

Main employment and social developments

1. INTRODUCTION ⁽⁴⁾

In a context of still high, albeit diminishing, inflation in the EU, economic growth in 2023 was sluggish. The expansion of real Gross Domestic Product (GDP) slowed significantly due to the erosion of real wages per employee, falling external demand, strong monetary tightening, and partial withdrawal of fiscal support ⁽⁵⁾ Real GDP increased by 0.4% in 2023, after expanding by 3.4% in 2022. According to the European Commission's Spring 2024 Economic Forecast, GDP is projected to expand by 1.0% in 2024 and by 1.6% in 2025. Annual inflation in the EU peaked at 11.5% in October 2022, before decelerating to 3.4% by the end of 2023, largely reflecting developments in energy prices. The resulting easing of inflation in food and non-energy goods and services, together with direct support measures, reduced the burden on households.

Despite these economic challenges, the labour market stayed robust in 2023, with a 1.2% increase in employment. The EU employment rate (individuals aged 20-64) reached its highest-ever level, at 75.3%. In parallel, unemployment levels remained at record lows of 6.1%. The labour market situation of notably young people, long-term unemployed people, and people in vulnerable situations all showed signs of improvement, but with significant differences to the general population. Despite these positive developments, employment growth is expected to be limited in 2024 and 2025, in a context of moderate economic growth. Improved participation in the labour market for women and underrepresented groups, such as low-skilled people, older workers, young people, people with a migrant or minority racial or ethnic background, and persons with disabilities, remains a challenge.

Labour market tightness persisted in 2023. The job vacancy rate, an indicator of unmet labour demand, remained elevated following a significant increase since 2021, but there was a slight decline in 2023 within the EU, particularly in industry and construction. The highest rates were evident in 'administrative and support service activities' (which include temporary employment agencies), 'accommodation and food service activities', 'construction', 'professional, scientific and technical activities', and information and communication. Labour market slack continued to recede. ⁽⁶⁾ The recently adopted Action Plan on Labour and Skills Shortages ⁽⁷⁾

⁽⁴⁾ This chapter was written by Lorise Moreau, Nora Wukovits, Erik Paessler and Argyrios Pisiotis. The cut-off date for this chapter is 19 August 2024.

⁽⁵⁾ (European Commission, 2024a)

⁽⁶⁾ Labour market slack refers to all unmet needs for employment. This includes unemployment according to the International Labour Organization (ILO) definition, as well as underemployed part-time workers, people seeking a job but not immediately available to work, and people available to work but not seeking. Total labour market slack is expressed as a percentage of this extended labour force.

⁽⁷⁾ On 20 March 2024, the Commission presented an Action Plan setting out key measures that the EU, Member States and social partners should take to address labour and skills shortages. The Action Plan provides a robust response to labour market challenges ensuing from demographic trends at EU, national and subnational levels and it is backed by investments of ca. EUR 65 billion supported by EU funds.

identifies five policy domains for actions to tackle labour and skills shortages. These include the activation of underrepresented groups, boosting workers' skills acquisition to improve skills matching, ensuring better working conditions and employment quality, strengthening fair intra-EU mobility, and attracting more talent from outside the EU.

Participation of adults in formal or non-formal learning has witnessed only a modest increase in recent years. In 2022, 46.6% of people aged 25–64 in the EU engaged in education or training activities, including guided-on-the-job (GOTJ) training,⁽⁸⁾ during the 12 months preceding the survey, an increase of 2.9 percentage points (pp) compared to 2016 (43.7%). The main reason indicated by respondents for not participating was not seeing the need for training. Those willing to participate reported barriers such as training schedule, family reasons, and costs.⁽⁹⁾ Promoting skills development and providing support for training and education remains a priority to provide more opportunities for upskilling and reskilling.

Social expenditure as a share of GDP increased in response to the COVID-19 pandemic's economic and social challenges, then subsequently declined somewhat. In 2020, public expenditure shifted towards social, health and economic priorities. This considerable expansion played a crucial role in mitigating job losses by implementing income support schemes and reinforcing existing social protection systems at the onset of the pandemic. Public expenditure on labour market policies reached a record high during the COVID-19 pandemic, at nearly 3% of GDP, but decreased in subsequent years. While expenditure on social protection benefits⁽¹⁰⁾ increased in nominal terms, it decreased in real terms in 2022 due to inflation.

Easing inflationary pressures, together with the effects of tax-benefit systems, improved real disposable income in 2023. Primarily driven by the impact of elevated inflation on real wages, real gross disposable household income (GDHI) declined in the latter half of 2022, but showed signs of recovery in 2023. This positive development was predominantly attributed to the reduced negative effects of taxes on income and wealth, as well as to an increase in real compensation of employees. Inflation in essential items such as food and clothing can disproportionately affect lower and middle-income groups, and tax-benefit systems significantly contributed to augmenting individuals' income in 2023. This underscores the significance of social protection systems and government intervention in mitigating the financial repercussions of crises, poverty and inequality for EU households.

At-risk of poverty or social exclusion (AROPE) rates decreased slightly in 2023 (2022 incomes) and income inequality remained stable. However, these two indicators do not fully capture the declines in real household incomes and loss of purchasing power resulting from persistently high inflationary pressures in 2022. This is reflected in the severe material and social deprivation (SMSD) rate, which increased slightly during 2021–2023, particularly for those with the lowest incomes. Finally, energy poverty⁽¹¹⁾ increased over the last two years overall, and more strongly for households at risk of poverty.

Going forward, labour market and social outcomes will be affected by subdued growth, persistent labour shortages and demographic challenges. Rising geopolitical tensions are expected to strain global and European economic growth in 2024, with disruptions to international trade. Labour shortages are anticipated to remain at record highs, posing an increasing constraint to growth. Demographic changes shaped by increased longevity and persistent low fertility are expected to have a substantial impact on the EU population. Between now and 2050, the EU is expected to lose one million people of working age each year, on average, falling to 258 million by 2030 and 236 million by 2050. This will result in a persistent pressure from labour and skills shortages, with particularly high demand for healthcare and long-term care workers. The EU social model risks becoming more imbalanced, with the sustainability of the EU pension and health systems called into question and reduced intergenerational fairness for future generations. At the same time, the health status of workers is one of the key determinants of labour force productivity.

This chapter explores the latest employment and social developments in the EU. The next section discusses the macroeconomic context, the following one presents labour market developments and trends in participation in adult learning, and the final section explores income and living conditions. This year's chapter places a special focus on public expenditure.

⁽⁸⁾ The definition used in the headline target of at least 60% of adults participating in education or training each year by 2030 does not include guided-on-the-job training. See footnote ⁽³⁴⁾.

⁽⁹⁾ Adult education survey definition in the Eurostat glossary here.

⁽¹⁰⁾ For an analysis on the role of social protection expenditure as automatic stabiliser during crises see Chapter 3.

⁽¹¹⁾ Measured by the inability to keep the home adequately warm.

2. MACROECONOMIC DEVELOPMENTS AND FORECAST

Global economic activity expanded throughout all quarters in 2023, primarily driven by robust growth in China, the United States, and India. At the same time, economic activity slowed in other advanced economies, such as the United Kingdom and Canada. The decrease in international goods trade reflected the weakness of global manufacturing. Conversely, services continued to recover, particularly travel and tourism. The fall in demand for manufactured goods post-COVID-19 pandemic, the frail state of the manufacturing sector, high inventory levels in advanced economies, and trade restrictions all negatively impacted trade. ⁽¹²⁾

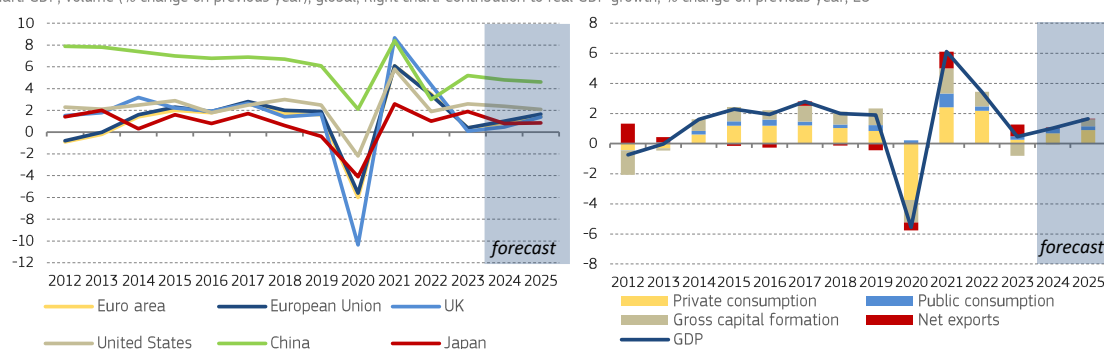
In the EU, real GDP growth decelerated in 2023 and stands below the levels of other major economies. Real GDP rose by just 0.4% in 2023, after growing by 3.4% in 2022 and 6.1% in 2021. Developments in the euro area were similar, with a growth rate of 0.4% in 2023. Economic activity in the EU was somewhat stronger in the first half of 2023 (+1.1% in Q1 and +0.5% in Q2), slowing in the second half of the year (+0.2% in Q3 and +0.4% in Q4). ⁽¹³⁾ Annual GDP growth in the US, Japan and China was higher than in the EU (+2.6%, +1.9%, and +5.2%, respectively) and lower in the UK (+0.1%) (Chart 1.1).

The expansion of EU real GDP in 2023 was primarily driven by an increase in net trade. In the context of weak foreign demand hindering exports and a sluggish domestic demand and manufacturing activity hindering imports, the decrease in import volumes was higher than the decline in exports, contributing +0.7 pp of real GDP growth. Net trade impact on growth was more favourable than anticipated in the Autumn 2023 Economic Forecast. ⁽¹⁴⁾ Private and public consumption contributed only modestly to GDP growth (+0.3 pp and +0.2 pp respectively) and the contribution of gross fixed capital formation (+0.3 pp) was outweighed by the negative impact of the change in inventories (-1.1 pp) (Chart 1.1).

Chart 1.1

Real GDP growth was lower in the EU than in other major economies in 2023, with net exports 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: Shaded area refers to European Commission (Directorate-General for Economic and Financial Affairs (DG ECFIN)) Forecast. Gross capital formation is the sum of the gross fixed capital formation, changes in inventories and acquisitions less disposals of valuables. Left chart: 2023 figures for Japan and US are estimates.

Source: Eurostat [nama_10_gdp, naida_10_gdp], DG ECFIN forecast, Organisation of Economic Co-operation and Development (OECD) (for UK).

[Click here to download chart.](#)

In 2023, real GDP expanded in 16 Member States. The increase was 2.0% or more in eight countries, with particularly high growth in Malta, at 5.7%. ⁽¹⁵⁾ By contrast, real GDP declined in 11 countries, notably in Estonia (-3.0%) and Ireland (-5.5%) (Chart 1.2). Among the five biggest EU economies, real GDP declined in Germany (-0.2%) and expanded in the Netherlands (+0.1%), France (+0.9%), Italy (+0.9%) and Spain (+2.5%).

