CHAPTER 1

Main employment and social developments

1. INTRODUCTION ([1])

The COVID-19 outbreak put Europe, as well as the rest of the world, under exceptional public health, economic and social stress. In addition to the high death toll in 2020, economic activity suffered an exceptional slump and the state of the EU labour market deteriorated. These adverse developments are reflected in all main economic and social indicators, including for young people, who are among the most affected by the crisis.

The outbreak of the COVID-19 pandemic hit the EU in early 2020 when EU economic and employment growth had already been slowing down since 2018. It followed a period of steady economic and employment expansion after 2013, during which the number of households in material deprivation had continuously declined.

The health crisis and the necessary containment measures to curb the spread of the virus led to a severe contraction of Gross Domestic Product (GDP) by 6.1% in 2020. After dropping sharply in the second quarter of 2020, GDP strongly rebounded in the third quarter and broadly stabilised in the last quarter of the year. The European Commission Spring economic forecast of May 2021 ([2]) projects a strong economic growth in the EU in the second half of 2021 and in 2022, with the gradual rollout of vaccinations and the progressive lifting of restrictive measures. GDP is expected to reach pre-crisis levels by mid-2022.

The EU and its Member States have been mobilising a wide range of measures to tackle and mitigate the impact of the crisis. At the EU level this included the flexibilisation of state aid, with the adoption of the State Aid Temporary Framework in March 2020, and fiscal rules to enable national governments to financially support healthcare systems, businesses, and keep people in employment during the crisis. The measures also include a more flexible use for the EU Cohesion Funds and an innovative instrument to underpin 'temporary Support to mitigate Unemployment Risks in an Emergency' (SURE). The major European Recovery Plan, comprising up to EUR 1.8 trillion, involves the creation of a new recovery instrument, 'Next Generation EU', which is embedded in a modern and revamped long-term EU budget. At the same time, the European Commission, with the adoption of EASE (Recommendation on Effective Active Support to Employment following the COVID-19 crisis), outlined a strategic approach to gradually transition from emergency measures taken to preserve jobs during the pandemic to new measures needed for a job-rich recovery, promoting job creation and job-to-job transitions, including towards the digital and green sectors.

In 2020, employment declined less sharply than GDP, and the rise in unemployment was contained. This was due, among other factors, to the implementation of job-retention measures, the steep drop in working hours, and the decline in the activity rate as people stopped looking for work. The labour markets in Member States reliant on sectors that depended on social interaction were hit harder than other countries. Young people, migrants, workers on

([1]) This chapter was written by Petrica Badea, Fabio De Franceschi, Stefano Filauro, Katarina Jaksic, Lorise Moreau, and Luca Pappalardo.

([2]) Available at: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2021-economic-forecast_en#documents

temporary and part-time contracts were more affected than other population groups.

Preliminary available data show a sharp drop in labour incomes, although social protection seems to have cushioned the fall in disposable incomes, notably at the bottom of the income distribution. In the face of an overall reduction in disposable income, exceptional policy response to the COVID-19 crisis and the action of automatic stabilisers seem to have kept disposable income inequality in check in 2020. Nonetheless, a number of vulnerabilities have starkly emerged during the crisis. Different groups have been exposed to various challenges in the labour market, in their housing conditions, and in accessing a variety of social services, such as health and education, in remote mode.

This chapter reviews the latest socio-economic developments in the EU and its Member States. It also assesses recent social and income trends, devoting particular attention to the indicators included in the scoreboard underpinning the European Pillar of Social Rights. In the light of dramatically high excess deaths relative to average mortality (between 2016 and 2019) almost everywhere in the EU, it describes how the sanitary crisis affected the socio-economic conditions of EU households. In this respect, it addresses the multifaceted nature of poverty and social exclusion, households' financial situation, the role of social transfers in mitigating income inequality in the EU and trends in social protection expenditure at EU level and by country. Finally, the challenges for vulnerable groups in a variety of domains are discussed.

2. MACROECONOMIC ENVIRONMENT

2.1. In 2020, the pandemic triggered a sharp economic slump

After a drop in global GDP of 3.4% in 2020, activity is projected to rebound in 2021 and 2022. Following the adoption of social distancing measures, GDP contracted in 2020 by 6.1% in the EU, by 6.5% in the euro area, by 3.5% in the US and by 4.8% in Japan. China recorded a modest growth (+2.3%) – the lowest in decades. For several countries, this constitutes the sharpest drop in GDP since World War II.

The reopening of several activities in the summer of 2020 contributed significantly to the rebound observed in the second half of the year. The economic situation weakened again towards the end of the year, however, when restrictions to individual mobility were reintroduced in response to the second wave of infection. It is expected that, globally, virus containment measures will remain in place throughout 2021, though they will start to be eased in the second half of the year in conjunction with the roll-out of vaccination campaigns.

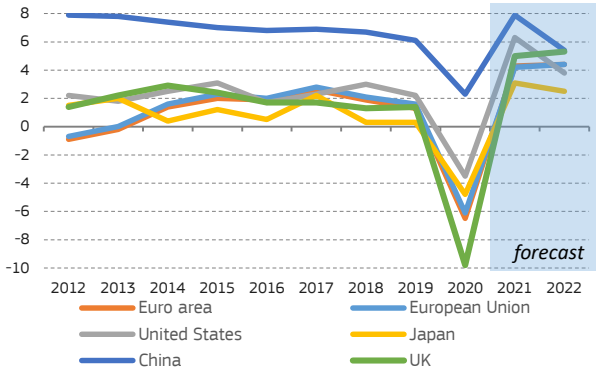
According to the European Commission Spring 2021 Economic Forecast, the EU economy will expand by 4.2% in 2021 and by 4.4% in 2022, while the euro area economy is forecast to grow by 4.3% this year and 4.4% next year. Growth rates will continue to vary across the EU, but all Member States should see their economies return to pre-crisis levels by the end of 2022.

Public investment as a proportion of GDP is set to reach its highest level in more than a decade in 2022. This will be driven by the Recovery and Resilience Facility (RRF), the instrument at the heart of NextGenerationEU.

Chart 1.1

GDP fell in most large economies

Real GDP growth in selected large economies (percentage change on previous year)



Source: Eurostat, table [naida_10_gdp], European Commission Spring forecast for 2021 and 2022

Click here to download chart.

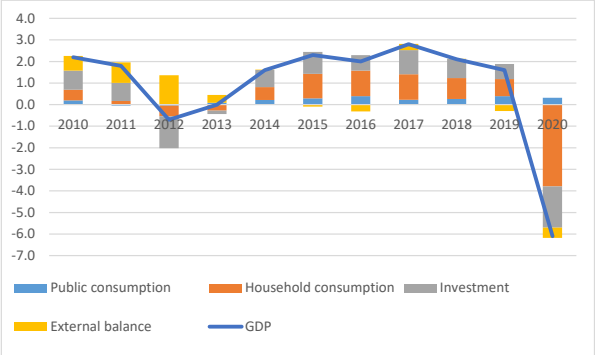
In the EU, GDP declined by 6.1% in 2020, constituting the most severe fall recorded since the time series started in 1995. This was 2.0pp more than during the crisis of 2009, when it decreased by 4.2%. The euro area recorded a similar drop, showing a fall of 6.5% in 2020. Economic activity developed unevenly throughout the year. After a 3.4% decrease in the EU (3.8% in the euro area) recorded in the first quarter compared with the previous quarter, it plunged by 11.1% and 11.5%, respectively, in the second quarter, which are the sharpest drops ever recorded. On the other hand, GDP rebounded by 11.7% (12.6%) in the third quarter, which is in turn the greatest rise ever recorded. In the fourth quarter, GDP receded slightly again, by 0.4% and 0.6%, respectively.

The drop in EU GDP can be attributed mainly to private consumption, followed by investment, and by the external sector. In 2020, private consumption accounted for more than 60% of the decline, investment for 30%, and the external sector for about 10%. On the other hand, public consumption made a small positive contribution (Chart 1.2).

Chart 1.2

Main contribution to GDP drop in EU came from private consumption and investment

Contribution to GDP real growth (EU, percentage change on previous year)



Source: Eurostat, table [nama_10_gdp]

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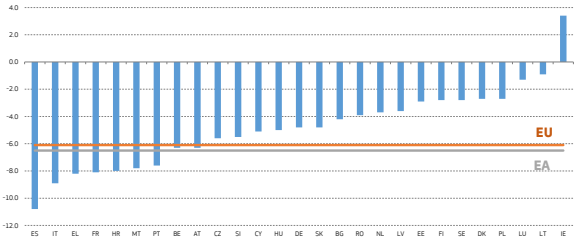
In 2020, GDP shrank in all Member States except Ireland, with considerable differences across Member States. In a third of them, the decline exceeded the EU average, especially in Spain (-10.8%), Italy (-8.9%), Greece (-8.2%), Croatia (-8.0%), France (-7.9%) and Portugal (-7.6%). While GDP grew in Ireland by 3.4%, without the impact of the multinational sector, underlying domestic demand suffered a sharp contraction, according to the Central bank of Ireland (-7.1%) ([3]).

Chart 1.3

Real GDP fell in almost all Member States

Real GDP growth in the EU (2020, percentage change on previous year)



Source: Eurostat, table [nama_10_gdp]

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2.2. EU labour markets deteriorated after six years of growth

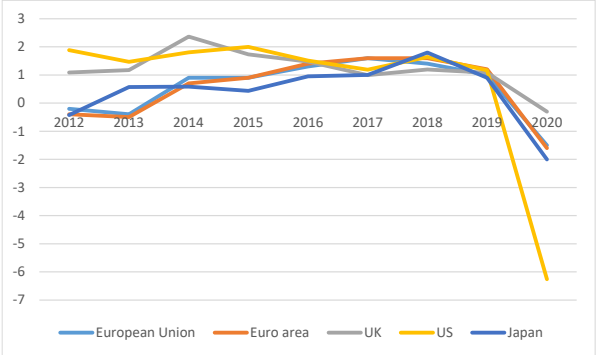
In 2020, employment dropped by 1.5% in the EU and by 1.6% in the euro area after growing continuously since 2013 and reaching record numbers in 2019 (209 million and 161 million, respectively).

([3]) Available at: https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q1-2021

Chart 1.4

Employment shrank globally in 2020

Employment growth in selected large economies - Percentage change on previous year



Source: Eurostat, table [nama_10_gdppe], European Commission Spring forecast

Click here to download chart.

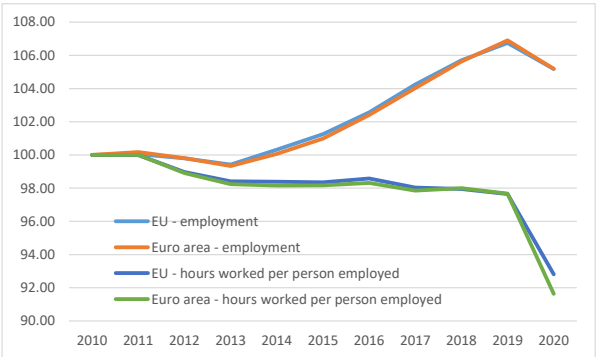
These declines were less marked than those recorded for GDP, however, thanks to governmental measures in support of employment, such as short-time work schemes and similar job retention measures. These were implemented in all Member States and supported by EU funds, notably SURE. Thus, the disruption brought by the crisis to the labour market in the EU was more contained than in other advanced economies, such as US, where employment fell by 6.3% in 2020, and to some extent Japan (-2.0%).

Both in the EU and the euro area, the total hours worked in 2020 dropped almost as sharply as economic activity – and much stronger in comparison to the number of people employed. This implied a sudden acceleration of a steady declining trend in the number of hours worked per employed observed since 2010.

Chart 1.5

Employment and total hours worked per person employed dropped in 2020

Employment and total hours worked per person employed in EU and euro area (Index 2010 = 100)



Source: Eurostat, table [nama_10_a10_e]

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3. LABOUR MARKET DEVELOPMENTS

3.1. Employment rates

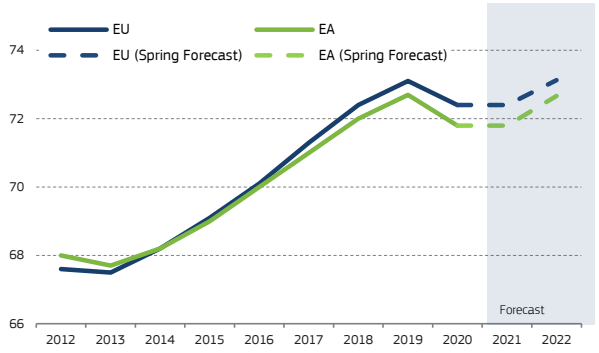
The COVID-19 pandemic led to a deterioration of the EU's labour market. In 2020, after six years of continuous growth, the employment rate (20 to 64 years) declined by 0.7pp and stood at 72.4%. In the

euro area, the employment rate declined by 0.9pp to reach 71.8% (see *Chart 1.6*). According to the Spring 2021 Commission forecast, total employment will remain stable in 2021 before increasing by 1.0% in 2022.

