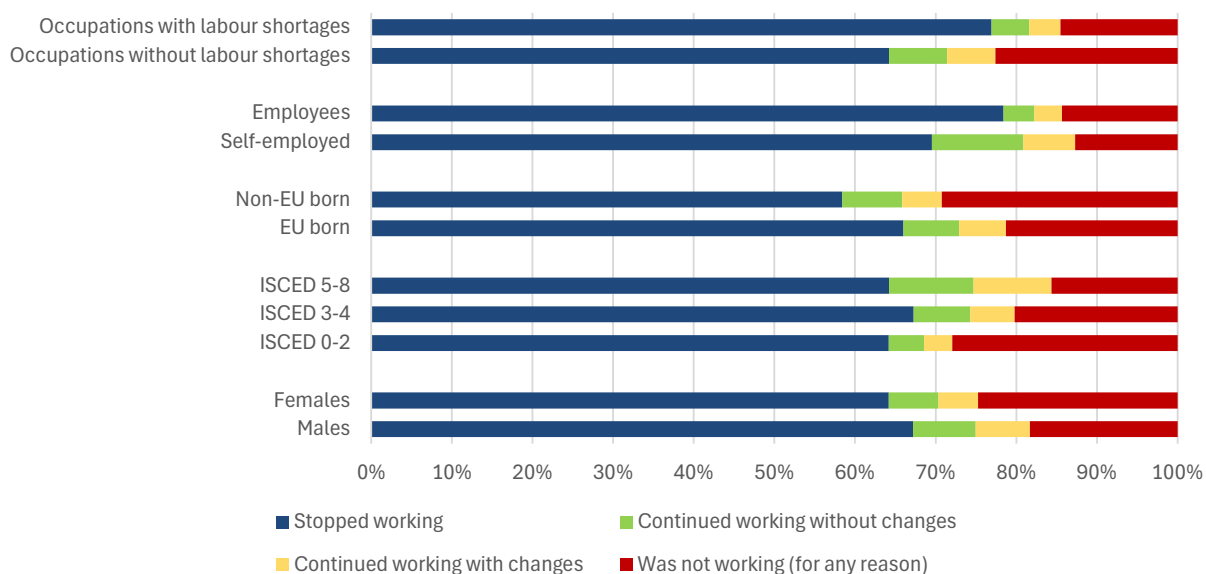


Source: 2023 Eurostat LFS ad hoc module [lfso_23pens06]

[Click here to download chart.](#)

Chart A3.6

People aged 50 to 74 receiving an old age pension in the EU, by their work situation at the beginning of the pension receipt



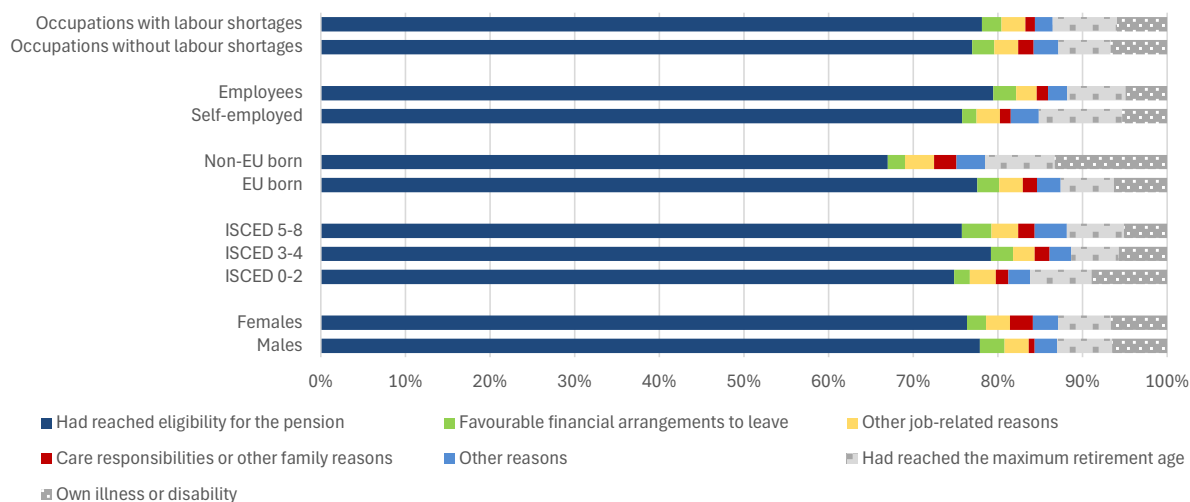
Note: Labour shortage occupations have been extracted from the EURES 2023 Report on Labour shortages and surpluses⁽³⁴⁸⁾. As the report presents the occupations as the ISCO 2008 4-digit level, each 3-digit occupation was marked as reporting labour shortages if it contains a 4-digit occupation mentioned in the report