Inflation in both the EU and the euro area slowed significantly in 2023. By December, annual inflation in the EU had dropped to 3.4% (2.9% in the euro area), marking a significant reduction from December 2022 levels (10.4% in the EU and 9.2% in the euro area), and from the peak in October 2022 (11.5% in the EU and 10.6% in the euro area) (Chart 1.3). In February 2024, inflation had further decelerated, to 2.8% in the EU (2.6% in the euro area), remaining stable until July 2024. The main drivers were the decline in energy prices and an easing of inflationary pressures from food, industrial goods, and services. Gas and electricity inflation rates experienced a decline in the latter half of 2022 and early 2023, followed by a drop in prices due to improved supplies and infrastructure, higher inventory levels, and subdued demand. While food price inflation started to slow in April 2023, inflation in services only started to subside during the 2023 summer. Elevated – albeit declining – inflation

⁽¹²⁾ (European Commission, 2024a)

⁽¹³⁾ Seasonally and calendar adjusted data. Growth compared to the same quarter of the previous year.

⁽¹⁴⁾ (European Commission, 2024a)

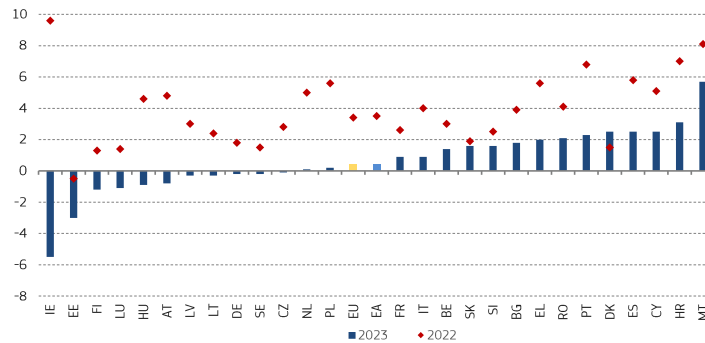
⁽¹⁵⁾ Mostly due to net exports and private consumption. Investment contributed negatively to growth after a strong contribution in 2022 due to aircraft acquisition.

and tightening monetary policy affected economic performance in 2023, with important consequences for households (see Section 4.1.).

Chart 1.2

Real GDP grew in most Member States in 2023

Real GDP growth, EU, 2022 (dots) and 2023 (bars) (% change on previous year)



Note: Ireland: modified domestic demand.

2022: data provisional for Belgium, Cyprus, Germany, Greece, Spain, France, Croatia, Portugal and Romania.

2023: data provisional for Belgium, Bulgaria, Cyprus, Germany, Greece, Spain, France, Croatia, Hungary, Luxembourg, the Netherlands, Portugal and Romania.

Source: Eurostat [nama_10_gdp].

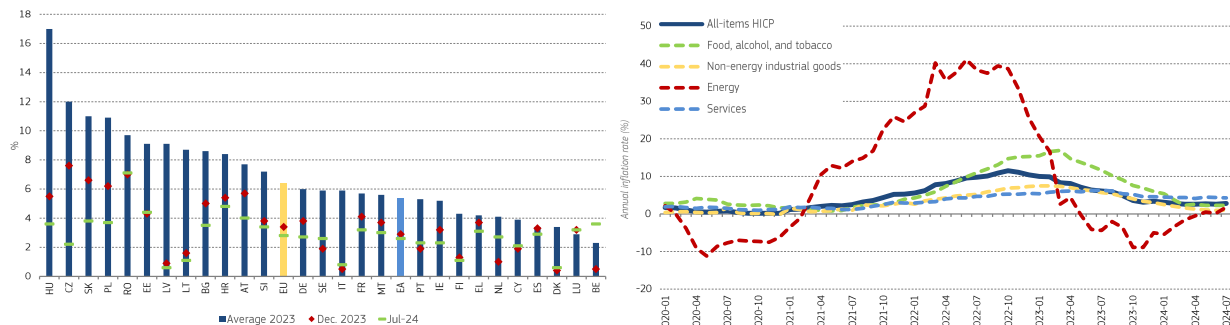
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Inflation is projected to remain stable for the rest of 2024 and to decline further in 2025. Annual inflation in the EU is forecasted to average at 2.7% in 2024 and then to decline to 2.2% in 2025. Food and non-energy industrial goods are the primary drivers behind this slowdown.⁽¹⁶⁾ Yet, the expiration of policy measures introduced to address the energy crisis may continue to put pressure on the prices of consumer energy. Wage pressures remain elevated, with service prices having contributed little to disinflation.

Chart 1.3

Inflation decelerated in most Member States in 2023, but remained high despite decreasing prices of energy

Left chart: All-items Harmonised Index of Consumer Prices (HICP), 2023; Right chart, Annual inflation rates for selected items, EU



Source: Eurostat [prc_hicp_aind; prc_hicp_manr].

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Almost all Member States' economies are projected to grow in 2024, with an average growth at the EU-level of 1.0% (0.8% in the euro area). After recovering somewhat at the beginning of 2024 (+0.6% in Q1 and +0.8% in Q2, compared to same quarter of the previous year), GDP growth is expected to reach 1.6% in 2025 (1.4% in the euro area). The EU entered 2024 with a weaker economic outlook than initially expected. Nevertheless, the conditions remain in place for a gradual improvement in economic activity. Continued wage and employment growth are expected to sustain growth in households' disposable income in 2024 and to continue in 2025 (albeit slightly slower), which would also boost consumption. The contribution of investment to real GDP growth is expected to increase more gradually and the contribution of EU's net external demand is predicted to become neutral.⁽¹⁷⁾ Overall, domestic risks related to growth and inflation are broadly balanced in the EU.

Heightened geopolitical tensions and global policy uncertainty expose the EU economic outlook to several risks. Russia's ongoing war of aggression against Ukraine and the Middle East conflict could add to upward pressure on prices and stress on supply chains, jeopardising production and trade. Energy commodities are also vulnerable to these downward risks. Persistence of inflation in the US may delay its interest rate cuts, resulting in tighter global financial conditions. In addition, uncertainties linked to China and US economic activity developments could weigh on the EU economy. Finally, climate change risks continue to be of primary concern,

⁽¹⁶⁾ (European Commission, 2024a)

⁽¹⁷⁾ (European Commission, 2024a)

with severe potential costs for natural capital, infrastructure and economic activity.⁽¹⁸⁾ Financing the digital infrastructure may also prove a challenge.

3. LABOUR MARKET DEVELOPMENTS

3.1. Employment trends

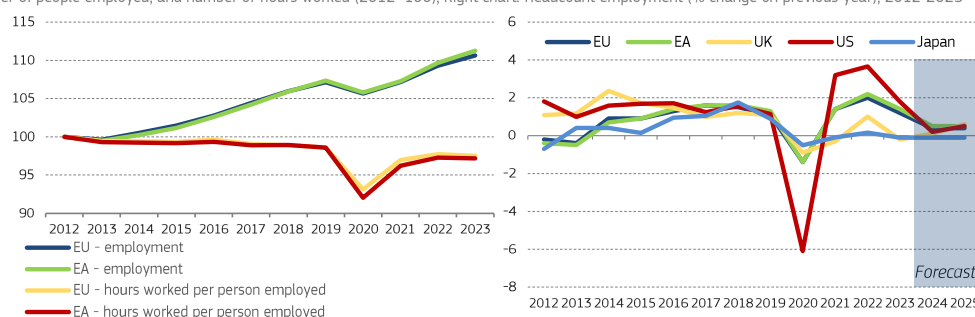
Despite ongoing economic challenges, labour markets in the EU remain robust. Alongside modest GDP growth of 0.4% in 2023, employment increased by 1.2% in the EU and 1.4% in the euro area, with 216.5 million people employed in the EU and 168.7 million in the euro area. With the exception of Romania (-0.9% compared to 2022), all countries experienced an increase in employment. The countries with the highest percentage increase were Malta (+6.7 %), Ireland (+3.5%), Estonia (+3.2%), Spain (+3.2%) and Luxembourg (+2.2%). All other Member States recorded a percentage growth below 2.0%. Notwithstanding a rise of 1.0% in total hours worked in the EU (+1.3% in the euro area) in 2023 compared to 2022, there was a slight decrease in the number of hours worked per employed person (-0.2% in the EU and -0.1% in the euro area), still below the pre-COVID-19 pandemic levels in 2019. This downward trend, which has been protracted for the last two decades, may reflect the introduction of more efficient and productive technologies, including the acceleration of digitalisation, as well as changes in work attitudes. After recovering in 2021 and 2022, labour productivity decreased again in 2023 compared to the previous year (-0.8% per employed person and -0.6% per hour), reflecting a combination of higher labour supply and fewer hours worked per employed person,⁽¹⁹⁾ as well as low total factor productivity growth.

In 2023, the sectors that contributed most to employment growth were trade, transport, accommodation and public administration, defence, education, human health and social work activities. The numbers of people employed in these two sectors increased by 0.8 million and 0.7 million, respectively. In relative terms, employment grew most in information and communication (+4.2%), indicating the elevated need for specialised skills. It rose by 0.9% in construction and 0.2% in industry, and declined by 1.1% in agriculture, forestry and fishing. The number of self-employed people increased by 1.0% and employee numbers grew by 1.3%.

Chart 1.4

Number of hours worked per person employed stagnated in 2023 despite a resilient labour market

Left chart: Number of people employed, and number of hours worked (2012=100); Right chart: Headcount employment (% change on previous year), 2012-2025



Note: EA = euro area. European Commission (DG ECFIN) 2023 Spring Forecast in the shaded area.

Source: Eurostat [nama_10_a10_e, nama_10_pe, naida_10_pe], DG ECFIN Forecast.

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According to the European Commission Spring 2024 Economic Forecast, employment should expand by 0.6% in the EU in 2024 and by 0.4% in 2025, driven by a positive carry-over effect of gains during 2023. Such expansion could be limited by the fact that employers are retaining their workers in a context of labour shortages (so-called labour hoarding).⁽²⁰⁾ In July 2024, the new indicator of labour hoarding developed by the Commission increased slightly compared to the previous month (+0.4 pp to 10.8%, three-month moving

⁽¹⁸⁾ (European Commission, 2024a)

⁽¹⁹⁾ (European Commission, 2024a)

⁽²⁰⁾ 'Labour hoarding can be defined as "that part of labour input which is not fully utilised by a company during its production process at any given point in time" (ECB, 2003). Typically, labour hoarding, implying under-utilisation of the workforce, occurs in periods of slack or downturn in economic activity. The rationale for companies not to lay off (redundant) employees in such periods is that (i) dismissing workers usually involves costs, e.g. severance payments, and (ii) recruiting workers once economic activity recovers also entails costs (screening the labour market for candidates, training them, etc.). When economic activity picks up again, companies may not hire new workers immediately, but rather rely on the underutilised labour already in the company. The European Commission developed an indicator of labour hoarding, which measures the percentage of managers expecting their firm's output to decrease, but employment to remain stable or increase, based on the Joint Harmonised EU Programme of Business and Consumer Surveys (BCS) (European Commission, 2023c).