Chart 1.6

The employment rate decreased after six years of growth

Employment rate, % of population aged from 20 to 64 years



Note: The forecast is calculated using the estimation of employment in persons growth, and assuming a similar size of the workforce

Source: Eurostat, LFS [lfsi_emp_a], Commission Spring 2021 economic forecast, and EMPL calculations

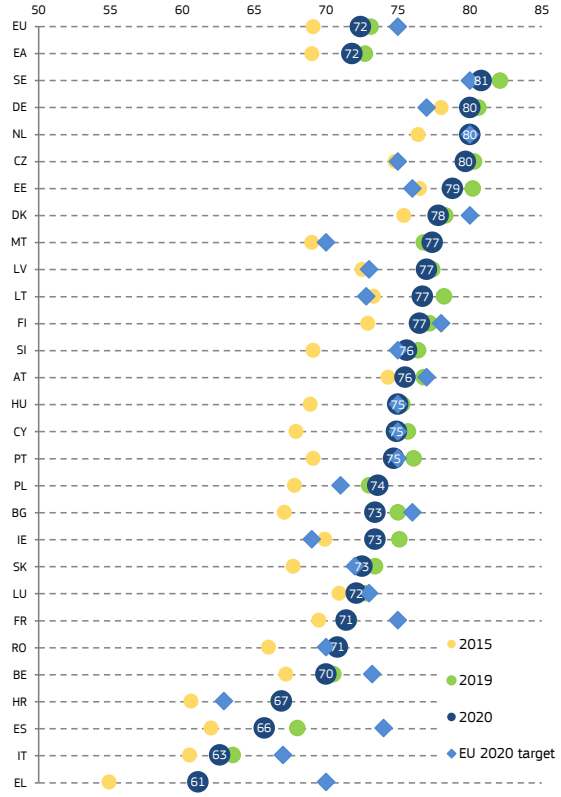
Click here to download chart.

Employment rates fell in almost all Member States, although to different degrees. The steepest drops between 2019 and 2020 were observed in Spain (-2.3pp), Ireland (-1.7pp), and Bulgaria (-1.6pp), while Malta, Poland (+0.6pp for both), and Croatia (+0.2pp) were the only countries in which the employment rate increased. A consequence of the decline in 2020 is that the employment rate for twelve Member States remained or fell below their respective EU2020 targets (see *Chart 1.7*).

Chart 1.7

The employment rate declined in almost all Member States in 2020

Employment rate, % of population aged from 20 to 64 years



Note: The Europe 2020 target for France excludes the overseas departments

Source: Eurostat, LFS [lfsi_emp_a]

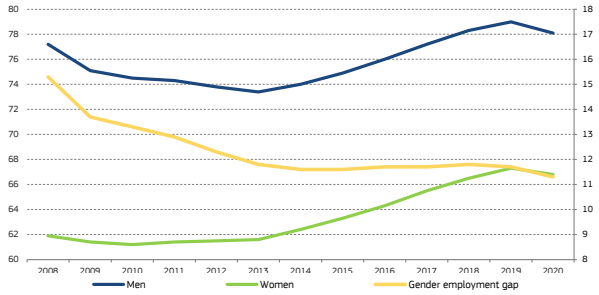
Click here to download chart.

The gender employment gap decreased slightly in 2020, as the employment rate declined less for women than for men. The employment rate for women in the EU fell by 0.5pp to 66.8%, while it dropped by 0.9pp for men to 78.1%. The gender employment gap shrank therefore to 11.3pp, 0.4pp less than in 2019 (see *Chart 1.8*). However, in 2020, when compared to the previous year women experienced a steeper fall in working hours (-7.2%) than men (-6.7%). The decline was particularly strong in the second quarter of 2020 as some sectors with high female employment (e.g. accommodation and food service activities) were more strongly impacted by lockdown measures. A full recovery in working hours for women occurred in the third quarter as the economy opened up, but the second wave of lockdowns in the fourth quarter also heavily affected sectors in which women are overrepresented, again causing working hours for women to fall faster than for men. In comparison with the same quarter of 2019, in the fourth quarter of 2020 total working hours decreased by 4.9%, whereas they dropped by 5.6% for women and by 4.4% for men.

Chart 1.8

The employment gap between men and women decreased slightly

Employment rates by sex (% of population aged from 20 to 64 years, lhs) and gender employment gap (pp, rhs)



Note: The gender employment gap is calculated as the difference in the employment rate of men and women aged 20 to 64

Source: Eurostat, LFS [lfsi_emp_a], EMPL own calculations

Click here to download chart.

Workers on temporary contracts bore much of the brunt of the impact of the COVID-19 recession on employment. The fall in temporary work in 2020 is concentrated in the second quarter of the year and seems to be linked to layoffs implemented by companies during the first wave of the pandemic. As regards Member States, the strongest reductions between 2019 and 2020 in the share of people with temporary contracts were recorded in those countries with the highest proportion of workers in temporary employment, such as Spain, Portugal, Poland, Croatia, and the Netherlands. More women were on temporary contracts (12.5%) than men (10.6%); a discrepancy that has remained stable during the fall in the share of temporary employment described above.

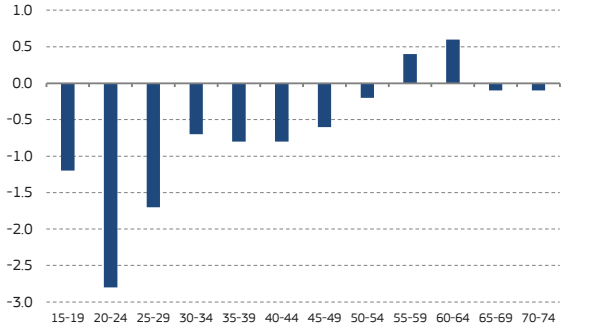
Part-time employment decreased by 1.2pp to 17.1% of total employment, after years of relative stability. One of the reasons for this sudden drop could be the overrepresentation of part-time workers in sectors that rely on social interaction and were therefore more exposed to lockdown measures (European Commission (2020c): pp. 7, 25) ([4]). The proportion remained much higher for women (28.0%, i.e. -1.9pp compared with 2019) than for men (7.7%, i.e. -0.7pp compared with 2019).

Employment of young people declined particularly strongly in 2020. Compared with 2019, the employment rate for people aged 20-24 dropped by 2.8pp to 48.7% and by 1.7pp for people aged 25-29, reaching 72.9% compared with the previous year. Reductions in employment rate tended to be lower in older age brackets. For the 55-59 and 60-64 age brackets, the employment rate even recorded a moderate increase (+0.4pp and +0.6pp respectively) (see *Chart 1.9*). Young workers were more susceptible to losing their jobs during the crisis since they tend to be on temporary contracts and more often in vulnerable occupations than others (European Commission (2020c)). Young people transitioning from education to the labour market also arguably faced difficulties in finding their first job with the total number of recent job starters declining in 2020 (6.5 million on average per quarter, compared to an average of about 7.5 million people in the previous years, a 13.5% drop).

Chart 1.9

Employment rates decreased more for young people in 2020

Difference between the employment rate in 2020 and 2019 in the EU by age groups, pp



Source: Eurostat, LFS [lfsa_ergaed]

Click here to download chart.

In 2020, the EU employment rate declined more for foreign-born people than for natives. In comparison with 2019, the employment rate for foreign EU-born people decreased by 1.8pp to reach 71.2%, while it went down by 2.4pp for the non-EU born to reach 59.9%. It dropped instead more moderately for natives to reach 68.3%, 0.5pp less than in 2019 ([5]).

The evolution of the COVID-19 pandemic had a strong impact on the absences from work of employed people. Between the last quarter of 2019 and the second quarter of 2020, the total number of absences in the EU almost doubled, mainly as a consequence of the sharp increase in temporary lay-offs (see *Chart 1.10*). In this period, absences increased substantially more for men than for women (+109.9% versus +83.0%). In some Member States, they skyrocketed, as for example in Malta (+963%), Romania (+652%), and Greece (+579%). On the other hand, they only rose by 6.2% in Sweden and 11.7% in Finland. These differences could be due to variations in the use of governmental support measures, as the average proportion of jobs on temporary lay-off in the second quarter of 2020 in countries like Greece (12.9%) or Spain (9.8%) was much higher than in Finland (5.5%) ([6]). Absences returned to pre-crisis levels in the third quarter when temporary lay-offs ended and workers returned to their jobs, but they

([4]) 75% of the fall in EU part-time employment can be attributed to Germany, for which provisional figures (representing a break in the series) have been published for 2020. Without Germany, the decrease in part-time employment in the EU would be 3.3%.

([5]) See Section 6.2 in Chapter 2 for a more detailed analysis on migrants.

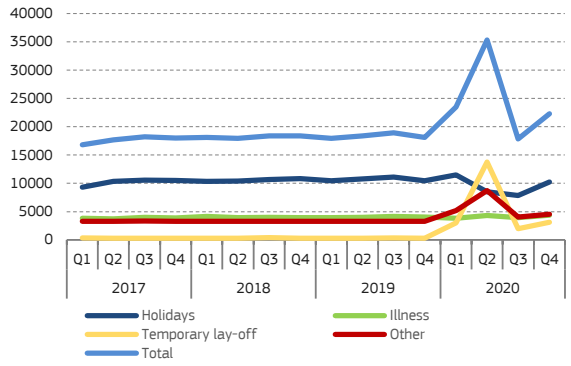
([6]) See https://ec.europa.eu/eurostat/documents/10760954/11071228/Job_benefiting_from_Covid19_governmental_support_measures.xlsx

picked up again in the last quarter of 2020 during the second wave of lockdowns (+23.1% compared with the last quarter of 2019).

Chart 1.10

Absences in the EU skyrocketed in the first half of 2020

Absences by reason, thousand persons from 20 to 64 years



Source: Eurostat, LFS [lfsi_abs_q]

Click here to download chart.

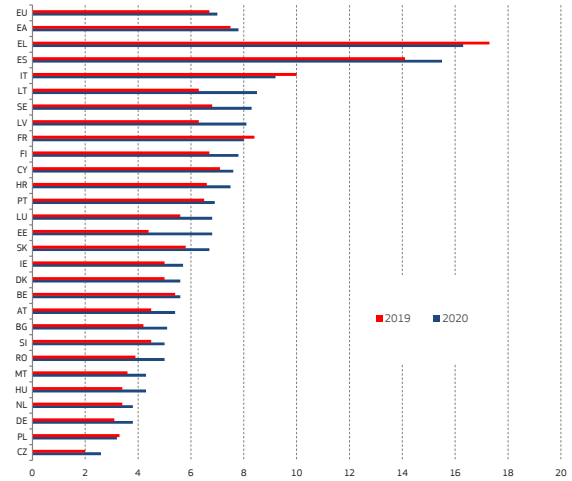
3.2. Unemployment rates

The EU unemployment rate rose in 2020 to 7.0% of the labour force, 0.3pp more than in 2019. Between December 2019 and April 2021 the unemployment rate grew from 6.6% to 7.3%. The rate would have increased even more, had national governments not implemented a wide range of job-retention measures (European Commission (2020c)). Also, the fall in the activity rate excluded from unemployment figures a large number of people who stopped looking for a job during the economic crisis (see section 3.3). In some Member States, the fall in the activity rate was so strong that in 2020 the unemployment rate even declined, such as in Greece (-1.0pp), Italy (-0.8pp), and France (-0.4pp). The largest increases in unemployment rates were recorded in Baltic countries (+2.4pp in Estonia, +2.2pp in Lithuania, and +1.8pp in Latvia), as well as Sweden (+1.5pp), and Spain (+1.4pp) (see *Chart 1.11*). The unemployment rate increased slightly more for men than for women in the EU in 2020 (+0.3pp to 7.3% for women versus +0.4pp to 6.8% for men). The European Commission Spring 2021 forecast predicted a rise in the unemployment rate to 7.6% in 2021 in the EU, before declining to 7.0% in 2022.