Source: Eurostat EU-LFS 2023

[Click here to download chart.](#)

Chart A3.7

Main reasons to stop working when receiving first old age pension receipt, by socio-demographic characteristics, EU, 2023



Note: Groups who are unlikely to (re-)join the labour force are reported in grey

Source: Eurostat EU-LFS 2023

[Click here to download chart.](#)

⁽³⁴⁸⁾ (European Labour Authority, and Fondazione Giacomo Brodolini, 2024)

DATA SOURCES AND DEFINITIONS

Most of the data used in this report originates from Eurostat, the Statistical Office of the European Union. The main data sources used are:

- European Union Labour Force Survey (EU-LFS):
 - https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_labour_force_survey_statistics
- ESA2010 National Accounts:
 - [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=National_accounts_\(incl._GDP\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=National_accounts_(incl._GDP))
- EU-Statistics on Income and Living Conditions (EU-SILC):
 - [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_statistics_on_income_and_living_conditions_\(EU-SILC\)_methodology](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_statistics_on_income_and_living_conditions_(EU-SILC)_methodology)

Definition and data sources of main indicators

Real GDP: Gross Domestic Product (GDP), volume, annual change (Source: Eurostat, ESA2010 National Accounts [nama_10_gdp]). Dataset available [here](#).

Employment rate: number of people employed divided by the population in the 20-64 age bracket (Source: Eurostat, EU-LFS [lfsi_emp_a]). Dataset available [here](#).

Labour market participation rate: labour force (employed and unemployed) as a share of total population in the 15-64 age group (Source: Eurostat, EU-LFS [lfsi_emp_a]). Dataset available [here](#).

Unemployment and youth unemployment rate: unemployed as a share of the labour force in the (respectively) 15-74 and 15-24 age group (Source: Eurostat, EU-LFS [une_rt_a]). Dataset available [here](#).

Long-term unemployment rate: persons in the 15-74 age group unemployed for a duration of 12 months or more as a share of the labour force (Source: Eurostat, EU-LFS [une_ltu_a]). Dataset available [here](#).

At-risk-of-poverty or social exclusion rate. Percentage of a population representing the sum of persons who are: at risk of poverty, or severely materially and socially deprived, or living in households with very low work intensity (Eurostat, EU-SILC [ilc_peps01n]). Dataset available [here](#).

At-risk-of-poverty rate. Share of people with an equivalised disposable income (after social transfer) below the at-risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income after social transfers (Eurostat, EU-SILC [ilc_li02]). Dataset available [here](#).

Severe material and social deprivation rate. Inability to afford a set of predefined material items that are considered by most people to be desirable or even necessary to experience an adequate quality of life (Eurostat, EU-SILC [ilc_md11]). Dataset available [here](#).

Share of persons living in households with very low work intensity. Share of persons living in a household where the members of working age worked a working time equal or less than 20% of their total work-time potential during the previous year. (Eurostat, EU-SILC [ilc_lvhl11n]). Dataset available [here](#).

Income quintile share ratio S80/S20. 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) (Eurostat, EU-SILC [ilc_di11]). Dataset available [here](#).

NEET: Young people not in employment, education or training. Share of people aged 15 to 29 who are not employed (i.e. either unemployed or economically inactive) nor engaged in any kind of further (formal or non-formal) education or training (Eurostat, EU-LFS [lfsi_neet_a]). Dataset available [here](#).

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