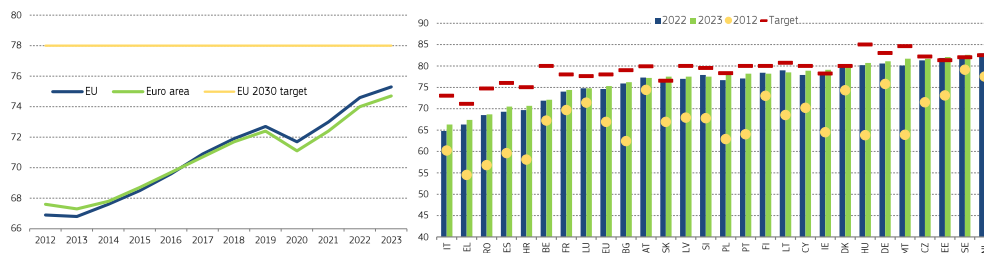
average), slightly above its long-term average (9.7%) and pre-COVID-19 pandemic levels (7.5%, three month moving average in February 2020) (Chart 1.4). The level was higher in retail (15.5%) and construction (15.3%) and, than in industry (9.7%) and services (8.2%). ⁽²¹⁾

In 2023, the employment rate for individuals aged 20-64 reached the highest recorded levels in the EU. At 75.3%, it corresponded to an increase of 0.7 pp in both the EU and euro area (74.7%) compared to 2022 (Chart 1.5). The 2023 EU employment rate is getting closer to the EU Porto target, which aims to achieve at least 78% of people aged 20-64 in employment in the EU by 2030, with national targets specific to each Member State. The largest increases were recorded in Malta (+1.6 pp), Italy (+1.5 pp), Poland and Spain (both +1.2 pp), while the employment rate declined in Lithuania (-0.5 pp), Slovenia (-0.4 pp), Denmark (-0.3 pp), Finland (-0.2 pp) and Austria (-0.1 pp). Five Member States (Estonia, Ireland, the Netherlands, Slovakia, Sweden) are already above their national target (Chart 1.5).

Chart 1.5

Employment rates reached historic levels in 2023, but growth is slowing

Employment rate (% of people aged 20-64)



Source: Eurostat [lfsi_emp_a].

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The gender employment gap ⁽²²⁾ continued to decrease in 2023, albeit slowly, while the employment rate for women surpassed 70% for the first time. Within the EU, the difference in employment between women and men stood at 10.2 pp, a decline of 0.5 pp from 2022 and 1.1 pp from 2019. The employment rate for women rose to 70.2%, while the rate for men rose to 80.4%. Further improvements are necessary to meet the ambition set out in the action plan to implement the European Pillar of Social Rights of at least halving the gender employment gap by 2030 compared to 2019 (11.3 pp).

The employment rate rose for all age groups in 2023, but at a slower pace than in previous years. On a yearly basis, the rate grew by 0.4 pp (to 35.2%) for young workers (aged 15-24), by 0.5 pp (to 82.2%) for prime age workers (aged 25-54) and by 1.7 pp (to 63.9%) for older workers (aged 55-64) (Chart 1.6). Despite the COVID-19 pandemic, over the period 2019-2023, the employment rate for younger workers increased by 1.7 pp. Potentially as a result of several national pension reforms and the entry of more active cohorts in these age groups, the employment rate during that same period rose by 5.3 pp for older workers and by 2.0 pp for prime-age workers during the same period. The gender employment gap was wider for older workers (12.0 pp) than for prime-age workers (10.1 pp) and young workers (4.3 pp).

In 2023, the employment rate rose for people aged 25-54 with lower and medium levels of education. The increase was most notable among those with lower education (+0.8 pp, to 64.1%) while it stagnated for those with tertiary education. Despite the implied reduction in the gap, rates remained highest for those with medium-level vocational education (+0.4 pp, to 84.9%) and those with tertiary education (89.7%), who are typically more likely to have the skills required in the labour market.

High employment disparities exist between the general population and people in vulnerable situations, including non-EU citizens or people with disabilities. The disability employment gap stood at 21.5 pp in 2023. In 2023, the employment rate was 76.2% for national workers aged 20-64 (+0.8 pp compared to 2022), 77.6% for EU mobile workers (+0.6 pp), and 63.0% for non-EU workers (+1.2 pp).

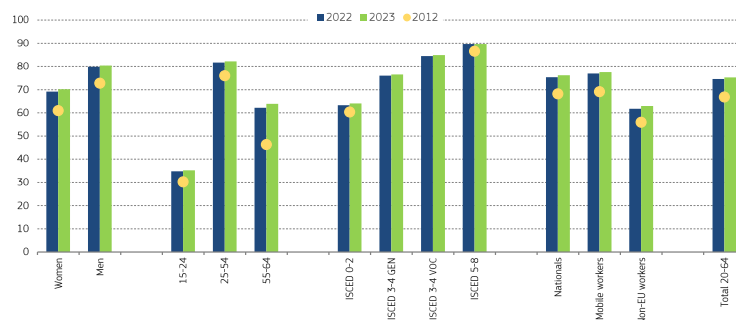
⁽²¹⁾ See Business and Consumer Survey here.

⁽²²⁾ Difference between the employment rate of women and men aged 20-64.

Chart 1.6

Employment rates rose in all population groups

Employment rate by sex, age group, educational attainment level and citizenship (% of population of respective group), EU, 2023



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.

Source: Eurostat (lfsi_emp_a, lfsa_ergaedn).

[Click here to download chart.](#)

The employment rate in rural regions continued to increase, surpassing 75% for the first time. It is close to the employment rate of the total population at the EU level (75.3%), with differences across Member States.

Increases in the numbers of permanent and full-time workers were the primary reason for the rise in employment. The proportion of temporary employment among individuals aged 15-64 in the EU dropped significantly during the COVID-19 pandemic in 2020 and has not returned to the same levels (23.1 million or 11.6% in 2023, 1.6 pp below the 2019 rate and 0.5 pp lower than in 2022). Comparison of the growth rates of employment (+1.2%) and temporary employment (-3.8%) shows that more people have permanent contracts. The share of part-time workers aged 15-64 in the EU increased by 0.2 pp in 2023 (to 17.8%, or 35.4 million people), still below the 2019 rate (19.4%). The share of workers in temporary (12.8%) and part-time (28.5%) employment remained significantly higher among women than men (10.5% and 8.4%, respectively). The gender gap remained stable in both temporary employment (at 2.3 pp) and in part-time employment (at 20.1 pp). Care duties remain the main reason for part-time employment (21.2%), followed by no full-time job found (19.4%) and education and training (14.2%). The proportion of involuntary part-time employment as a share of total part-time employment further decreased to 19.4% in 2023 (-1.5 pp) following a consistent trend since 2014.

Working conditions have improved over the last decade. The number of workers working long hours decreased by nearly one-quarter compared to 2014, reaching 6.9% in 2023. Similarly, the share of workers with atypical working time was 33.9% in 2023, having decreased by nearly 5 pp over a 10-year period, with only a slight increase in 2021 due to the COVID-19 pandemic. The proportion of people working more than one job remained remarkably stable between 2020 and 2023 (3.9%), only a slight decrease since 2013 (-0.3 pp).

3.2. Unemployment rates

In 2023, unemployment levels remained at record lows. The unemployment rate among people aged 15-74 declined modestly in both the EU (by 0.1 pp, to 6.1%) and euro area (by 0.2 pp, to 6.6%), reaching the lowest rates ever recorded by Eurostat. Compared to 2022, the reduction was 0.1 pp for both men (to 5.8%) and women (to 6.4%) (Chart 1.7). Among the signs of ongoing labour hoarding (as companies retain their employees despite an expected decrease in output in the short term) the unemployment rate is expected to remain broadly stable in 2024, at 6.1%, before falling slightly in 2025, to 6.0%.⁽²³⁾ In 2023, the unemployment rate remained far higher for people with education levels up to lower secondary (11.9%, -0.4 pp from 2022) than for those with upper secondary and post-secondary (non-tertiary) education (5.6%, -0.1 pp from 2022) or with tertiary education (3.8%, stable from 2022).

In 13 Member States, the unemployment rate declined compared to 2022. In most cases, the decrease was less than 1.0 pp, with the exception of Greece (-1.4 pp, to 11.1%). It remained stable in Romania (5.6%) and France (7.3%), and increased by between 0.1 pp and 0.9 pp in the remaining 11 Member States.⁽²⁴⁾

⁽²³⁾ (European Commission, 2024a)

⁽²⁴⁾ Changes in unemployment in 2023 compared to 2022:

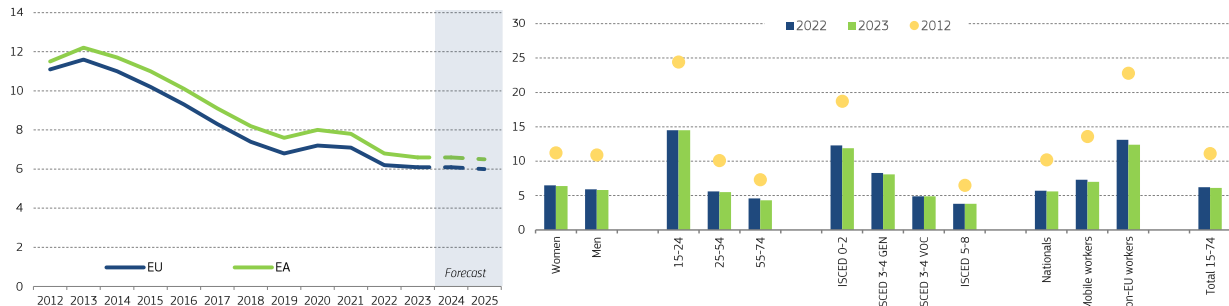
- Decrease: Belgium (-0.1 pp), Germany (-0.1 pp), Poland (-0.1 pp), Ireland (-0.2 pp), Slovakia (-0.3 pp), Slovenia (-0.3 pp), Italy (-0.4 pp), Latvia (-0.4 pp), Malta (-0.4 pp), Cyprus (-0.7 pp), Croatia (-0.9 pp), Spain (-0.8 pp), Greece (-1.4 pp);
- Stable: France, Romania.

The long-term unemployment rate fell in 2023. After a brief increase during the onset of the COVID-19 pandemic, the long-term unemployment rate continued to decline steadily, reaching 2.1% in 2023 (-0.3 pp compared to 2022), with long-term unemployment representing 35.0% of all unemployment (3.5 pp lower than in 2022). Very long-term unemployment dropped to 1.2% (0.2 pp lower than 2022), representing just over one-fifth (20.6%) of total unemployment.

Chart 1.7

Unemployment rates reached record lows in 2023 and declined in all population groups

Left chart: Unemployment rate (% of population aged 15-74), 2023; Right chart: Unemployment rate, by specific groups of population (% of active population aged 15-74), 2012, 2022, 2023, EU



Note: European Commission (DG ECFIN) forecast in shaded area. No data for ISCED 3-4 GEN and VOC before 2021.

Source: Eurostat [une_rt_a, une_rt_a, lfsa_urgaed, lfsa_urgan], DG ECFIN 2024 Spring Forecast.

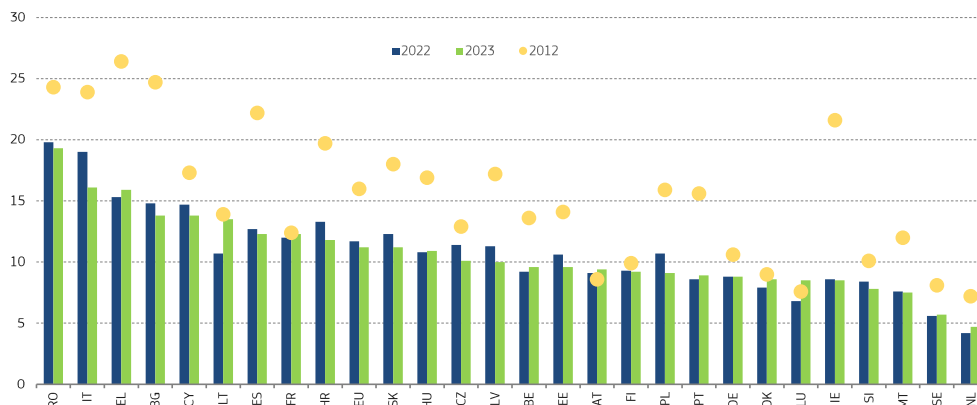
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The youth unemployment rate remained stable in the EU and decreased slightly in the euro area in 2023. It averaged 14.5% in the EU and 14.5% in the euro area (-0.1 pp). The most substantial annual declines were recorded in Greece (-4.7 pp, to 26.7%) and Latvia (-3.0 pp, to 12.3%), with the sharpest rises recorded in Hungary (+2.2 pp, to 12.8%) and Finland (+2.0 pp, to 16.2%). The unemployment rate was 2.8 times higher among young workers (aged 15-24) than the rest of population (aged 25-74). The unemployment rate of young people is more sensitive to the economic cycle than other age groups, leading to quicker falls in levels during economic recovery, but higher increases when the economy slows down. These young people have a higher probability of obtaining temporary contracts or being dismissed during recession due to shorter tenures, limited work experience, and lower firing costs. ⁽²⁵⁾

Chart 1.8

NEET rates in the EU fell in 2023

15-29-year-olds (% of respective population)



Source: Eurostat [lfsi_neet_a].