Chart 1.11

The unemployment rate increased in almost all Member States

Unemployment rates by Member States, % of labour force from 15 to 74 years



Source: Eurostat, unemployment series [une_rt_a]

Click here to download chart.

The COVID-19 pandemic also caused an increase in the unemployment rate in other major economies ([7]). In the United States ([8]), between the first and second quarter of 2020, the unemployment rate rose sharply from 3.9% to 13.4%, but then fell to 6.8% in the last quarter of 2020. These movements were also mitigated by the downward dynamics of the activity rate, which fell to 72.0% in the second quarter of 2020 (-2.3pp compared to the last quarter of 2019) and rose by 1.0pp in the second half of the year. In Japan, unemployment rose moderately (to 3.1% in the last quarter of 2020, +0.8pp compared with the same quarter a year ago), as the activity rate remained broadly stable. In the UK, the unemployment rate reached 4.6% in the third quarter of 2020 (+0.9pp compared with the last quarter of 2019) (see *Chart 1.12*).

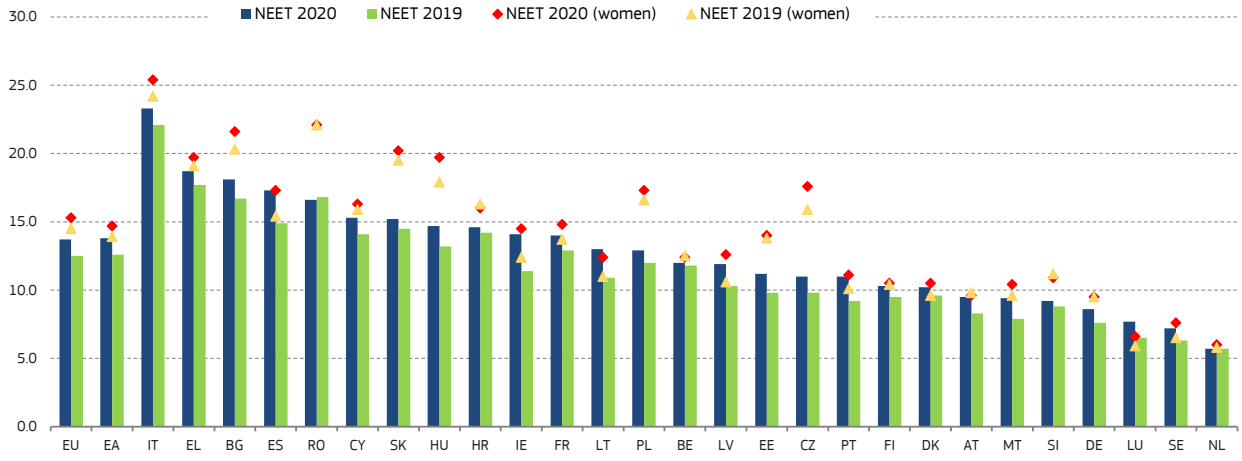
([7]) A thorough analysis of the international perspective of the recent development of the European labour market can be found in European Commission (2020c)

([8]) Direct comparisons with the development of the unemployment rate in the US should be avoided; there, temporary lay-offs are always counted as unemployed. They are counted to a large degree as employed in the EU, following ILO recommendations.

Chart 1.12

The NEET rate increased in almost all Member States

Young people aged 15-29 neither in employment nor in education and training (NEET), % of total population



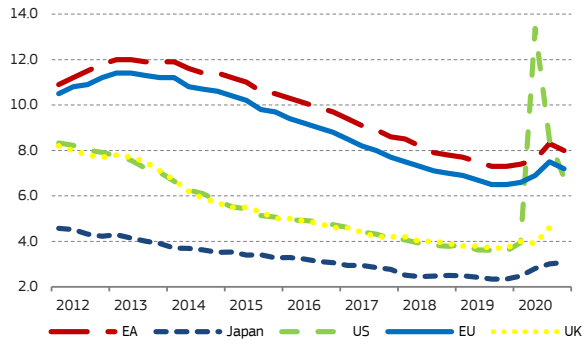
Source: Eurostat, LFS [lfsi_neet_a]

Click here to download chart.

Chart 1.13

The unemployment rate is rising in the EU and other major economies

Unemployment rate (% of labour force, 15-74 years)



Source: Eurostat [une_rt_q], OECD

Click here to download chart.

Youth unemployment in the EU climbed by 1.8pp in 2020 to 16.8% compared with 2019. The strong rise of youth unemployment confirms that the impact of COVID-19 on young people, aged 15-24, was stronger than other age categories as pointed out in section 3.1. Except for Greece (-0.2pp), youth unemployment increased in all Member States, and especially in Lithuania (+7.7pp), Estonia (+6.8pp), Luxembourg (+6.2pp), and Slovenia (+6.1pp). The youth unemployment rate rose to 38.3% in Spain, and remained at around or above 30% in Greece (35.0%) and in Italy (29.4%). Youth unemployment increased more for women (+2.0pp to 16.7%) than for men (+1.7pp to 16.9%).

The percentage of young people aged 15-29 who are neither in employment nor in education and training (NEET) increased by 1.2pp to 13.7% in 2020. The NEET rate rose most strongly in Ireland (+2.7pp), Spain (+2.4pp) and Lithuania (+2.1pp), while it declined in Romania (-0.2pp) and remained stable in the Netherlands. On average in the EU, it increased less for women than for men (+0.8pp versus +1.4pp) but it was still on average higher for women by 3.2pp (15.3% versus 12.1%). The NEET rate of women exceeded that of men the most in Czechia (12.9pp), Romania (10.7pp), and Slovakia (9.8pp), while the NEET rate was higher for men only in Luxembourg (by 2.1pp) and Lithuania (by 1.2pp).

Long-term unemployment rates

Long-term unemployment fell by 0.3pp in 2020 to 2.5% of the active population, although it increased in the second half of the year. Since long-term unemployment refers to people who have been unemployed for 12 months or more, the figures for workers who lost their jobs during the 2020 crisis will only become available in 2021. However, the rise in long-term unemployment in the second half of 2020 suggests that some of the people, who were already unemployed before the COVID-19 outbreak were not able to find a job and that unemployment effects started to be longer than twelve months. The rate remained higher for women (2.6%) than for men (2.4%), with similar dynamics in 2020 for both. Very long-term unemployment, which refers to people who have been unemployment for at least 24 months, fell by 0.3pp to 1.4%, but also picked up in the second part of 2020.

The long-term unemployment rate decreased in most Member States, but was on the rise in several of them. The largest drops between 2019 and 2020 were observed in Greece (-1.3pp to 10.9%), and Italy (-0.9pp to 4.7%), while it grew the most in Lithuania (+0.6pp to 2.5%), and Luxembourg (+0.4pp to 1.7%).

3.3. Activity rates and extended labour force

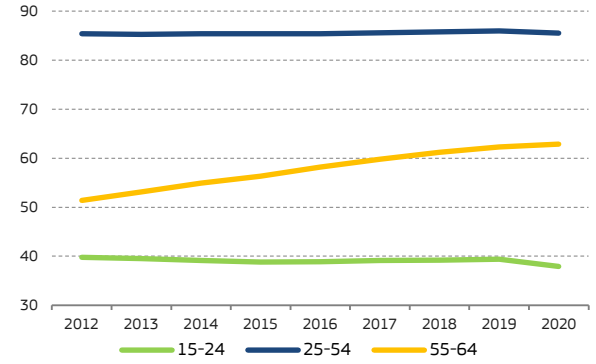
The COVID-19 pandemic pushed 1.8 million people into inactivity. The EU activity rate for people aged 15-64 declined in 2020 by 0.5pp to 72.9%. The fall was lower for women than for men (-0.3pp and -0.7pp) and it disproportionately affected young people, for whom the activity rate went down by 1.5pp. On the contrary, the activity rate increased for

people aged 55-64 (+0.6pp), particularly for women (+0.8pp) (see *Chart 1.14*).

Chart 1.14

The activity rate kept rising for older workers also in 2020 as well, but declined for young workers

Activity rate by age, % of population



Source: Eurostat, LFS [lfsi_emp_a]

Click here to download chart.

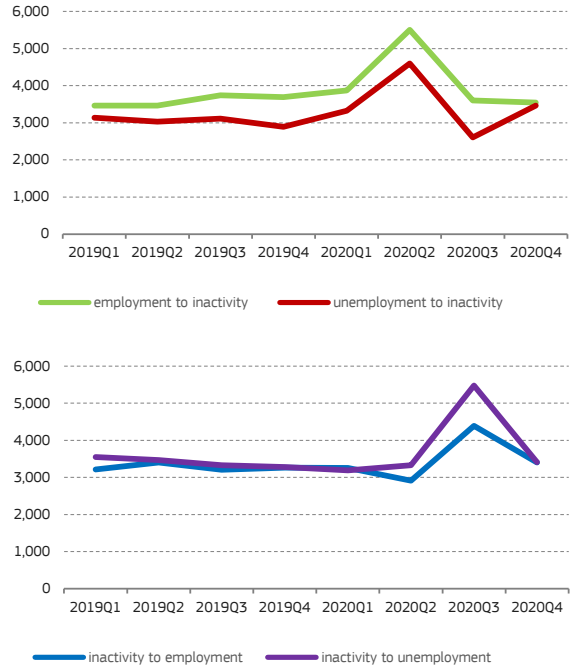
Transitions to inactivity accelerated in the first half of 2020, during the first wave of the pandemic ([9]). Already in the first quarter of 2020, the number of people going into inactivity from both employment and unemployment started to rise, and the strength of these transitions peaked in the second quarter with 36.8% of the unemployed and 3.5% of the employed becoming inactive. In the third quarter, when lockdown measures were relaxed and the economy opened up, flows to inactivity reverted to 2019 averages, while transitions from inactivity to activity increased strongly. The number of people moving from inactivity into unemployment and employment rose to 5.5 and 4.4 million, respectively, in the third quarter of 2020, compared with 2019 averages of 3.4 million and 3.3 million. In the last quarter of 2020, transitions to inactivity increased – particularly from unemployment – though without reaching the intensity of the second quarter, despite the second wave of the pandemic that hit many Member States. In the same quarter, transitions from inactivity went back to pre-crisis levels (see *Chart 1.15*).

([9]) The EU aggregate data for labour market transitions do not include Germany and Malta.

Chart 1.15

Transitions to inactivity accelerated in the first half of 2020, while the opposite occurred in the third quarter

Labour market transitions for EU, thousand persons



Note: The EU aggregate does not include data for Germany and Malta

Source: Eurostat, LFS [lfsi_long_q]

Click here to download chart.

Similar conclusions can be drawn on the basis of alternative measures of labour utilisation. The labour market slack measures complement unemployment figures to show a fuller picture of the deterioration of the labour market in 2020. They add three further categories to the unemployed: people available to work but not seeking a job, people looking for a job but not available to work, and part-time workers wishing and available to work more (also referred to as 'underemployed'). Together with the rise of unemployment (section 3.2), the increase in labour market slack was mainly driven by the increase in the number of people who are available but not seeking it. Their percentage rose sharply in 2020 and especially in the second quarter of the year, when it went up 1.9pp (4.2 million people) from the last quarter of 2019 to 4.9% of the extended labour force ([10]), only to decline to 3.7% in the third and fourth quarter. Instead, the percentage of people looking for a job but not available to work, and of involuntary part-timers remained quite stable in this period, and stood at 0.7% and 2.9%, respectively, of the extended labour force in the last quarter of 2020. In spite of its sharp increase in 2020, the rate of labour market slack remained below the peaks recorded in 2013 (see *Chart 1.16*).

([10]) The extended labour force is composed of both the labour force and the potential additional labour force: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Labour_market_slack_-_unmet_need_for_employment_-_quarterly_statistics

Box 1.1: EU budgetary measures in response to COVID-19

Immediately following the COVID-19 outbreak, the Commission adopted two Coronavirus Response Investment Initiative (CRII and CRII+) which entered into force in April 2021 and allowed the mobilisation of EUR 37 billion ([1]) in cohesion policy funding to support employment, providing working capital to SMEs and allowing for healthcare investment, such as the purchase of protective gear.