[Click here to download chart.](#)

The share of people aged 15-29 who were not in employment, education or training (NEET) in the EU fell again in 2023. The overall NEET rate decreased by 0.5 pp (to 11.2%), compared to a decline of 1.4 pp in 2022. The NEET rate remained somewhat higher for women (12.5%) than men (10.1%), increasing most in Lithuania (+2.8 pp) and Luxembourg (+1.7 pp), and falling most markedly in Italy (-2.9 pp), Poland (-1.6 pp) and Croatia (-1.5 pp) (Chart 1.8). Romania is now the Member State with the highest NEET rate (19.3%), while the Netherlands has the lowest rate (4.7%). Despite the recent decline, the NEET rate remains elevated, negatively affecting young people. Complementing the EU employment target for 2030, the action plan for the

• Increase: Bulgaria (+0.1 pp), the Netherlands (+0.1 pp), Sweden (+0.2 pp), Austria (+0.3 pp), Portugal (+0.3 pp), Czechia (+0.4 pp), Finland (+0.4 pp), Hungary (+0.5 pp), Denmark (+0.6 pp), Luxembourg (+0.6 pp), Estonia (+0.8 pp), Lithuania (+0.9 pp).

⁽²⁵⁾ (European Commission, 2022d); (European Commission, 2023i); (European Commission, 2023b)

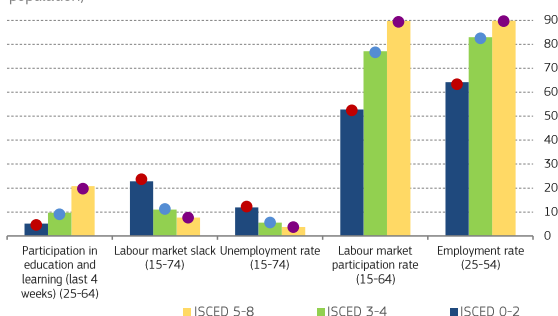
implementation of the European Pillar of Social Rights sets the goal to decrease the NEET rate to 9% by 2030, meaning that this progress must be maintained in the coming years. The rate of early leavers from education and training continued its long-term downward trend in 2023, dropping by 0.2 pp, to 9.5% (7.7% for women and 11.3% for men).

3.3. Labour market participation

Chart 1.9

Labour market slack continued to decline, while labour market participation rates grew slightly

Various labour market indicators, by educational attainment (% of respective population)



Note: ISCED 0-2: Less than primary, primary and lower secondary education; ISCED 3-4: Upper secondary and post-secondary non-tertiary education; ISCED 5-8: Tertiary education. 2023 data in bars, 2022 data in dots.

Source: Eurostat (lfsl_educ_a), (lfsl_argaed), (lfsl_urgaed), (lfsl_sup_edu), (trng_lfse_03).

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proportion of part-time workers seeking more hours (-0.1 pp, to 2.5%). People seeking a job but not available remained stable, at 0.9%. Labour market slack was higher for people with lower education (22.8%) than for those with medium (11.0%) or higher (7.7%) education.

3.4. Labour demand

As an indicator of unmet labour demand, the job vacancy rate in the EU experienced a slight decrease in 2023, but remained at a high level following a surge in 2021-2022. This gauge of labour shortage showed consistent increases post-financial crisis, rising from 1.0% in 2014 to 2.3% in 2019 (Chart 1.10). It briefly receded during the COVID-19 pandemic, to 1.8% in 2020, only to rise sharply in 2021, to 2.4%, and to 3.0% in 2022 (the highest recorded figure to date) before falling to 2.8% in 2023. At sectoral level, the highest job vacancy rates were in 'administrative and support service activities' (that include temporary employment agencies) (4.3%), 'accommodation and food service activities' (3.8%), 'construction' (3.8%), 'professional, scientific and technical activities' (3.7%), and 'information and communication' (3.4%). The lowest rates were in 'mining and quarrying' (1.2%), 'water supply; sewerage, waste management and remediation activities' (1.8%), and 'electricity, gas, steam and air conditioning supply' (1.8%). Certain sectors, such as 'construction' and 'information and communications technology' (ICT), play a pivotal role in facilitating the green and digital transitions. Addressing the high number of job vacancies in these sectors will help to eliminate bottlenecks and smooth the transition process.

The labour market continued to be constrained despite a slight decrease in the labour shortage indicator in industry and construction. (27) The Beveridge curves show labour shortages declining slightly in almost all sectors of the economy, together with a decline in unemployment to historically low levels. The combination of a still high (albeit slightly declining) level of vacancies and continued decline in unemployment suggests that the labour market continues to match jobseekers to job openings with a degree of efficiency that is broadly unchanged since 2013. The labour shortage indicator in 2023 was 32.3% in the services sector (+0.9 pp compared to 2022), 29.4% in the construction sector (-3.3 pp) and 25.5% in industry (-3.1 pp) (Chart 1.11).

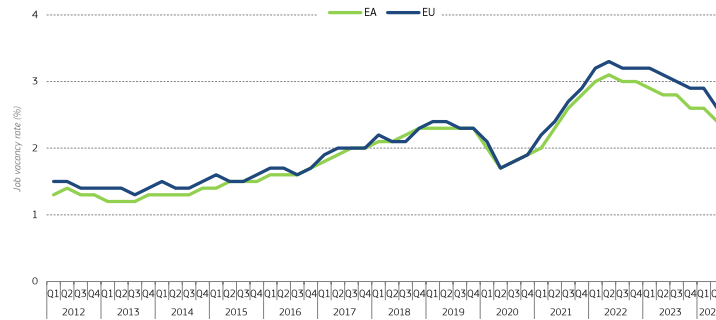
(26) See footnote (6) for definition.

(27) A sentiment indicator that reflects the share of managers identifying shortage of labour force as a factor limiting production (see Business and Consumer Survey here).

Chart 1.10

Job vacancies declined in 2023 but remain high

Job vacancy rates (% of vacancies and occupied posts)



Note: Job vacancy rate = vacancies / (vacancies + occupied posts); NACE rev2 B-S Industry, construction, and services (except activities of households as employers and extra-territorial organisations and bodies).

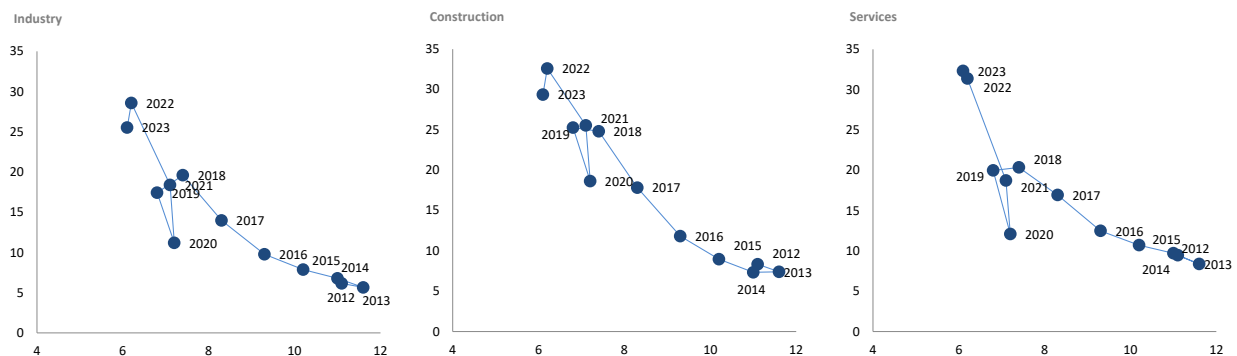
Source: Eurostat, Job Vacancy Statistics [jvs_q_nace2]. Seasonally adjusted data.

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Chart 1.11

Labour shortages declined slightly in industry and construction in 2023, but remained at high levels

Beveridge curves (labour shortage indicators on Y-axis and unemployment rates on X-axis)



Note: Annual figures for labour shortage indicators (Y axis) are calculated as annual averages of quarterly data (industry and services) or monthly data (construction). This is a sentiment indicator that reflects the share of managers identifying shortage of labour force as a factor limiting production.

Source: Eurostat [ei_bsin_q_r2 ; ei_bsbu_m_r2 ; ei_bsse_q_r2 ; une_rt_a]. Data seasonally adjusted.

[Click here to download chart.](#)

3.5. Adult learning

Participation of adults in formal or non-formal learning ⁽²⁸⁾ increased only slightly in recent years.

According to the Adult Education Survey (AES), ⁽²⁹⁾ in 2022, 46.6% of people aged 25-64 in the EU had attended education or training activities, including guided-on-the-job (GOTJ) training, ⁽³⁰⁾ during the previous 12 months, an increase of 2.9 pp compared to 2016 (43.7%) and 6.4 pp compared to 2011 (40.2%). 6.3% of adults had participated in formal learning and 44.0% in non-formal learning. ⁽³¹⁾ Formal learning was mainly in the fields of health and welfare (18.3%), business, administration, and law (18.3%), engineering, manufacturing and construction (11.8%), and arts and humanities (11.7%). Some of these areas cover sectors with labour shortages. Participation in learning reached its highest levels among people with tertiary education (65.7% of adults aged 25-64) and its lowest levels among respondents with lower secondary education or less (25.1%). For 38.1% of respondents, the non-formal learning activities were job-related. The level of job-related non-formal learning was higher for employed people (47.2%), than for unemployed people (17.2%) or people outside the labour force

⁽²⁸⁾ Learning activities are categorised as follows (see Adult Education Survey methodology here):

- Formal: formal education programmes are recognised as such by public authorities. They primarily consist of initial education;
- Non-formal: a form of education that is institutionalised, intentional and planned by an education provider and comes as an addition, alternative and/or complement to formal education within the lifelong learning of individuals. The AES differentiates between four types of typical non-formal learning activities: courses, workshops, or seminars, guided on-the-job training (planned periods of education, instruction or training directly at the workplace, organised by the employer with the aid of an instructor), and private lessons;
- Informal: an intentional or deliberate form of learning that is not institutionalised. It can occur in the family, workplace, local community and daily life, on a self-directed, family-directed or socially-directed basis.

⁽²⁹⁾ AES statistics explained here; Adult learning database here.

⁽³⁰⁾ The definition that includes guided-on-the-job training differs to that used to monitor the headline target of at least 60% of adults participating in education or training each year by 2030. See footnote ⁽³⁴⁾.

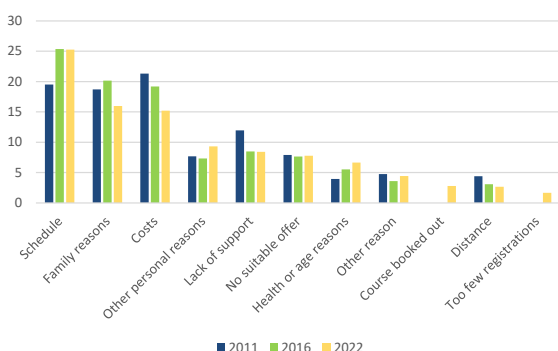
⁽³¹⁾ Categories not mutually exclusive, i.e. respondents could answer yes to both.

(9.7%).⁽³²⁾ In addition, 64.2% of the population aged 25-64 declared that they had improved their knowledge, skills, or competences in informal ways, such as through exchanges with a family member, friend, or colleague (31.1%), alone (on electronic devices (53.2%), using printed material (37.8%)), visiting learning centres (8.4%), or attending guided tours (15.4%).

Chart 1.12

Schedule, family reasons and costs are the most common barriers to participation in education or training

Main reason for not participating (or not participating more) for willing respondents, 2022, EU



Note: 'Course booked out' and 'Too few registrations' were not proposed in 2011 and 2016. Percentages calculated based on respondents who answered the question (non-response rate was 11.3% in 2011, 5.7% in 2016, 9.8% in 2022).

Source: Eurostat (TRNG_AES_179), Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) calculations.

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Most people did not see the need to undertake training, while those who did cited schedules, family reasons and costs as their main reasons for not participating in education or training. In 2022, 42.4% of respondents aged 25-64 did not want to participate in education or training because they did not see the need (75.9%). Of those who wanted to participate and could not (10.2%) or those who participated but wanted to participate more (15.7%), 25.3% listed training schedules as the main barrier to their participation, while 16.0% cited family reasons, and 15.2% highlighted costs (Chart 1.12).⁽³³⁾

Progress towards the EU target of at least 60% of adults participating in learning every year by 2030 is limited. The level of participation of people aged 25-64 in formal or non-formal learning (excluding guided-on-the-job training for the monitoring of the target) was at 34.4% in 2011, 37.4% in 2016 and 39.5% in 2022.⁽³⁴⁾ In a context where labour and skills shortages constitute a challenge for EU competitiveness,

investment in skills continues to be of the utmost importance, especially towards a fair green and digital transition. The Commission promotes investment in skills, notably through the new European Skills Agenda, and the action plan for the implementation of the European Pillar of Social Rights.

3.6. Public expenditure on labour market policies and social protection

In the years following the COVID-19 pandemic, total public expenditure remained sustained and then slowly returned to pre-pandemic levels. Overall, in both nominal terms and as a share of GDP, government expenditure increased in 2020 and remained at high, albeit declining, levels in 2021 in response to the economic and social challenges of the pandemic (Chart 1.13, left chart). In 2022, total public expenditure as a share of GDP returned to similar levels to 2012. The areas of public expenditure that experienced the strongest growth during the first year of COVID-19 pandemic were spending on social protection (+2.6pp between 2019 and 2020, to 21.9% of GDP) and economic affairs⁽³⁵⁾ (including many COVID-19 pandemic-related measures; +1.7 pp, to 6.1% of GDP), and health (+1.0 pp, to 8.0%).), which reflects the measures put in place to mitigate the socio-economic effects of the crisis as well as the additional demand for healthcare, medical appliances and medicines. In 2022, public expenditure higher than in 2019 included economic affairs (+1.4pp, to 5.8% of GDP), health (+0.6pp, to 7.6%) and housing (+0.4pp, to 1%), while social protection spending as a share of GDP almost fully reverted to its pre-pandemic level (+0.1pp, to 19.4%), mainly reflecting positive developments in the labour market.⁽³⁶⁾

⁽³²⁾ Taking into consideration all objectives, not just those related to jobs, 53.9% of employed people, 29.2% of unemployed people and 24.4% of people outside the labour force participated in formal or non-formal education and training.

⁽³³⁾ Other personal reasons (9.3%), lack of support from employer or public services (8.4%), no suitable offer of education or training (7.8%), health or age reasons (6.7%), other reason (4.4%), course booked out (2.8%), distance (2.7%), and too few registrations (1.7%).

⁽³⁴⁾ Definition of the indicator monitoring the target differs from published data on the Eurobase and excludes guided-on-the-job (GOTJ) learning activities. The specially calculated data excluding GOTJ training for EU and all Member States, including disaggregation by sex, age groups and educational attainment, are available from Eurostat here.

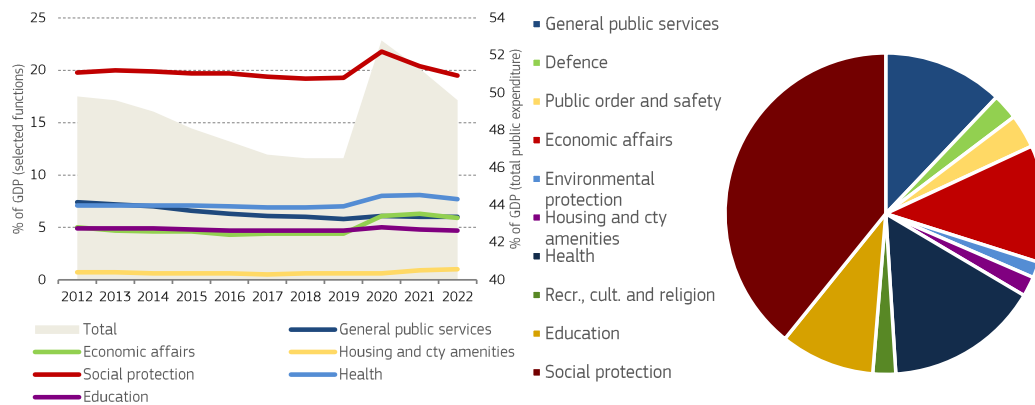
⁽³⁵⁾ It includes, among others, administration of general economic, commercial and labour affairs, formulation and implementation of policies, regulation or supervision of activities, support to programmes or schemes, promotion of policies and programmes, administration of sectoral affairs and services, grants, loans or subsidies supporting sectors, administration and operation of government agencies engaged in applied research, grants, loans or subsidies to support applied research by non-government bodies. More details in the Manual on sources and methods for the compilation of COFOG statistics here.

⁽³⁶⁾ Based on latest available administrative data, which extends to 2022.

Chart 1.13

During the COVID-19 pandemic, public expenditure peaked, in particular in social protection, health and economic affairs

Left chart: government expenditure on selected functions (% of GDP: total on right-hand side, individual items on left-hand side), 2012-2022, EU; Right chart: government expenditure (% of GDP), 2022



Source: Eurostat [gov_10a_exp].

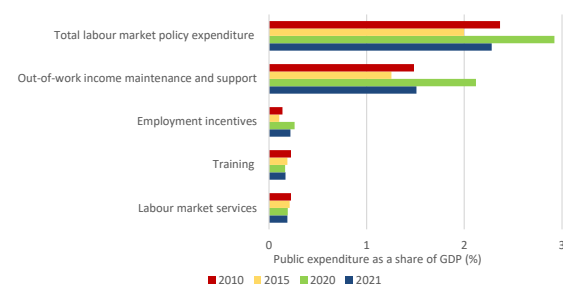
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Public expenditure on labour market policies peaked recently, with the rollout of government programmes to support employment during the COVID-19 pandemic. Expenditure on labour market policies in the EU substantially increased in 2020 compared to earlier years, both in value (EUR millions) and as a share of GDP, reaching a record high of nearly 3% of GDP before decreasing to 2.3% in 2021 (Chart 1.14). Spending on employment incentives also increased, albeit from a much lower level. Participation in activation support peaked in 2020, reaching 46.3 out of 100 people wanting to work (compared to 33.5 out of 100 persons in 2019). Besides income maintenance and support, and spending on labour market services, expenditure on ALMPs focuses mostly on employment incentives and trainings for jobseekers. On a longer period, at the EU level, spending on employment incentives largely increased from 0.1% of GDP in 2010 to 0.2% of GDP in 2021. In contrast, training programmes have experienced a steady decrease in expenditure over the same period, but still make up a relatively sizeable proportion of the EU countries' spending on ALMPs. For most of the 22 countries with available information, the level of total spending on ALMPs in 2022 returned to similar levels than before the COVID-19 pandemic. Chapter 3 presents more detailed analysis of expenditure on active labour market policies. ⁽³⁷⁾

Chart 1.14

Recent peak in public expenditure on labour market policies, notably for out-of-work maintenance and support

Public expenditure on labour market policies, total and by selected type of action, 2010-2021, EU



Note: Total labour market policy expenditure encompasses categories 1-9 in the database. 2021, DG EMPL calculations (Romania and Italy, pre COVID-19 pandemic expenditure (2019) when 2021 data are missing). Categories: 1 – Labour Market Services, 2 – Training, 3 – Job rotation and job sharing (not used anymore, included in category 4), 4 – Employment incentives, 5 – Supported employment and rehabilitation, 6 – Direct job creation, 7 – Start-up incentives, 8 – Out-of-work income maintenance and support, 9 – Early retirement.

Cat 8 'Out-of-work income maintenance and support' encompasses, among others, both unemployment benefits and short-term work schemes, including relevant COVID-19-related schemes.

Source: European Commission Labour Market Policy Database.

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In 2022, expenditure on social protection benefits increased in nominal terms, but decreased in real terms, and as a share of GDP, reflecting positive developments in the labour market. In 2020, social protection benefit expenditure increased by 7.5% in real terms and played a major role in cushioning initial COVID-19 pandemic-related employment losses (Chart 1.15). That year, benefits related to unemployment accounted for the largest share of the increase (+3.5 pp). The growth in social expenditure slowed in 2021 (+0.2%) before falling by 6.0% in 2022 (increase of 2.6% in nominal terms), largely due to a decrease in real terms of benefits related to old-age pensions and survivors' pensions and health-related benefits, as well as unemployment benefits in a context of recovery and employment growth. Supported by a resilient labour market, the negative contribution of unemployment benefits in 2021 and 2022 stemmed from the tightness of the labour market, the phasing-out of job retention schemes after the pandemic, and unemployed people no longer being eligible. A series of measures between January 2022 and January 2023 sought to support the income of pensioners against inflation (indexation, ad hoc increases, one-off benefits). However, the rise in prices hindered

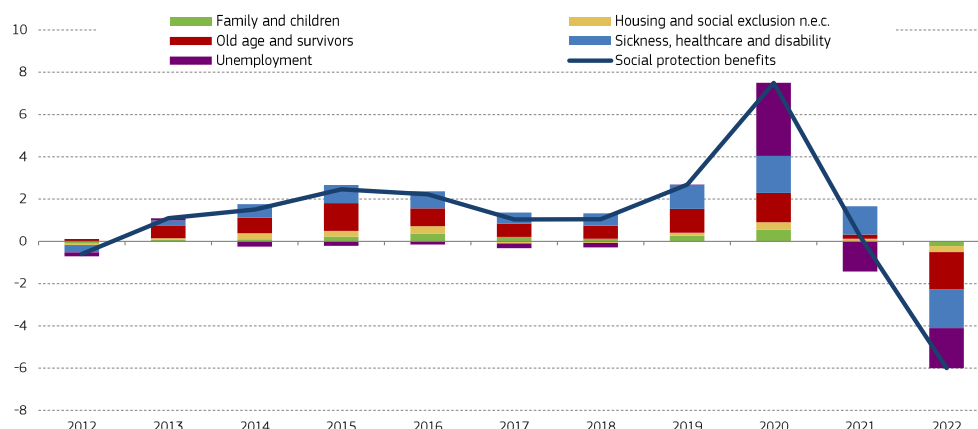
⁽³⁷⁾ Based on latest available administrative data, which extends up to 2022.

the positive effect of these measures. ⁽³⁸⁾ As a share of GDP, social protection benefit expenditure decreased to 27.2% in 2022, 3 pp lower than in 2020 and 1.5 pp lower than in 2021. Old age and survivors' benefits represented the highest proportion of social benefit expenditure (46.3%), followed by sickness and healthcare (30.0%), family and children (8.6%), disability (7.0%), unemployment (4.3%), social exclusion (2.6%) and housing (1.3%). At national level, estimated total expenditure on social protection benefits ranged between 11.3% of GDP in Ireland and 32.2% of GDP in France in 2022. ⁽³⁹⁾ The significance of social protection benefits is also affected by the large shares of people entitled to such benefits but not claiming them. For instance, national case studies estimated that in Spain, 58% of households entitled to minimum income benefits in 2022 did not request them in Italy, the non-take-up rate of minimum income by eligible households in 2021 was 38.5%, and almost half (46.6%) of potentially eligible households in Belgium remained uncovered in recent years. ⁽⁴⁰⁾

Chart 1.15

Old age, unemployment and health-related benefits contributed to the decline in social protection benefit expenditure in 2022

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.