In May 2020, the Commission also proposed a revision of the Multi-Annual Financial Framework for the period 2021-2027 with a budget of EUR 1.211 trillion and a temporary recovery instrument, NextGenerationEU, of EUR 807 billion, to provide European people, businesses, regions and cities with the support they urgently need to recover from the coronavirus pandemic.

The Recovery and Resilience Facility is the centrepiece of NextGenerationEU, with EUR 723.8 billion in loans and grants available to support reforms and investments undertaken by EU countries. The aim is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. Member States are working on their recovery and resilience plans to access the funds under the Recovery and Resilience Facility.

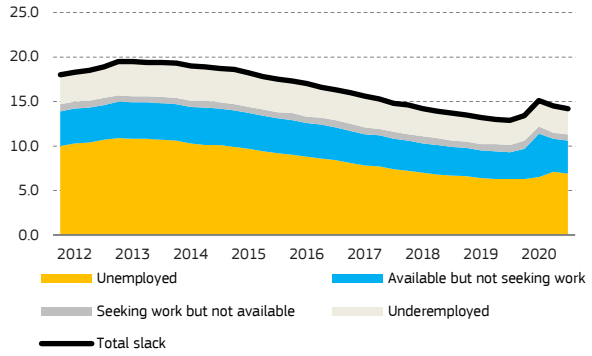
NextGenerationEU also includes EUR 50.6 billion for the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU). It is a new initiative that continues and extends the crisis response and crisis repair measures delivered through the Coronavirus Response Investment Initiative and the Coronavirus Response Investment Initiative Plus. It will contribute to a green, digital and resilient recovery of the economy. The funds will be made available to the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the European Fund for Aid to the Most Deprived (FEAD). These additional funds will be provided in 2021-2022 from NextGenerationEU.

([1]) This amount, as well as all the others in this box, are expressed in current prices.

Chart 1.16

Discouraged people increased sharply during the first half of 2020

Percentage of the extended labour force, 15-74 years



Source: Eurostat, LFS [lfsi_sla_q]

Click here to download chart.

The increase in the labour market slack also disproportionately affected young people. Between the last quarter of 2019 and the fourth quarter of 2020, the percentage of young people, aged 15-24, on the margins of the labour market increased by 4.3pp to 31.1% of the extended labour force. Men were also slightly more affected than women (+1.3pp to 12.3% versus +1.2pp to 16.3%, between the fourth quarters of 2019 and 2020).

4. SOCIAL SITUATION, POVERTY AND INCOME DEVELOPMENTS

This section focuses on the recent social and income trends, devoting particular attention to the indicators included in the scoreboard underpinning the European Pillar of Social Rights. After the presentation of recent evidence on the sanitary crisis, it describes how the pandemic affected the living conditions of EU households. In this respect, it documents income trends, the role of social transfers in mitigating income inequality, trends in social protection expenditure at EU level and by country and the multifaceted nature of poverty and social exclusion. Thus, the challenges for vulnerable groups in a variety of domains are discussed. Finally, recent demographic developments are documented, with a focus on healthcare and ageing as well as recent trends in energy poverty and housing conditions.

A pandemic with a high human toll

The COVID-19 crisis has caused severe human suffering and loss of life. By early June 2021 ([11]), the coronavirus had infected almost 33 million people and had caused almost 733 000 deaths in the EU ([12]). Among the people infected by the virus and who recovered, many suffered from 'long-COVID' and remained with after-effects. COVID-19 mortality has a clear social gradient, which is a reminder of the importance of the social determinants of health. The virus has also disproportionately hit older people and those with underlying health conditions. Almost everywhere in the EU, at least 90% of COVID-19 deaths were amongst people aged over 60. In many countries that have established surveillance systems in long-term care (LTC) facilities, about 20-60% of COVID-19 deaths were amongst residents of those facilities ([13]).

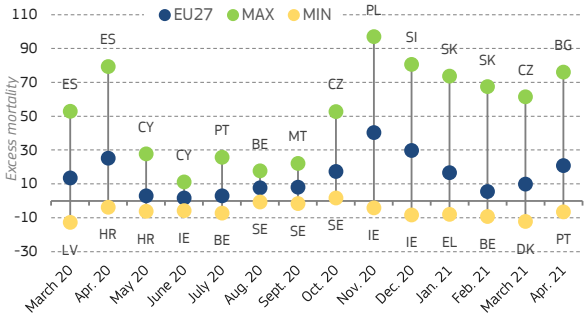
Excess mortality reached two peaks, in April (+25.2%) and November 2020 (+40.3%, followed by +29.9% in December), although countries were hit to varying degrees. An indication of the severe impact induced by COVID-19 in 2020 can be derived from the number of deaths compared to previous years. The excess mortality observed was the result of deaths directly attributed to COVID-19 ([14]) or indirectly linked to it, caused by delayed or foregone treatments due to severe pressures on the health care system ([15]).

In some countries, excess deaths were dramatically high, when compared with the average mortality from 2016 to 2019. At national level the highest peaks were initially registered in Spain (79.4%) and Belgium (73.1%) in April 2020. Thereafter, over the period May-September, excess mortality was below 30% across all countries. Important peaks were registered notably in Poland (97.0%), Bulgaria (94.4%), Slovenia (93.1%) and Czechia (75.8%) in November 2020, in Slovenia (80.6%), Bulgaria (74.5%) and Lithuania (68.6%) in December 2020, and in Slovakia (73.7%) in January 2021.

Chart 1.17

Excess mortality reached 50% or more in the hardest-hit EU countries

Excess mortality by month (%) in the EU-27 and in countries with the highest and lowest rate



Note: The monthly excess mortality indicator is expressed as the percentage rate of additional deaths in a month, compared to a baseline period. The higher the value, the more additional deaths have occurred compared to the baseline. A negative value means that fewer deaths occurred in a particular month compared with the baseline period. The baseline is given by average monthly deaths in the period 2016-2019.
Data is provisional for all countries.

Source: Eurostat, dataset: DEMO_MEXRT. EMPL calculations.

Click here to download chart.

Over the entire year, an increase in the number of deaths was recorded in almost all EU regions, albeit heterogeneously, with some areas witnessing an excess mortality around 30% higher in comparison to the 2016-2019 average (e.g. Lombardy or Madrid, *Chart 1.18*).

The trends over the first months of 2021 are disturbing due to the emergence of new variants. In 13 Member States, deaths related to COVID-19 between January and early June 2021 ([16]) have outnumbered the total number of deaths due to COVID-19 over the whole previous year. The increase in the number of new COVID-19 deaths confirmed since 1 January 2021 over those confirmed by 31 December 2020 has been largest in Estonia (+404%), Slovakia (+393.5%), Latvia (+261%), Hungary (+200%) and Cyprus (+185%), and smallest in Belgium (+26%), Sweden (+44%) and the Netherlands

([11]) Data from 2020 week 1 to 2021 week 23.

([12]) Figures from the European Centre for Disease Prevention and Control (ECDC).

([13]) European Centre for Disease Prevention and Control, Surveillance data from public online national reports on COVID-19 in long-term care facilities, https://www.ecdc.europa.eu/en/all-topics-z/coronavirus/threats-and-outbreaks/covid-19/prevention-and-control/LTCF-data

([14]) At the beginning of the pandemic, deaths were partially wrongly attributed to other causes and not to COVID-19 due to low testing capacity.

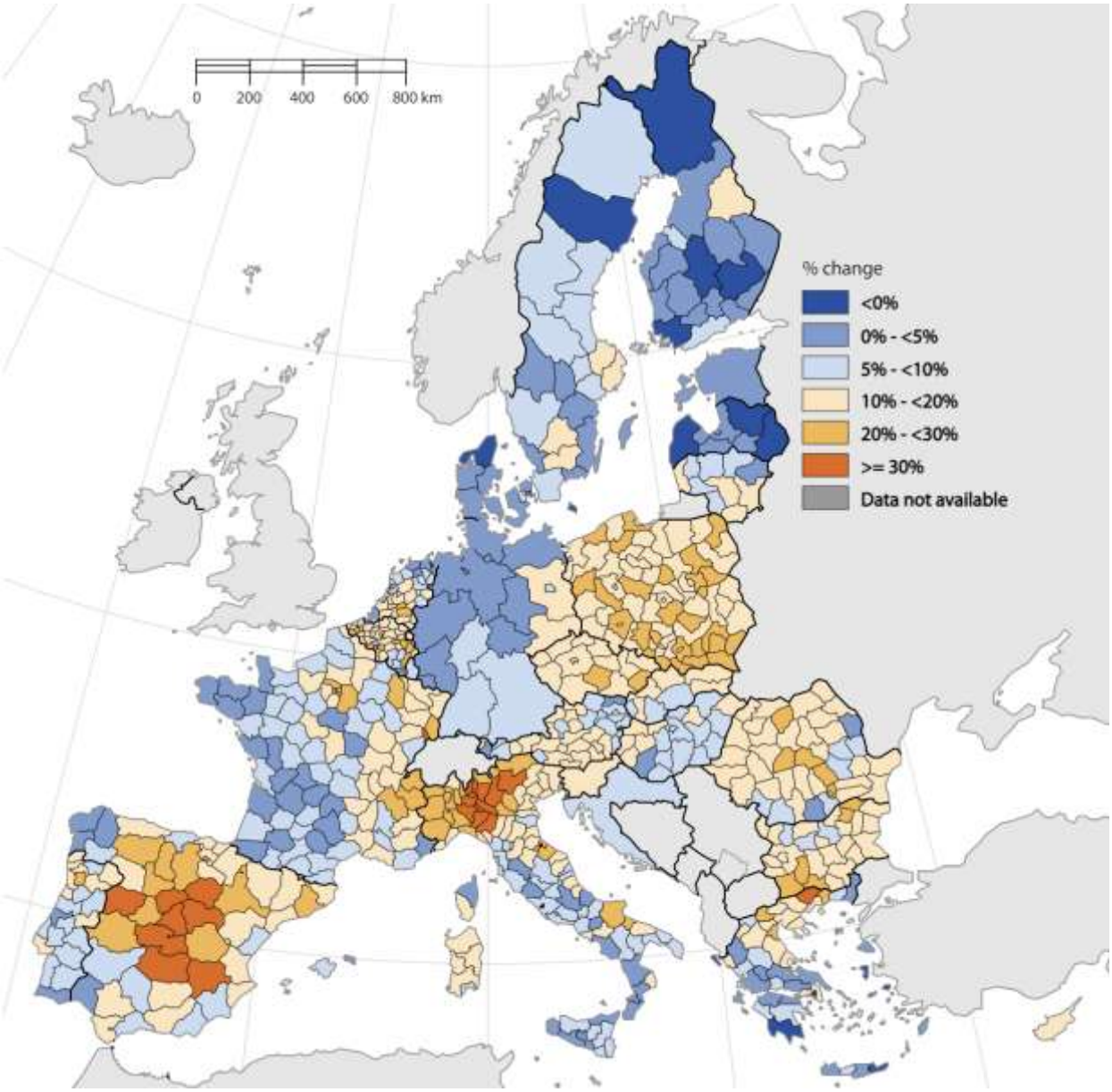
([15]) Eurostat (2021), *Statistics explained, Excess mortality – statistics*, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Excess_mortality_-_statistics

([16]) Data from 2020 week 1 to 2021 week 23.

Chart 1.18

Some areas where affected by an excess mortality above 30% as a consequence of COVID-19

Mortality change in 2020 compared to the 2016-2019 average, EU27, NUTS 3 level



Note: The excess mortality is the percentage of additional deaths in 2020 compared to a baseline period. The baseline period is the annual average number of deaths in 2016-2019.EE and MT: NUTS 2 level. DE, HR and SI: NUTS 1 level. Weeks 1 and 53 have been adjusted in 2020 to reflect the exact number of days in 2020. Regions with incomplete data are not included. Data is provisional in BE, CZ, DK, DE, EE, EL, ES, FR, HR, IT, CY, HU, MT, AT, PT, SI and SK.

Source: Eurostat, dataset: DEMO_R_MWK3_TS. EMPL calculations.

Click here to download chart.

(+52.5%) ([17]). These trends refer to relative changes that are linked to the dynamics and the timing of the pandemic at national level ([18]).