Source: Eurostat, ESSPROS [spr_exp_sum] and ESSPROS early estimates (2022), and prices statistics [prc_hicp_aind]; DG EMPL calculations.

[Click here to download chart.](#)

4. LIVING CONDITIONS, POVERTY, AND INCOME DEVELOPMENTS

This section presents recent trends in income and living conditions of EU households since the start of the cost-of-living crisis. It documents income trends for the overall population and for different income groups, the role of social transfers in mitigating income inequality, and the multifaceted nature of poverty and social exclusion.⁽⁴¹⁾ As the official indicators on inequality and risk of poverty are computed with survey data on income (latest available are 2023 data based on 2022 incomes), these figures are complemented with Eurostat flash estimates on income inequality and poverty (2023 incomes).

4.1. Income and consumptions trends

Following declines in the last three quarters of 2022, real gross disposable household income (GDHI) began to rise again in 2023, especially in the last quarter. The impact of high inflation on real wages prompted real GDHI to decline by 0.3% in the fourth quarter of 2022 compared to the previous year. However, as inflationary pressures eased and nominal wage growth gained pace in 2023, real GDHI saw improvements and was 1.8% higher in the fourth quarter of 2023 compared to the same quarter of 2022 (0.7% in the first, 1.2% in the second, 0.6% in the third quarter in year-on-year comparisons). The positive growth of real GDHI in the first two quarters of 2023 was primarily due to the lower negative impact of taxes on income and wealth. In the context of easing inflation, real compensation of employees contributed positively to GDHI in the second half of 2023 (Chart 1.16). The phase-out of the extraordinary measures after the COVID-19 pandemic and the accompanying energy crisis can explain the negative contribution of net social benefits on the growth of real

⁽³⁸⁾ (European Commission, 2024c)

⁽³⁹⁾ 2022 figures are preliminary results based on Eurostat early estimates for expenditure on social protection.

⁽⁴⁰⁾ Based on latest available administrative data, which extends up to 2022. Spain: (Autoridad Independiente Responsabilidad Fiscal, 2023); Belgium and Italy: (Almeida, De Poli and Hernández, 2022); for EU-level developments: (Heylen, 2024), (European Commission, 2022f).

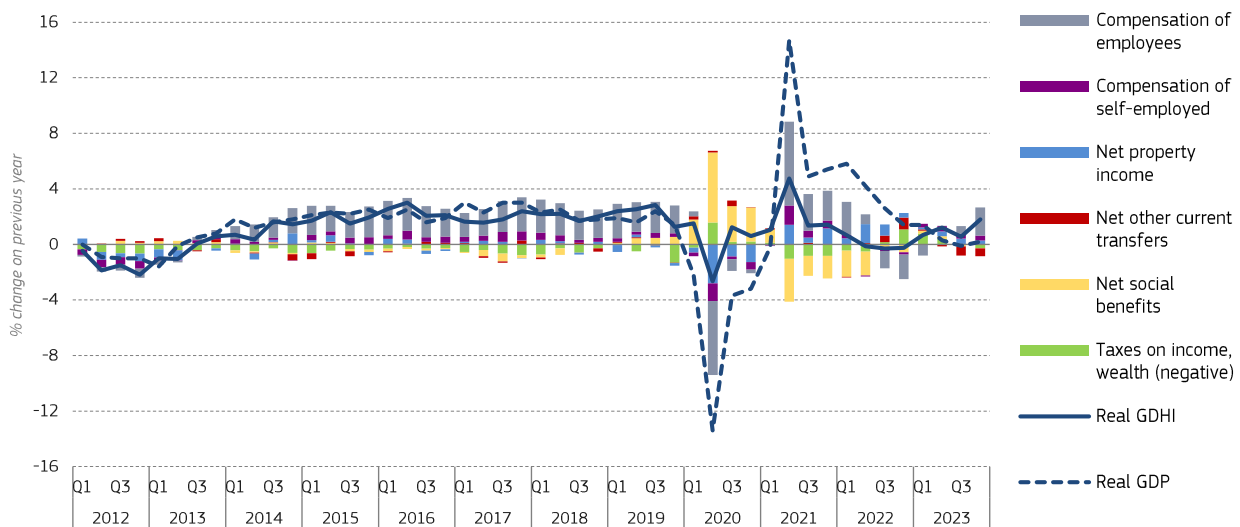
⁽⁴¹⁾ Note that the social transfers analysed here do not include in-kind transfers such as healthcare coverage. Those are nevertheless known to have strong impact on reducing poverty (see the State of Health Synthesis Report 2023 p.17, and ESTAT on theSTIK - Impact of health social transfers in kind on income distribution and inequality - Statistics Explained (europa.eu)).

GDHI observed in most quarters of 2021 and 2022. In the first two quarters of 2023, these net social benefits started to positively contribute to growth again, but stagnated in the second two quarters (see Section 3.6.).

Chart 1.16

Real GDP growth, real GDHI growth and its main components

Real GDHI and real GDP (% change on previous year), and contribution of GDHI components (pp), 2012-2023, EU



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

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

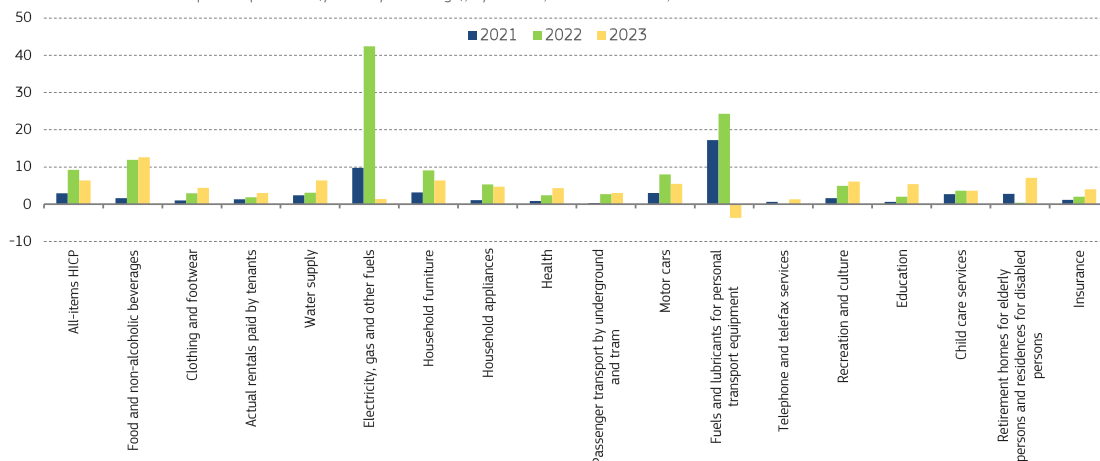
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The price of some necessities continued to increase in 2023, affecting the purchasing power of lower-income households, while energy prices remained high. Despite easing inflationary pressure, some essential items for households, such as food and beverages (12.6%), clothing and footwear (4.4%) and rents (3.0%), continued to increase in 2023. This negatively impacted households, especially those with lower incomes, which spend a large share of their income on essential consumption items. However, prices grew less substantially for electricity, gas and other fuels (1.4%), which likely eased the financial pressure stemming from energy consumption for lower-income and some middle-income households. In this context, the increase in energy poverty in 2023 was less pronounced compared to 2022 (Chart 1.17).

Chart 1.17

Prices of items continued to increase in 2023 compared to 2022 and 2021

Price index of household final consumption expenditure (year-on-year change), by COICOP, HICP annual data, EU



Note: Consumption items selected from the classification of individual consumption by purpose (COICOP); HICP gives comparable measures of inflation for the countries and country groups for which it is produced.

Source: Eurostat data [prc_hicp_aind].

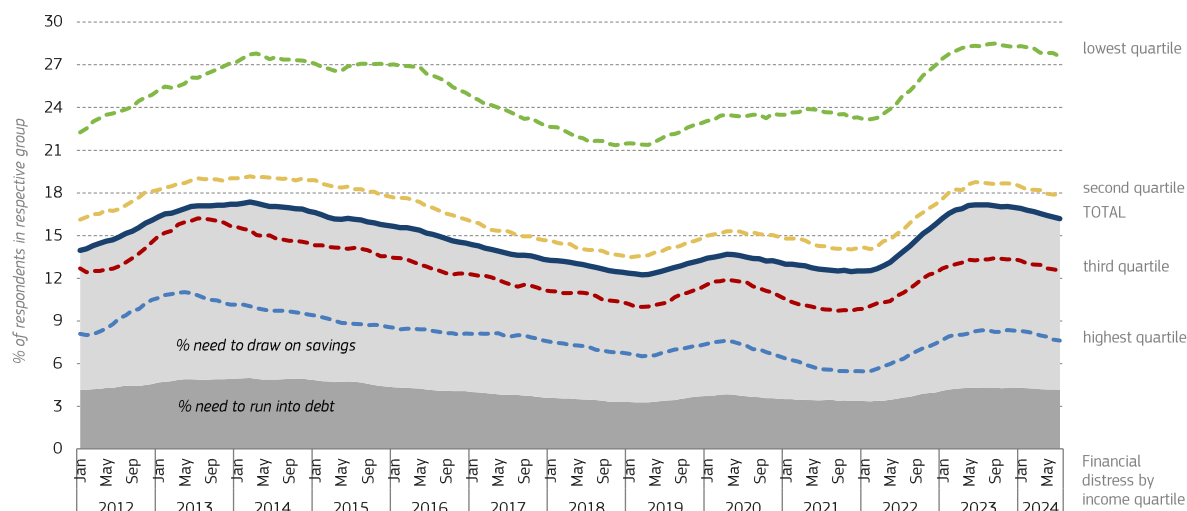
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In the context of easing inflation, the proportion of people reporting financial distress experienced a decline. After stagnating at high levels, around 17.1%, from May to December 2023, financial distress slightly declined in the first two quarters of 2024, reaching 16.2% in July (-1.0 pp compared to one year before). In the same month, the share of the population declaring that they needed to draw on savings reached 12.0% (-0.8 pp compared to the same month in 2023), while 4.2% stated that they were running into debt (-0.2 pp) (Chart 1.18).

Chart 1.18

Persistent financial distress over the last year, especially for lower-income households

Reported financial distress by income quartile, 2012-2024, EU



Note: Lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. Overall share of adults reporting having to draw on savings and/or run into debt are in light grey and dark grey, respectively, which together represent total financial distress.

Source: DG EMPL calculations based on Business and Consumer Surveys, unadjusted data, 12-month moving average.

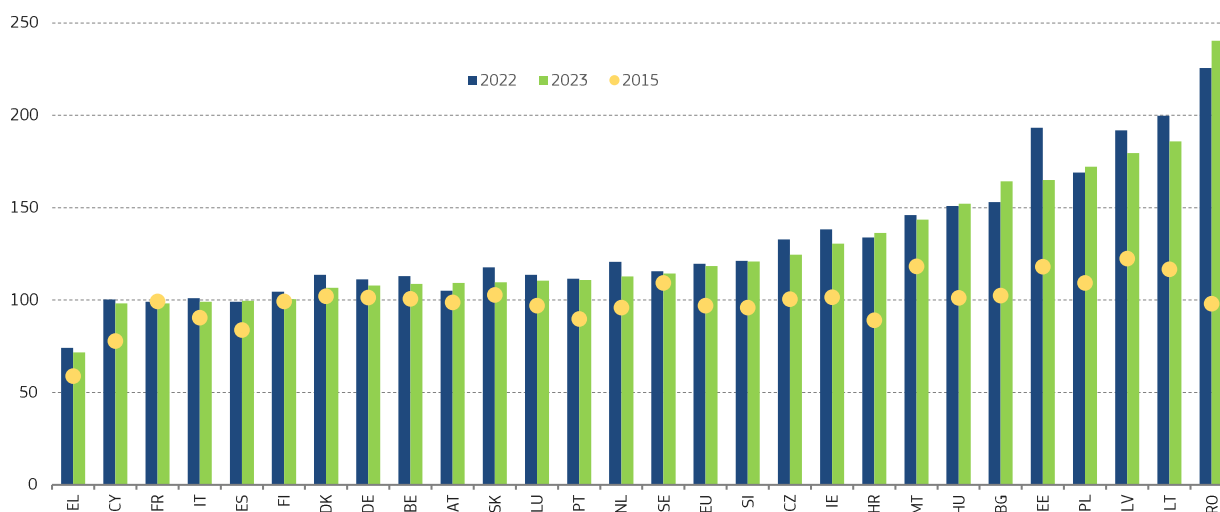
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Lower-income households still experienced particularly elevated levels of financial distress. In July 2024 this indicator reached 27.6% for the lowest income quartile (-0.7 pp on a yearly basis), remaining at almost 10 pp or more above the shares for other income quartiles. It amounted to 17.9% for the second quartile (-0.8 pp), 12.5% for the third quartile (-0.8 pp), and 7.6% for the wealthiest quartile (-0.7 pp) (Chart 1.18). Persistent financial distress, especially for lower-income households, could be partly due to average price increases for certain consumer items in 2023, notably food, and ongoing elevated energy prices.

Chart 1.19

Real median disposable income did not increase in all countries since 2010

Median equivalised disposable income in real terms (Index SILC 2010 = 100)



Source: Eurostat [ILC_DI18].

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Over the last decade, real median disposable income increased for the EU average but remained at 2015 (2014 incomes) levels in 2023 (2022 incomes) in a number of Member States. This includes some major EU economies (Chart 1.19). The real median disposable income at EU level increased from 97% of the 2010 real median income in 2015 (2014 incomes) to 118.5% in 2023 (2022 incomes). It remained quite stable since 2020. The trend varied considerably across the Member States. In France, Italy, Finland, Denmark, Germany, Belgium, Austria, Slovakia and Sweden, the 2023 real median disposable income remained at 2015 levels, while it increased most in Romania, Latvia, Lithuania, Poland, Bulgaria and Hungary. In Greece, the real median disposable income remains well below the pre-financial crisis level. In nominal terms, the flash estimates (2023 income) nowcast an overall increase of 6.0% for 2023 incomes, with positive changes estimated for all countries. In real terms, however, a slight, non-statistically significant increase (0.2%) is expected at EU level, while at

national level, the nowcasted real income is estimated to increase in 16 countries, to remain stable in six countries, and to decrease in five countries, ⁽⁴²⁾ reflecting the heterogeneity of the impact of inflation across countries.

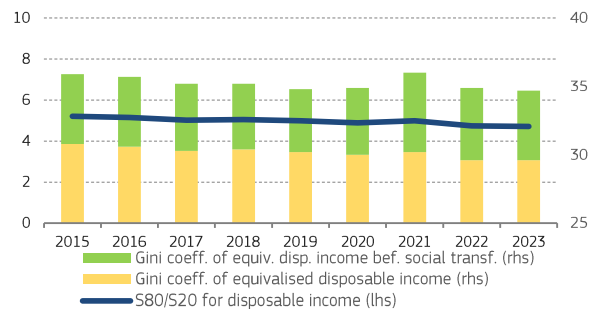
4.2. Income inequality

Following a slight decrease in 2021 and 2022, income inequality in the EU remained broadly static in 2023 compared to 2022, despite the challenging context. As a measure of inequality of income distribution, the ratio of the total income received by 20% of the population with the lowest income (bottom quintile) remained broadly stable, at 4.72 in 2023 (2022 incomes), compared to 4.74 in 2022 (2021 incomes). ⁽⁴³⁾ This development was confirmed by Eurostat's flash estimates of income quintile share ratio for the top and bottom quintiles (S80/S20) nowcasting 2023 income. The broad stability of income inequality during subsequent crises reflects the large-scale support measures put in place by Member States, with EU support, which significantly mitigated negative effects. More generally, income inequality would be much higher without the redistributive effects of transfers (Chart 1.20). ⁽⁴⁴⁾

Chart 1.20

Social transfers reduced inequalities

Disposable income quintile share (S80/S20) (left-hand side) and Gini coefficient before and after social transfers (excluding pensions) (right-hand side), 2015–2023, EU



Note: Year refers to EU Survey on income and Living Conditions (EU-SILC) survey year; income from previous year. Break in time series in 2020 due to major methodological changes (especially in Germany).

Source: Eurostat, EU SILC [ILC_DI11] [ILC_DI12] [ILC_DI12C].

[Click here to download chart.](#)

4.3. Risk of poverty and social exclusion

The AROPE rate decreased slightly in 2023 but remains high for certain groups, including children (0–17). The AROPE rate in the EU was 21.4% in 2023, a slight decrease compared to the previous two years (21.6% in 2022 and 21.7% in 2021) (Chart 1.21). The AROPE rate for children remained rather stable compared to 2022, but increased from 24.0% in 2020 to 24.8% in 2023. In line with the trend in previous years, the share of people at risk of poverty or social exclusion in 2023 was higher for women (22.4%) than for men (20.3%). Young adults aged 18–24 (26.1%), people with a low level of educational attainment (34.5%), people with disabilities (28.8%), non-EU citizens (45.5%), and unemployed people (66.3%) experienced particularly high risks of poverty or social exclusion.

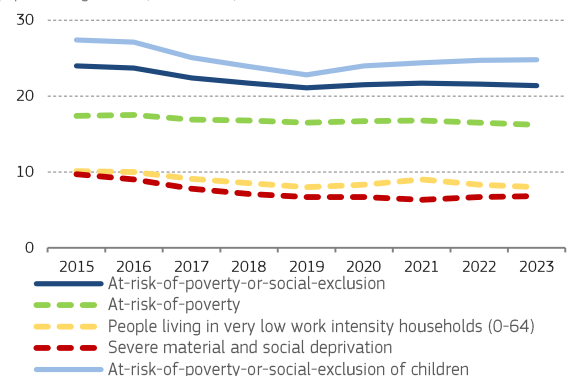
Progress towards the EU 2030 poverty reduction target is advancing but remains limited for children. The EU 2030 target foresees lifting at least 15 million people out of poverty or social exclusion compared to 2019, including at least five million children. An

estimated 93.9 million people in the EU experienced poverty or social exclusion in 2023, 19.7 million of whom were children under 18 years old. As socioeconomic conditions recover from the COVID-19 pandemic and energy crises, the AROPE rate experienced some improvements in 2023, showing a decrease of 0.6 million people from 2022 and a decrease of 1.6 million people from 2019. However, trends in the AROPE rate for children point to very slow improvements in 2023, pointing to the higher vulnerability of this group to the recent cost-of-living crisis. The number of children at risk of poverty or social exclusion decreased by 0.1 million compared to 2022

Chart 1.21

At risk of poverty or social exclusion rate decreased slightly from 2020–2023, but increased for children

AROPE rate, AROP rate, severe material and social deprivation (SMSD) rate (% of population), share of people living in very low work intensity (VLWI) households (% of population aged 0–64), 2015–2023, EU



Note: Year refers to: EU-SILC survey year; income from previous year; AROPE, AROP: income from previous year; SMSD: current year; VLWI: status in the past year. Values for AROP between 2015–2018 are estimated. AROPE and AROP break in time series in 2020.

Source: Eurostat, EU SILC [ILC_PEP501N] [ILC_LI02] [ILC_MDSD11] [ILC_LVHL11N].

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⁽⁴²⁾ Stable: Denmark, Croatia, Cyprus, Latvia, Malta, Austria and Sweden. Decrease: Czechia, Germany, France, Italy, and Hungary. Increase: Belgium, Bulgaria, Estonia, Ireland, Greece, Spain, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Finland.

⁽⁴³⁾ EU-SILC indicators provide insights on the economic wellbeing and other living conditions on EU residents based on data collected during a specific year, denoted as N. This data encompasses both the characteristics of households for that year (N) and the income from the preceding year, N-1. The income for year N-1 is an estimate for income of year N within EU-SILC. To take into account differences in household size and composition and thus enable comparisons of income levels, the concept of equivalised disposable income is used. It is based on the total net (also referred to as disposable) household income divided by the number of 'equivalent adults', using a standard (equivalence) scale.

⁽⁴⁴⁾ These effects are represented by the difference between the GINI coefficient before and after social transfers.

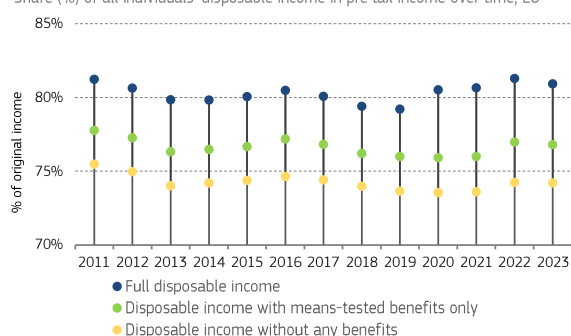
but increased by 0.6 million compared to 2019.⁽⁴⁵⁾ Overall, social protection and inclusion play a crucial role in ensuring socioeconomic resilience to shocks, but specific groups need additional support..⁽⁴⁶⁾ Overall, social protection and inclusion play a crucial role in ensuring socioeconomic resilience to shocks, but specific groups need additional support.