The current crisis may exacerbate pre-existing inequalities, if not aptly addressed. Different groups have been at higher risk of being infected by the virus or have been impacted in a disproportionate way in all life aspects: health (including psychological stability), work, income and savings, school, during the lockdown. Inequalities in household wealth and housing conditions have impacted current living standards and the ability to go through the lockdown measures smoothly. There are indications that educational inequalities have been magnified with the

([17]) Figures from the European Centre for Disease Prevention and Control. Both information on COVID-19 deaths and on excess mortality have advantages and limits. The number of COVID-19 deaths may be underreported due to a low testing capacity. Comparability issues may arise too when the estimates are based on the probability of the death being due to COVID-19 and national definitions vary.
Excess mortality is an estimate based on the comparison between the recorded deaths over a period and the expected deaths based on past trends. Although most of this excess mortality is due to the pandemic, it is not equal to the COVID-19 death rate. Furthermore, excess mortality is influenced by different factors, some increasing all-cause mortality during the pandemic, others reducing it. For a more complete discussion on the topic, see http://www.healthdata.org/special-analysis/estimation-excess-mortality-due-covid-19-and-scalars-reported-covid-19-deaths

([18]) For instance, the relatively small change in Belgium is partly due to the high number of deaths recorded in 2020. On the contrary, Estonia was not hit hard by the virus in 2020, but its impact increased in 2021.

transition to remote teaching and are likely to negatively affect future earnings of lower-income pupils ([19]). These vulnerabilities affect some specific groups that are more exposed to these effects and less equipped to respond to them ([20]). Among these groups, whose outcomes are monitored and discussed in this chapter, there are older adults, women, children and families (especially single-parent households), students, persons with disability, migrants and marginalised and segregated minorities (such as Roma), and the homeless.

In the face of many social challenges, income protection and inequality mitigation have the potential to cushion its short-run impacts. The most severe crisis since World War II with a stark contraction in GDP will inevitably bring about a deterioration of the economic and social situations. Individuals and households have been affected by the pandemic through different channels: income loss, consumption, and service disruption (*Figure 1.1*). The pandemic has had a severe impact on labour income and wealth of EU households but support measures have cushioned the effects. There is a risk that the effects of the COVID-19 crisis on living and working conditions might undo and reverse pre-COVID-19 improvements. The pandemic may also have long term impact on health, including mental health. However, in the short run there are indications that the exceptional income support for the most vulnerable employment groups along with automatic stabilisers, i.e. tax-benefit systems, have cushioned the reduction in market income, notably for lower income households ([21]). This seems to have kept income inequality in check, at least during 2020. Coverage of (in-kind) benefits, in particular of those related to health, may play an important role in redistributing income, reducing poverty ([22]). However, this is not routinely measured at European level.

([19]) JRC (2020).

([20]) Among the reasons of vulnerability during the COVID-19 crisis: service disruption that hampered the search for support; difficulties for social workers to access the poorest; pre-existing difficult living conditions with negative consequences on health and mental well-being, home-schooling, and access to social benefits.

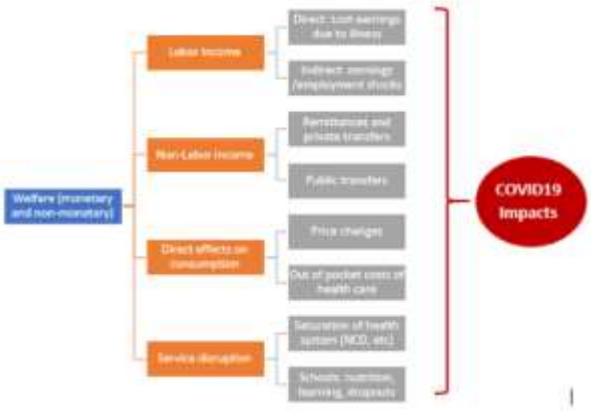
([21]) See Chapter 2.5 for country-specific simulations of disposable income inequality, with distributive insights for the five quintiles of the income distribution, in the absence of discretionary policies.

([22]) European Commission (2021b).

Figure 1.1

The poorest and most vulnerable risk suffering income loss and service disruption during the COVID-19 crisis

Main channels for short-term impacts of COVID-19 on welfare



Source: World Bank, April 202019, Poverty and Distributional Impacts of COVID-19: Potential Channels of Impact and Mitigating Policies. http://pubdocs.worldbank.org/en/980491587133615932/Poverty-and-distributional-impacts-of-COVID-19-and-policy-options.pdf

Click here to download figure.

4.1. Income trends: the COVID-19 crisis reversed income improvements observed until 2019

Before the fall in disposable income triggered by the COVID-19 outbreak, living standards of EU households were, on average, improving. In 2019 ([23]), an estimated number of 91.3 million people were living at risk of poverty or social exclusion (AROPE), which was 17.3 million fewer than at the peak of 2012. The improvement in the social situation was driven by a reduction in severe material deprivation, from 26.7 million people in 2018 to 23.8 million people in 2019. In parallel, median incomes increased in most Member States ([24]).

Severe losses in GDP per capita in all Member States

A sharp reduction in economic activity was observed in 2020 across EU Member States. The deepest recession that hit the EU since World War II led to a marked decline in GDP per capita in 2020 compared to 2019 in all EU Member States but Ireland. However, the magnitude of this contraction was heterogeneous across Member States (*Chart 1.19*). Spain and Hungary recorded a dramatic fall in GDP per capita by more than 10% compared with 2019; Czechia, Austria, and Italy saw their GDP per capita shrink by more than 7%. Only five Member States, including the Scandinavian countries, recorded

([23]) Note on the reference year: **EU-SILC data**, used in poverty and inequality indicators, reflect **incomes of the previous year** (except for Ireland where incomes refer to the interview period). However, in this document, **the reference year is the survey year and not the income year**. This choice is made for consistency with indicators commonly used: Eurostat indicators and most of EMPL monitoring tools and reports use the survey year. Moreover, AROPE combines AROP, VLWI (previous year) and SMD (survey year). **The 2019 reference year is based on EU-SILC 2019, which reflects the 2018 income year and activity status in 2018.**

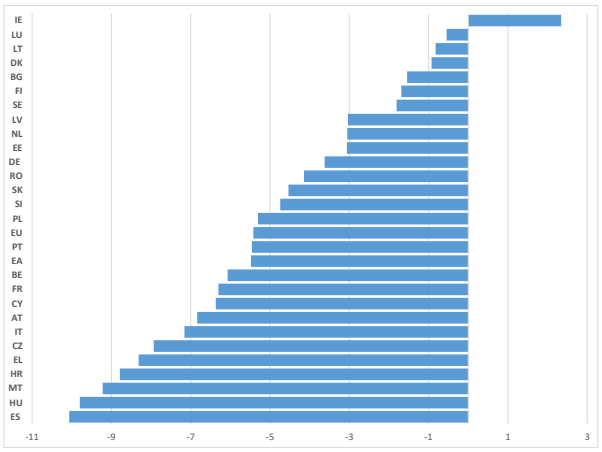
([24]) See *Box 1.3.*

a reduction in GDP inferior to 2% compared to the previous year (*Chart 1.19*) ([25]) .

Chart 1.19

Real GDP per capita fell sharply in all Member States

Real GDP per capita. Yearly reduction (%) 2019/2020



Note: The nominal GDP per capita converted into real values by deflating with the price-index of household final consumption expenditure [prc_hicp_aind]

Source: Eurostat: nama_10_pc and SGD_10_10

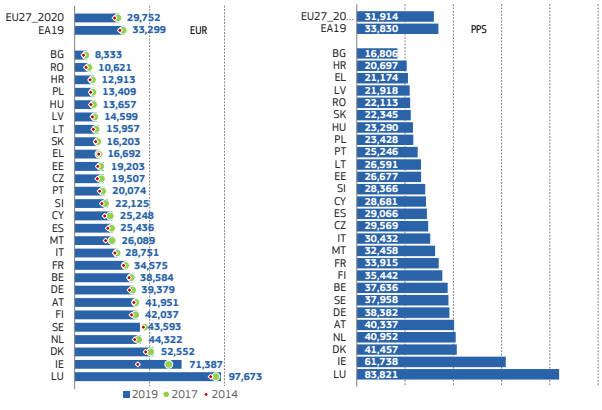
Click here to download chart.

This unprecedented loss in GDP per capita will partly undo, at least in the short run, the improvements recorded in all Member States, except Sweden, since 2013 (SDG 8, left panel, *Chart 1.20*). Moreover, differences in the levels of GDP per capita across countries remained pronounced, even correcting for purchasing power parities (right panel, *Chart 1.20*).

Chart 1.20

Real GDP per capita had been increasing in all Member States until 2019, although differences among them are persisting

Real GDP per capita (left - 2013, 2016 and 2019) and purchasing power adjusted GDP per capita (right - 2019)



Source: Eurostat: nama_10_pc and SDG_10_10.

Click here to download chart.

Heavy losses in household disposable income though discretionary income support policies mitigate them

Policy action helped cushion the impact of the reduction in GDP on disposable household incomes. Different factors helped to absorb part of the fall in GDP per capita on household disposable incomes. In the face of a steep reduction in GDP per capita, an exceptional policy response in terms of income support, via short time work schemes and similar measures mitigated the impact on disposable incomes.

Real gross disposable household income (GDHI) recorded the largest loss since data became available. In the second quarter of 2020 GDHI fell by almost 3% in comparison to the second quarter of 2019 (*Chart 1.21*). As non-essential activities were shut down and many non-teleworkable occupations could no longer be performed ([26]), the overall loss in compensation of the employees amounted to 5.8%. In parallel, net property income fell significantly, by 2.5%. However, net social benefits, including extraordinary wage compensations, increased by 4.8% and therefore helped to mitigate labour-income losses.

Signs of recovery in the gross disposable household income were already visible in the third quarter of 2020. As all Member States relaxed the restrictions in place in the third quarter, the year-on-year reduction in employees' compensation was much more contained than for the second quarter (-1.1%), while the income support of net social benefits remained robust (2.3% increase). Thus, GDHI in the third quarter rose by 2.7% compared to the third quarter in 2019. In addition, social benefits as well as income and wealth tax relief measures played an alleviating role on GDHI in the third quarter.

After the rebound in the third quarter, disposable household income recorded a slowdown in the fourth quarter of 2020. The restriction measures put in place in the fourth quarter of 2020 to curb the second wave of the pandemic led to limitations to economic activities. This resulted in a reduction in labour income (-0.5%). Nevertheless, net social transfers continued to exert a cushioning effect on disposable income also in this quarter leading to an overall increase in GDHI by 0.6% compared to the fourth quarter in 2019.

For the entire 2020, social protection expenditure is expected to increase markedly as a result of the COVID-19 crisis. Social protection expenditures played a major role in shielding households in a variety of policy domains. Although harmonised comparative data from ESSPROS to document this increase will only be available next year, the exceptional policy measures adopted to cushion employment losses and provide income support, coupled with pre-existing social policies, will result in a likely increase in the expenditure on unemployment, families, housing, and combating social exclusion (*Box 1.2*).

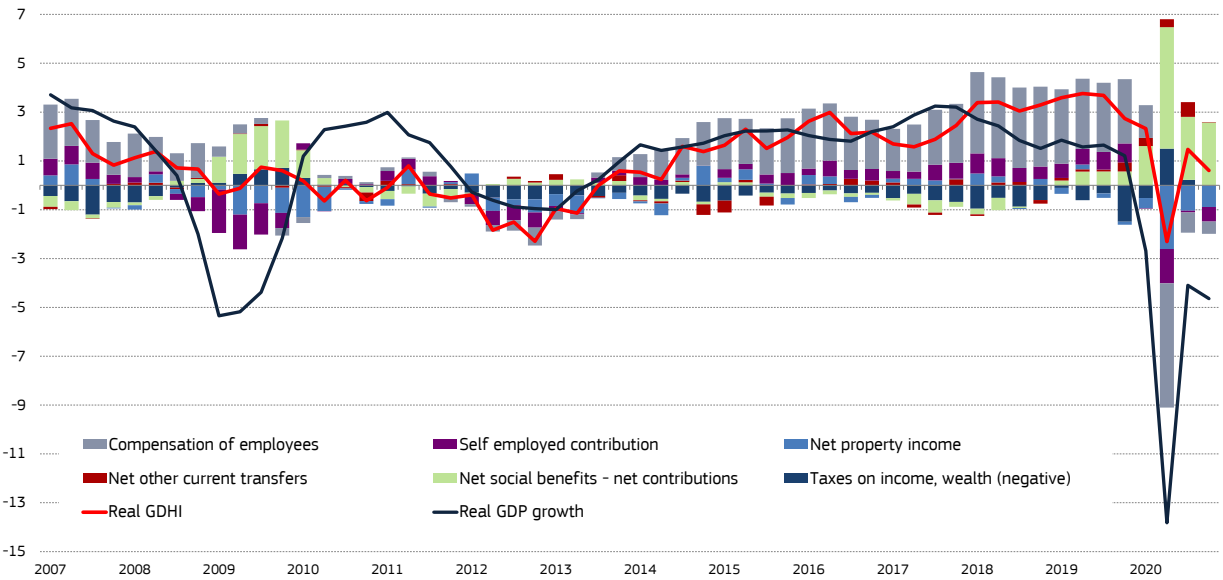
([25]) The ranking of EU Member States can slightly change with respect to *Chart 1.3* due to different population growth accounted for in the GDP per capita figure.

([26]) See European Commission (2020c) for an assessment of job losses for contact-intensive occupations.

Chart 1.21

In 2020 Q2 European households experienced a dramatic fall in disposable income

GDP and GDHI (% change on previous year), and contribution of GDHI components (pp), EU



Note: The nominal GDHI is converted into real GDHI by deflating 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, namq_10_gdp]; Data non-seasonally adjusted

Click here to download chart.

The estimated loss in disposable income would have been much higher in 2020 in the absence of discretionary policies. While harmonised microdata on income, living conditions, and wealth for all EU Member States in 2020 are not available yet, a number of studies have carried out simulations or launched ad-hoc surveys to shed light on income trends that help predict some short-term effects. Recent EUROMOD simulations look at the effect of discretionary policies, adopted both as wage compensation measures and tax-benefit reforms, against the baseline of no policy reform ([27]). These estimates show that the discretionary policies adopted in 2020 had a mitigating impact on disposable income in all Member States ([28]).

According to Eurostat flash estimates ([29]), AROP for population aged 18-64 remains stable at EU level in 2020 (+0.2%). For about half of the countries a moderate increase is estimated in the AROP 18-64, which is significant in Portugal, Greece, Spain, Italy, Ireland, Slovenia, Bulgaria, Austria and Sweden.

While the median employment income for workers is estimated to have decreased by 7.2%, the flash estimates show a slight increase for the median household income (+0.7%). It is important to note that losses in employment income are unequally spread between countries and particularly strong for the most vulnerable sub-groups of the working population. Both the overall losses and their skewed distribution are alleviated to a large extent by governmental measures and in particular short-term work schemes activated to address the Covid-19 economic challenges.

Furthermore, the evolution of inequality indicators in the EU is not exclusively related to the transitions experienced in the labour market. For the 65+ age group a consistent decrease in AROP is estimated, which is particularly evident in countries such as Bulgaria, Czechia, Estonia, Ireland, Cyprus and Sweden, where we see a decrease in AROP of over 2%. This effect might be due to the relative stability, or even growing trend, of pensions, which were protected against the labour shocks due to the crisis, as it occurred also during the 2008 financial crisis.

4.2. Inequality trends

The impact of the COVID-19 crisis on disposable income inequality depends very much on the policy response. Disposable income inequality is the result of market income inequality and the subsequent mitigation effect of taxes and benefits. Market income inequality ([30]) is produced in the labour and capital markets and is expected to rise as employment-related income losses have been concentrated among

([27]) See Chapter 2.5 for country-specific simulations of disposable income trends in 2020 in the absence of discretionary policies. These simulations provide a general indication of the joint effect of wage compensation policies on top of existing tax-benefit policies.

([28]) EUROMOD is used to simulate the impact of these discretionary policy measures exceptionally introduced or activated by national governments to address the Covid-19 economic challenges, in particular, policies to preserve jobs (wage compensation schemes) and income support to the self-employed .

([29]) All figures provided are part of the experimental statistics produced by Eurostat in the frame of advanced estimates on income inequality and poverty indicators. The results refer to the yearly change 2019-2020.

([30]) Market income sources are labour and capital income.

low-income households ([31]). However, the mitigation of income support policies might curb this rise in market inequalities.

The joint action of discretionary measures and automatic stabilisers may have managed to counter the increase in market income inequality. Most Member States had existing wage compensation schemes or adopted new ones to provide employees absent from work due to COVID-19 restrictions with monetary compensations. Moreover, in addition to these measures for workers, existing automatic stabilisers (tax-benefit systems) are expected to curb increasing market income inequalities – or at least those related to the initial shock. Indeed, the tax-benefit effect on market income inequality was highly redistributive already before the crisis, albeit heterogeneously across Member States (see *Box 1.2*).

Exceptional income support policies seem to have managed to offset or reverse the increase in disposable income inequality in 2020. According to the EUROMOD simulations presented in chapter 2, discretionary policy measures taken by EU Member States had a cushioning effect on disposable income inequality. They managed to offset or even reverse the inequality-increasing pattern of the COVID-19 crisis in 2020 in most EU countries ([32]). However, the degree to which the increase in inequality as a result of the crisis was contained seems to vary markedly across countries.

Recent ad-hoc surveys also document that automatic stabilisers and exceptional policy support have mitigated or even reversed the increase in market income inequality. Clark et al. (2021) assess the trend of disposable income inequality with ad-hoc income surveys administered in France, Germany, Italy, Spain and Sweden in 2020 ([33]). Two different time patterns emerge considering the countries surveyed. Inequality, as measured by the Gini index, increased in all Member States surveyed between January and May, while in September 2020 it returned to values lower than in January 2020 everywhere except for Germany. This drop in inequality may well reflect that the poorest households benefitted more from government support during the pandemic. A similar result is found by Raitano and Gallo for Italy with a microsimulation model ([34]).

However, the medium-term impact of the COVID-19 crisis on income inequality will depend on the degree of inclusiveness of the post-COVID-19 recovery. Moreover, financial and non-financial wealth inequality, whose trends are linked to trends in income inequality, seems to have worsened, although evidence in this respect from wealth microdata is not yet consolidated ([35]).

([31]) Eurostat (2020a).

([32]) See Chapter 2.5.

([33]) Clark et al. (2021).

([34]) Gallo and Raitano (2020).

([35]) OECD (forthcoming).

Box 1.2: Disposable income trends and income inequality before the COVID-19 crisis

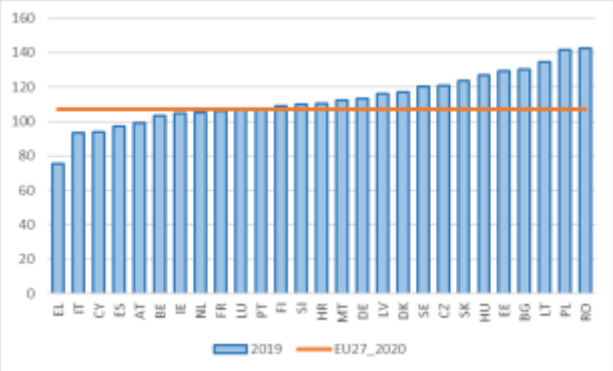
Disposable income per capita in 2019 had recovered from the previous crisis in most Member States

In 2019, the per capita disposable income of households ([1]) (GDHI per capita) maintained a rising trend (SDG 10). Most Member States recovered from the previous crisis with disposable income per capita well above the 2008 level. However, five Member States were still below their 2008 level (Chart 1). In particular, GDHI per capita in 2019 was approximately 24% less than in 2008 in Greece, 6% less in Italy and Cyprus, over 2% less in Spain, and just under 1% less in Austria.

Chart 1

GDHI per capita in 2019 in five Member States was not yet at 2008 levels

Gross disposable income of households in real terms per capita index (2008=100)



Note: Year 2019

Source: Eurostat, National Accounts [tepsr_wc310]

Aggregate disposable household income benefitted from higher income from work

Aggregate disposable income of households in the EU27 increased further in 2019. Gross disposable household income increased in real terms from a low point in 2012-2013. Household income continued to benefit from the expansion in economic activity and improved labour market conditions ([2]). In 2019, GDHI annual growth in real terms was almost 2% in the EU27 and 1.6% in the euro area.

Households in 2019 continued to benefit from higher income from work, while social benefits stabilised in recent years. The labour income of both employees and self-employed resumed its growth in 2014, mainly due to the recovery in the labour market, and has continued since then. At the aggregate level, households began to make higher social contributions as market incomes improved. After the EU27 balance of social contributions had stayed negative for a few years (2016-2019), it turned positive in 2019.

More social protection expenditure went towards old-age pensions and health needs

By 2018 (latest available data), social protection expenditure in the EU27 shifted to structural expenses (old-age pensions and healthcare, Chart 3). The increases in social benefits in the years 2013 to 2018 (Chart 2, left panel) were mainly due to further increases in spending on old age (driven partly by demographic factors) and on healthcare. By contrast, unemployment benefits stabilised after 2010 and were declining from 2014, as the economic environment improved over this period. Benefits for families, housing, and combating social exclusion increased slightly from 2013.

Between 2012 and 2018, expenditure on unemployment benefits declined in almost all Member States. As labour markets improved, unemployment benefits declined in Belgium, Cyprus, Greece, Denmark, Ireland, the Netherlands, Portugal and Spain (Chart 2, left panel). However in Greece, due to large crisis-related fiscal consolidations, old-age benefits decreased as well as sickness and disability benefits. Finland too spent less on sickness and disability, while six other Member States spent less on social exclusion.

([1]) Gross disposable household income (GDHI) is the amount of money that all individuals in the household sector have available for spending or saving after taxes, social contributions and benefits. The household sector is combined with non-profit institutions serving households (NPISH) under a single heading. The NPISH sector is relatively small. Yearly gross disposable income of households and adjusted gross disposable income of households in real terms per capita can be found on the Eurostat non-financial transactions database: nasa_10_nf_tr. Quarterly unadjusted and seasonally adjusted, gross disposable income of households and adjusted gross disposable income of households in real terms per capita are available on the Eurostat non-financial transactions database: nasq_10_nf_tr. EU and EA19 quarterly seasonally adjusted, adjusted gross disposable income of households in real terms per capita (% change on previous period) are available under nasq_10_ki.

([2]) See European Commission (2019, Chapter 1).

(Continued on the next page)

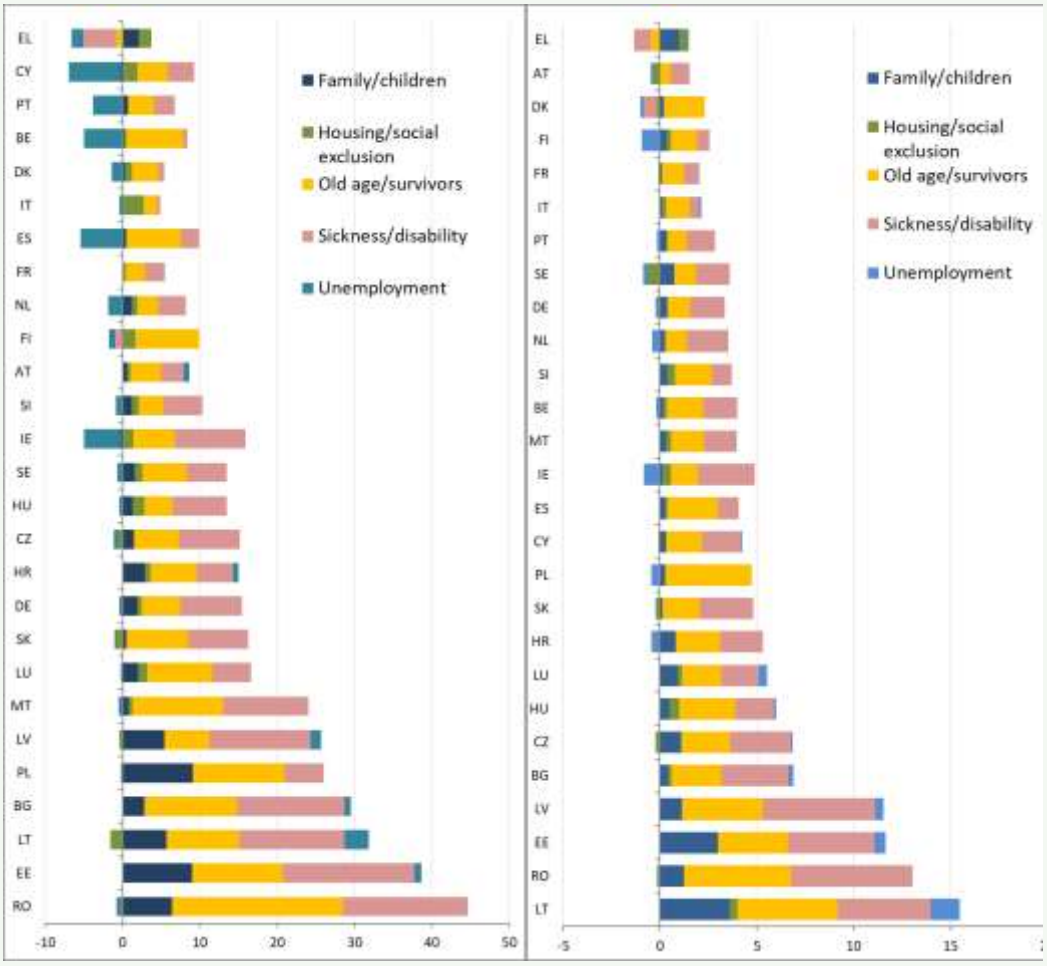
Box (continued)

More recent trends highlight that social protection expenditure continued to increase in nearly all Member States in 2018 compared to 2017. Benefits related to old-age pensions and survivors' pensions were strengthened in all Member States (partly reflecting demographic change) but Greece, where old-age benefits declined between 2017 and 2018 (Chart 2, right panel). Together with old-age, sickness and disability benefits contributed significantly to the overall growth in most Member States, with the exception of Greece, Denmark and to a lesser extent Poland, where benefits on sickness and disability declined (Chart 2, right panel).