The at-risk of poverty (AROP) rate recorded a further slight decrease in 2023. It decreased from 16.5% in 2022 (2021 incomes) to 16.2% in 2023 (2022 incomes). Before social transfers (excluding pensions), this rate was 24.8%, 8.6 pp higher, confirming the high impact of social transfers on decreasing the risk of monetary poverty. The AROP rate was high and increased for unemployed people (47.5% in 2023, compared to 46.2%), while remaining broadly stable for children (+0.1 pp, to 19.4%) (Chart 1.21). In-work poverty decreased only slightly, to 8.3% in 2023 (by 0.2 pp) continuing the longer-term trend from 2015. Despite the protective effect of work, many workers still remain at risk of poverty (Chart 1.23). This income indicator does not directly capture changes in household purchasing power. Eurostat flash estimates⁽⁴⁷⁾ indicate that the AROP rate is expected to reduce by a further 0.2 pp (16.0%) in the EU for 2023 incomes, a non-statistically significant decline. The nowcasted results also show non-statistically significant changes for children, older people, and workers. At national level, the AROP rate is expected to remain stable in 17 countries, to decrease in six, (Germany, Estonia, Spain, the Netherlands, Portugal and Finland), and increase in four (Greece, France, Luxembourg, and Austria).

Chart 1.22

Tax-benefit systems played a greater role in people's disposable income during and after the COVID-19 pandemic

Share (%) of all individuals' disposable income in pre-tax income over time, EU



Note: Original income: pre-tax employment and self-employment income; capital, property and investment income; private pensions and transfers.
Full disposable income: original income minus taxes and social insurance contributions paid by the individual, plus means-tested benefits, non-means-tested benefits and pensions.
Disposable income with means-tested benefits only: original income minus taxes and social insurance contributions paid by the individual, plus means-tested benefits and pensions.
Disposable income without any benefits: original income minus taxes and social insurance contributions paid by the individual, plus pensions.
The figure shows the ratios of three different types of disposable income to original income, e.g. a blue dot (full disposable income) at 100% indicates that, on average, benefits received by households are equal to the amount paid for taxes and SIC paid by the individuals. If the blue dot is below 100%, people pay, on average, more taxes and SIC than they receive in benefits.

Source: JRC calculations based on Euromod 16. 0+. EU average is weighted by the population of the countries.

[Click here to download chart.](#)

Tax-benefit systems played a significant role in complementing people's disposable income in 2023.

In the EU in 2023 (as in 2020-2022), the average share of benefits in individuals' disposable incomes was higher than before the onset of the COVID-19 pandemic (Chart 1.22).⁽⁴⁸⁾ This illustrates the importance of social protection systems and government intervention in buffering the financial impact of crises on households in the EU. Overall, the positive impact of tax-benefit systems was primarily driven by non-means-tested benefits. The share of non-means-tested benefits increased by 1 pp in 2020 and although it receded slightly until 2023, it remained at a higher level than before the pandemic. One possible explanation for that increase is their faster implementation compared to means-tested benefits, thus their broader use by governments to swiftly respond to the COVID-19 pandemic first and the inflationary crisis later.

The proportion of the population living in severe material and social deprivation remained rather stable.

The SMSD rate in 2023 was 6.8%. Contrary to the long-term improvements since 2015, over the last three years the SMSD rate increased slightly, by 0.5 pp (from 6.3% in 2021), in line with the relatively stable real disposable median income (Chart 1.19). The increase was more pronounced for those in the first income quintile,

who experienced high SMSD rates (19.0% in 2023, compared to 18.4% in 2021, +0.6 pp), reflecting declines in the purchasing power of the lowest income households over this period (Chart 1.23, right). In line with favourable labour market developments, the proportion of people living in very low work intensity households in 2023 further decreased to 8.0%, compared to 8.3% in 2022.

⁽⁴⁵⁾ Figures based on the break-free series [ilc_pecs01] and EMPL calculations to adjust the figures to the break in series in France.

⁽⁴⁶⁾ Figures based on the break-free series [ilc_pecs01].

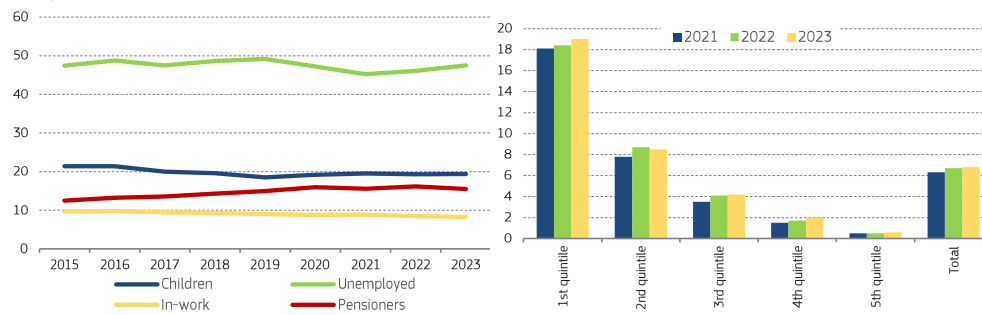
⁽⁴⁷⁾ Eurostat flash estimates complement structural and detailed indicators from EU-SILC to capture the latest income changes, particularly relevant in times of crisis. Flash estimates are based on modelling and microsimulation techniques that consider the complex interaction between labour market developments, economic and monetary policies, and the implementation of social reforms. For the latter, Eurostat uses the latest information on labour from the 2023 EU-LFS together with the EUROMOD microsimulation model, which provides the effects of direct taxes, social security contributions and benefits on households' income.

⁽⁴⁸⁾ Calculated as the difference between full disposable income and disposable income without any benefits as a share of full disposable income. For limitations of the modelling exercise and assumptions used in Euromod see (European Commission, 2022d).

Chart 1.23

Work protects against poverty, but still imperfectly; Severe material and social deprivation at high levels and slightly increasing for the lowest income group

Left chart: share of population at-risk-of-poverty (AROP rate) for selected characteristics, 2015-2023, EU; Right chart: share of population in severe material and social deprivation (SMSD rate) by income quintile, 2021-2023, EU



Note: Year refers to EU-SILC survey year; income from previous year. AROP rate: income from previous year, SMSD rate: current year. AROP rate between 2015 and 2018 is estimated. AROP rate break in time series in 2020.

Source: Eurostat, EU SILC Eurostat, EU SILC [ILC_LI02] [ILC_LI04] [ILC_IW01] [ILC_PNS6] [ILC_MDD13]

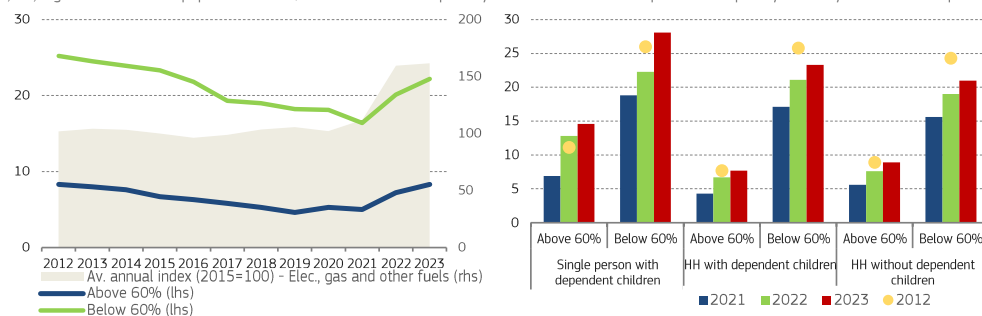
[Click here to download chart.](#)

Despite relatively favourable social outcomes, the proportion of the population experiencing energy poverty further increased in 2023. Energy poverty here operationalised and measured by the ‘inability to keep home adequately warm’, increased by 1.3 pp in 2023, reaching 10.6% (compared to 9.3% in 2022 and 6.9% in 2021). There are large variations across Member States, with energy poverty particularly high in Spain (20.8%), Portugal (20.8%), Bulgaria (20.7%), Lithuania (20.0%) and Greece (19.2%). In the context of high energy prices, energy poverty increased more sharply for the population at risk of poverty (by 2.1 pp), to 22.2% in 2023, reaching more than double the EU average (Chart 1.24, left). The proportion of single people with dependent children experiencing energy poverty has surpassed 2012 levels (Chart 1.24, right). The share of households with arrears on utility bills remained stable compared to 2022, while the proportion of households living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor increased by 0.7 pp to 15.5% in 2023. Household expenditure on housing, water, electricity gas and other fuels have risen steadily since 2010.⁽⁴⁹⁾

Chart 1.24

Peak of population unable to keep their home adequately warm in 2023

Left chart: share of population below/above the at-risk-of-poverty threshold unable to keep home adequately warm and average annual index (2015=100) for electricity, gas and other fuels, 2012-2023, EU; Right chart: share of population below/above the at-risk-of-poverty threshold unable to keep home adequately warm by household composition, 2021-2023, EU.



Source: Eurostat, EU-SILC [ILC_MDES01] [PRC_HICP_AIND].

[Click here to download chart.](#)

5. CONCLUSIONS

In 2023, EU growth was weak in the context of decreasing, but elevated, inflation levels. Inflation declined throughout the year, initially driven primarily by the decrease in energy prices. Real GDP increased by 0.4% in 2023 and is expected to expand by 1.0% in 2024 and by 1.6% in 2025. However, uncertainties and significant risks persist, especially as geopolitical tensions continue.

In recent years, the labour market remained resilient, with employment at record highs and unemployment at record lows. The employment rate reached its highest-ever level in 2023, at 75.3%, while unemployment remained at 6.1%. The labour market situations of population groups in vulnerable situations showed improvement, albeit with significant differences to the general population. Employment growth is expected to be limited in 2024 and 2025.

⁽⁴⁹⁾ Eurostat [hbs_exp_t121]

In the context of economic and demographic challenges, significant labour shortages persist. Labour shortages continue to be high, albeit declining slowly, with a decreasing labour demand. Limited employment growth is anticipated in the coming years, partially due to moderate economic growth. The situation has improved for young people, those classified as NEET, and people in vulnerable situations (e.g. non-EU citizens, people with disabilities), but still lags considerably compared to the total population. Labour shortages can be addressed comprehensively through activating underrepresented people in the labour market, supporting skills development, improving working conditions in certain sectors, improving fair intra-EU mobility for workers and learners, and attracting talent from outside the EU. ⁽⁵⁰⁾ Social dialogue and the social partners are crucial in promoting such actions.

Participation in education and training activities saw only a modest increase, indicating a positive, but insufficient, trend towards enhancing skills and competencies. Barriers such as perceived lack of necessity, schedule conflicts, and financial constraints hindered broader participation in training. These must be addressed, as investing in skills remains critical for addressing labour shortages, maintaining competitiveness in the EU, and supporting the green and digital transitions. The European Commission promotes skills development and provides support for skills, training and education through initiatives like the new European Skills Agenda, the Pact for Skills, and the action plan for the implementation of the European Pillar of Social Rights, as well as supporting social partners in their capacity-building and social dialogue activities.

The surge in public expenditure on social, health, and economic priorities during the COVID-19 pandemic underlines the role of government intervention in mitigating the adverse impacts of crises. Social protection measures, including income support schemes and unemployment benefits, played a vital and countercyclical role in cushioning the economic fallout of the pandemic. In recent years, tax-benefit systems demonstrated their role in reducing inequality and augmenting the market income of vulnerable households. Sustained efforts are needed to ensure the effectiveness and efficiency of public spending and policies in supporting people in the most vulnerable situations.

The risk of poverty or social exclusion decreased slightly and income inequality remained stable, while severe material and social deprivation and energy poverty increased, particularly for low-income households. The at-risk of poverty (AROP) rate decreased somewhat, while income inequality remained stable (2022 incomes), with Eurostat's flash estimate predicting overall stability of income inequality and a further slight decrease in the AROP rate (2023 incomes). Tax-benefit systems played a crucial role in mitigating poverty and inequality.

⁽⁵⁰⁾ See also the Action Plan on Labour and Skills Shortages, https://ec.europa.eu/commission/presscorner/detail/en/ip_24_1507.