Chart 2

Social protection expenditure increased in most Member States

Growth in social benefits in 2012-2018 (left) and in 2017-2018 (right) (% change, in real terms) and contribution (pps) by functions, EU Member States



Note: The nominal expenditure is converted into real expenditure by deflating with the Harmonized Index of Consumer Prices (HICP)..

Source: Eurostat, ESSPROS [spr_exp_sum] and Price Statistics [prc_hicp_aind]; DG EMPL calculations

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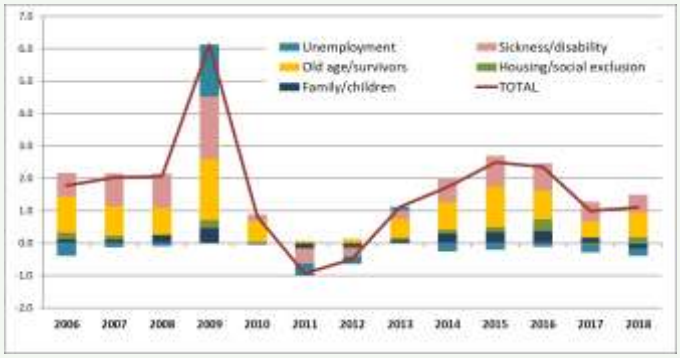
Box (continued)

Chart 3

Old-age pensions and health-related expenditure drive up social protection spending

Growth in social protection expenditure (% change on previous year, in real terms) and contribution by functions (pps), EU27



Note: The nominal expenditure is converted into real expenditure by deflating with the Harmonised Index of Consumer Prices (HICP).

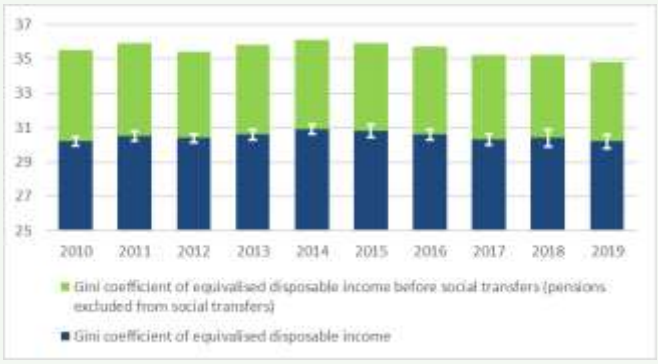
Source: Eurostat, ESSPROS [spr_exp_sum] and Price Statistics [prc_hicp_aind]; DG EMPL calculations

Income inequality was constant in most Member States with some signs of reduction

Chart 4

Income inequality in the EU27 before and after social transfers has been fairly stable over the last ten years

GINI coefficient before social transfers and GINI coefficient of disposable income, EU



Note: The Gini coefficient is an indicator with a value between 0 and 1 (0 to 100 in this chart). Lower values indicate higher equality. In theory, a value of 0 indicates that everybody has the same income while a value of 100 indicates that one person has all the income. Household income is equivalised to take into account household size and economies of scale. The year refers to the EU-SILC survey year; income measured is from the previous year. The confidence intervals may suggest that the yearly changes in the Gini coefficient may not always be statistically significant.

Source: Eurostat, EU-SILC [ilc_di12, ilc_di12c]

In 2019, disposable income inequality for the EU27 appears to have slightly decreased relative to 2018 (30.2 in 2019 compared with 30.4 in 2018) ([3]). Inequality at EU27 level, as measured by the Gini coefficient, increased between 2012 and 2014 and then decreased slightly every year (Chart 4) ([4]). The income quintile share ratio S80/S20 (SDG 10 and headline indicator of the Social Scoreboard) ([5]) indicates that the top quintile had an equivalised disposable income around five times higher than that of the lowest quintile in the EU27.

Progress in reducing income inequality varied across Member States, but social transfers mitigate it significantly

Income inequality varies largely across Member States. Income inequality in 2019, as measured by the S80/S20 ratio, ranged from slightly over 3.3 in the most egalitarian EU countries, i.e. Czechia, Slovakia and Slovenia, to much larger ratios in Romania and Bulgaria, respectively over 7.0 and 8.0. In turn, EU Member States experienced different income inequality trends in the years preceding 2019. In the comparison between 2012 and 2019, while some Member States experienced a statistically significant reduction in inequality, notably Slovakia, Ireland, Poland,

([3]) The reporting year in this chapter refers to the EU-SILC survey year, which measures the income of the previous year. The latest survey 2019 EU-SILC wave refers to income distributions in 2018, except for IE, where survey year coincides with income year. Household incomes are equivalised with the modified-OECD equivalence scale.

([4]) Unless specified otherwise, inequality indicators for the EU-27 are the population-weighted average of national inequality indicators.

([5]) The S80/S20 income quintile share ratio refers to the ratio of total equivalised disposable income received by the 20% of the country's population with the highest equivalised disposable income (top quintile) to that received by the 20% of the country's population with the lowest equivalised disposable income (lowest quintile).

(Continued on the next page)

Box (continued)

Croatia, Estonia, Greece and Portugal, in some others it significantly increased (in particular in Bulgaria, Lithuania, and Luxembourg, Chart 5) ([6]).

Chart 5

Trends in income inequality were heterogeneous across Member States

GINI coefficient before social transfers and GINI coefficient of disposable income, 2012/2019, EU Member States

Note: Confidence intervals for the 2019 Gini coefficients suggest that the changes in the Gini coefficients may not always be statistically significant. Standard errors obtained as in Zardo-Trindade and Goedemé (2016).

Source: Eurostat, EU-SILC [ilc_di12, ilc_di12c].

Focusing on shorter-term trends, after a slight decrease in 2016-2017, disposable income inequality was unchanged in 2018 and slightly decreased in 2019 in a number of Member States ([7]).

According to Eurostat flash estimates, inequality remained stable in the 2019 income year in almost all Member States. Flash estimates for the income year 2019, released as experimental data by Eurostat, indicate that no statistically significant change in the S80/S20, is observed between income years 2018 and 2019. This seems to hold in all Member States except Belgium and Sweden, where the S80/S80 ratio is likely to have increased ([8]).

The income share of the bottom 40% of the population (SDG 10) has been stable at around 21% in the EU since 2012 (21.4 in 2019, Chart 6). The trend has been similar in most Member States, although with some exceptions. The greatest decreases took place in Lithuania, Bulgaria, Luxembourg, Sweden and the Netherlands where the income share of the bottom 40% of the population was smaller in 2019 than in 2013, in line with the trends highlighted above with the Gini coefficients.

Income inequality would be much higher without the redistributive effects of transfers. These effects are measured by the difference between inequality of disposable income before and after social transfers ([9]). The extent to which redistribution had an effect on inequality, measured by the impact of social transfers other than pensions on income inequality (displayed by the green segments of the bars in Chart 7), differed across Member States. In 2019, social transfers reduced income inequality by more than 8 pp in Ireland, Denmark, Sweden and Finland compared to a much lower inequality reduction in Hungary, Italy, Latvia, Romania and Portugal (less than 3 pp).

([6]) Although Belgium seems to display a statistically significant reduction in income inequality, caution should be exercised in the time comparison. Indeed, there was a change in data source in 2019, i.e. administrative data were used to replace or complement survey information for some monetary variables.

([7]) Relatively stable short-time trends in inequality between 2017 and 2019 hold for both the Gini coefficient and the S80/S20 ratio.

([8]) See report on Flash Estimates by Eurostat http://ec.europa.eu/eurostat/web/experimental-statistics/income-inequality-and-poverty-indicators

([9]) Disposable income before social transfers include public and private pensions and take already into account taxes paid on income and wealth.

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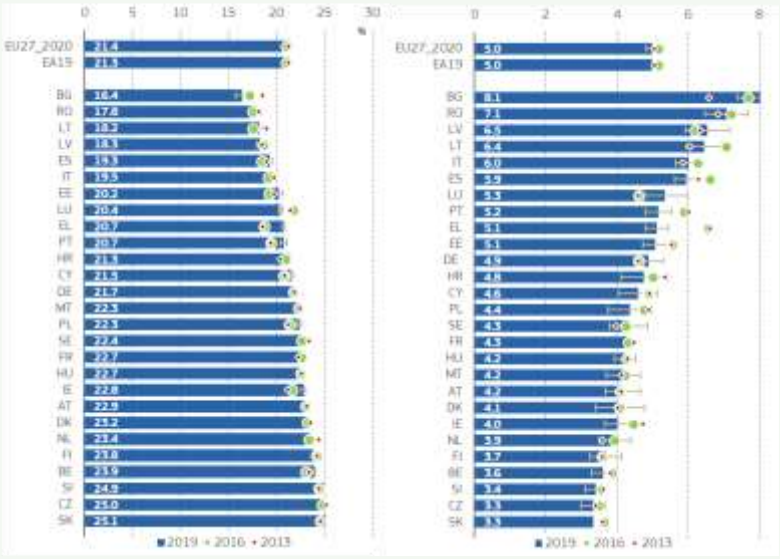
Box (continued)

Chart 6

The income received from the bottom 40% remained stable in 2019

Income share of the bottom 40 % of the population (left) and income quintile share ratio (S80/S20) (right)



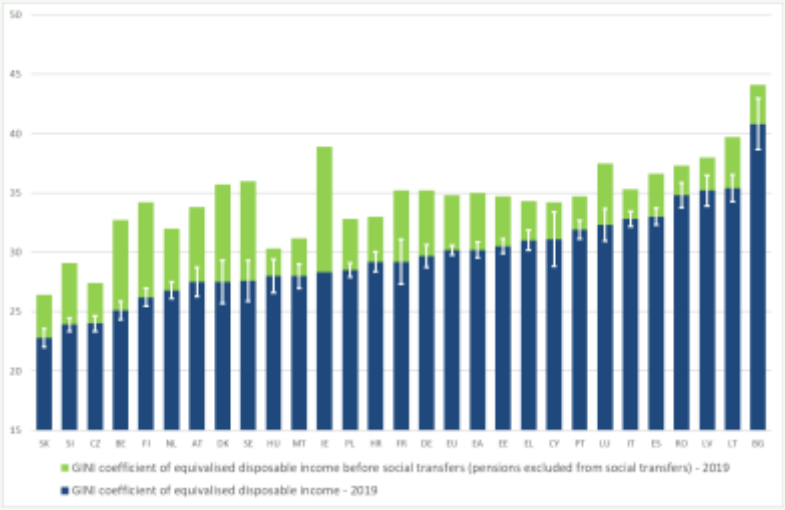
Note: Standard errors to compute the confidence intervals have been obtained as in Zardo-Trindade and Goedemé (2016).

Source: Eurostat, EU-SILC [ilc_di01, ilc_di11]

Chart 7

The impact of social transfers on inequality varies across Member States

GINI coefficient before social transfers and GINI coefficient of disposable income - 2019, EU Member States



Note: Green bars reflect redistributive effects transfers, measured by differences between inequality of disposable income before social transfers (the top of green bars) and disposable income (the top of blue bars). The white bars represent the confidence interval for the GINI coefficient of disposable income. Standard errors to compute the confidence intervals have been obtained as in Zardo-Trindade and Goedemé (2016).

Source: Eurostat, EU-SILC [ilc_di12, ilc_di12c]

4.3. The COVID-19 crisis is halting the improvements in the risk of poverty or social exclusion

The at-risk-of-poverty rate is likely to have slightly decreased in 2020. On the eve of the pandemic, the at-risk-of-poverty rates stayed stable for a large number of Member States in 2019 compared to 2018. Flash estimates for 2019 indicate that the risk of poverty significantly declined in five Member States (Spain, Cyprus, Germany, Greece and Romania) while it only increased significantly in two Member States (Slovenia and Sweden). While no microdata is available yet for 2020, based on the simulation for a selected number of countries presented in chapter 2, it is expected that the at-risk-of-poverty rate may have slightly declined ([36]).

([36]) The at-risk-of-poverty estimates presented in Chapter 2.5 show a reduction in the AROP rate for 2020 compared to a no-policy

Evidence from ad-hoc income surveys launched in 2020 for Germany, Italy, Spain, France and Sweden show that poverty rates increased on average in all countries from January to May 2020 and declined in September, albeit with a varying degree across these countries ([37]).

Due to the deterioration of the labour market in 2020, the probability of an increase in the very low work intensity rate is very high. Early indications of such an increase might come from a drop in employment rates, a decrease in the proportion of employees on temporary contracts, as a consequence of job losses, and the stark reduction in hours worked. In parallel, the labour market slack is on the rise ([38]). However, the 2020 outcome of low work intensity depends on the extent to which individual adverse employment effects affect household members differently.

In March 2021, the European Commission set a new EU-level target to reduce the number of people at risk of poverty or social exclusion by at least 15 million by 2030. It is one of the three new EU headline targets in the areas of employment, skills, and social inclusion ([39]) to be achieved by 2030 ([40]) as part of the European Pillar of Social Rights Action Plan ([41]). The three targets are:

- At least 78% of the population aged 20 to 64 in employment;
- At least 60% of all adults participating in training every year;
- A reduction of at least 15 million in the number of people at risk of poverty or social exclusion.

The Social Scoreboard, the key monitoring tool used in the European Semester for tracking Member States' trends and performance, was revised to cover the Pillar more extensively with an update of existing indicators and the integration of new information ([42]), alongside headline targets (*Box 1.5*). In the enlargement countries, the updated Social Scoreboard will be used in the Economic Reform Programme (ERP) process to monitor progress on the implementation of the Pillar.

scenario. This result is obtained with floating poverty lines, based on 2020 simulated incomes. Conversely, AROP rates are estimated to be rising when poverty lines anchored to 2019 are used to account for potentially lower median incomes in 2020.

([37]) Menta (2020). The risk of poverty is computed as the proportion of individuals under an anchored poverty line, i.e. 60% of the national median income in 2019. By September 2020, the risk of poverty returned to pre-COVID levels in France and Spain while in Italy, Germany and Sweden was still slightly higher than in January. These results are based on an ad-hoc income survey launched by the University of Luxembourg.

([38]) See Section 3.3 for more details.

([39]) Consistent with the UN Sustainable Development Goals.

([40]) Including with the contribution of research and innovation policies.

([41]) https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-action-plan_en

([42]) New headline indicators are :
Adult participation in learning during the last 12 months;
At-risk-of-poverty rate or exclusion for children (0—17);
Disability employment gap; and
Housing cost overburden.
The revised version will include 14 new secondary indicators (*Box 1.5*).

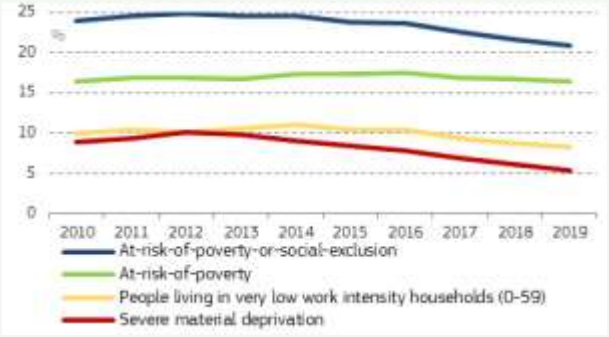
Box 1.3: Indicators of poverty before the COVID-19 crisis

Until the COVID-19 crisis, the number of people at risk of poverty or social exclusion in the EU continued to decrease. The Europe 2020 target of lifting 20 million people out of poverty in the EU (including the UK) by 2020 ([1]) from a 2008 baseline, turned out to be more challenging than expected. The effects of the prolonged financial and economic crisis led to a rise of AROPE by 6.4 million until 2012 (including UK), at which point the upward trend reversed. Nevertheless, thanks to a positive economic environment and greater efficacy in the antipoverty action of benefit schemes in a number of Member States, the number of people at risk of poverty or social exclusion by 2019 had fallen by 17.3 million in the EU27 ([2]) compared with the peak in 2012, and by 12.0 million compared with 2008 ([3]). In 2019 alone, the number of those at risk decreased by 3.4 million year-on-year, and further progress could have been expected to be made in 2020. The onset of the Covid-19 pandemic, however, constituting yet another deep crisis, presented a further challenge following the 2008 economic and financial crisis in meeting the Europe 2020 target. Thus, this target is likely unachievable, in spite of a strong policy response to mitigate the socio-economic impact of the crisis.

Chart 1

Risk of poverty and social exclusion continued to decline until 2019, mainly due to a decrease in severe material deprivation and very low work intensity

At-risk-of-poverty or social exclusion rate (AROPE), at-risk-of-poverty rate (AROP), severe material deprivation rate (SMD) (% of population), very low work intensity households (% of population aged 0-59), EU, 2010-2019



Note: The year refers to the EU-SILC survey year; income measured is from the previous year. AROPE, AROP: income from the previous year, SMD: current year. VLWI: status in the past year.

Source: Eurostat, EU-SILC [ilc_peps01, ilc_li02, ilc_mddd11 and, ilc_lvhl11].

The decline observed between 2012 and 2019 brought the share of people at risk of poverty and social exclusion down to 20.9%. This 4.0 pp drop compared with the peak value in 2012 (24.9%) was supported by increases in incomes stemming from the recovery in economic activity and improvements in labour markets. these improvements included a reduction in long-term unemployment and in youth exclusion, as well as an increased participation of older workers and women in the labour market. However, almost 91.3 million Europeans, including 69.4 million in the euro area, were still at risk of poverty or social exclusion in 2019.

Severe material deprivation ([4]) declined continuously from 2012 to 2019, indicating improvements in living standards (Chart 1). In 2019, 2.8 million fewer people were in severe material deprivation (SMD) than in 2018. The cumulative reduction from 2012 to 2019 was 20.8 million. This continuous and significant drop at EU level was driven mainly by strong decreases in a few Member States, i.e. Italy, Romania, Poland, Germany, and Spain. In 2019 the SMD rate stood at 5.5% (2.9 pp less than in 2015 and 4.7 pp less than in 2012). People with low income are more likely to be in SMD, especially in the first quintile of income (16.7%; 9.1 pp less than in 2012). The incidence of SMD for non-EU-born aged 18+ remains significantly higher than that of the EU-born or nationals (10.3% compared with 5.5% and 5.3%). The unemployed are another category at risk of being in SMD, with a rate of 21.1% compared with 3.3% for those in employment. Finally, people with severe activity limitations are at greater risk of being in SMD with a rate of 11.6% compared with 4.4% for those without limitations (population aged 16+). AROP rates may fail to take account of households which include a person with activity limitations and have an income level above the poverty line, but fall into SMD due to the higher expenses they face on account of the disabilities ([5]).

([1]) The target was set up for the EU with the UK included. The UK did not have a national target.

([2]) EU27 after Brexit (see previous footnote).

([3]) For the EU28 (UK included), the reduction over the period 2008-2019 was by 9.9 million.

([4]) Severely materially deprived (SMD) people have living conditions severely constrained by a lack of resources, i.e. they experience at least 4 out of the following 9 deprivations: they cannot afford i) to pay rent or utility bills, ii) to keep their home warm enough, iii) to face unexpected expenses, iv) to eat meat, fish, or a protein equivalent every second day, v) a week's holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV or ix) a telephone.

([5]) ISTAT (2019).

(Continued on the next page)

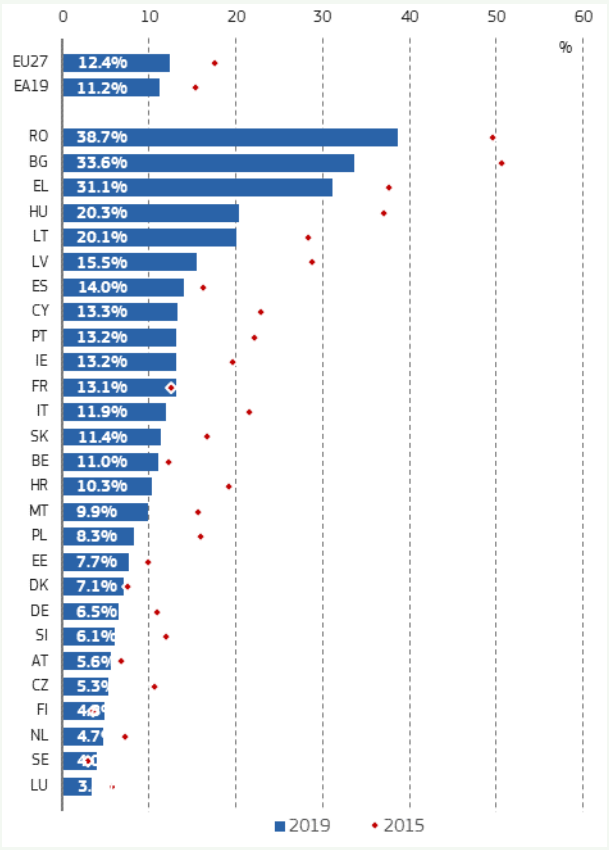
Box (continued)

In a similar vein, the number of people living in material and social deprivation ([6]) declined between 2014 ([7]) and 2019. According to Eurostat's new measure of deprivation that includes a social dimension, 12.4% of Europeans experienced a lack of resources to cover material needs and ensure social participation in 2019, down from 13.2% in 2018. However, despite strong decreases since 2015, Romania (38.7%), Bulgaria (33.6%) and Greece (31.1%) still have levels above 30% (Chart 2).

Chart 2

Material and social deprivation declined in most Member States between 2015 and 2019

Material and social deprivation rate (% of population), EU Member States, 2015-2019



Note: The year refers to the EU-SILC current survey year. Breaks in series: BE 2019, BG 2016, LU 2016, NL 2016, and SE 2015.

Source: Eurostat, EU SILC ilc_mdsd07.

In 2019, a recovery in the labour market led to a reduction in the number of people living in very low work intensity ([8]) households (Chart 3). The VLWI rate decreased from 8.8% in 2018 to 8.3% in 2019, meaning that around 1.7 million fewer people aged 0-59 were in quasi-jobless households. Households composed of a single person with or without dependent children seem to be in a particularly vulnerable situation, with respective 2019 rates of 19.5% (5.0 pp less than in 2012) and 19.0%, while the non-EU-born rate was at 13.3% (aged 18-59) and the rate for those with severe activity limitations (aged 16-59) was 37.6% (18.4% for people with some limitations).

The at-risk-of-poverty rate ([9]) (AROP) decreased slightly in 2019 (Chart 3). At EU level, the 2019 AROP rate ([10]) was 16.5% (-0.3 pp less than in 2018). Many Member States saw only minor changes, although Belgium ([11]), Germany, Ireland, Lithuania and Slovenia had decreases of more than 1 pp. This component of AROPE has followed a different pattern, due to its dependency on median income. Flash estimates ([12]) on income 2019 foresee an overall increase of the equivalised disposable income across the distribution for almost all countries. These estimated changes are supported by main trends in employment and in wages. The estimates show a slight significant increase of the AROP rate at EU level ([13]).

([6]) This is an alternative indicator for SDG 1. It means that people could not afford at least 5 out of the following 13 items: i) unexpected expenses, ii) one week annual holiday away from home, iii) avoid arrears (in mortgage, rent, utility bills and/or hire purchase instalments), iv) afford a meal with meat, chicken or fish, or vegetarian equivalent every second day, v) keep their home adequately warm, vi) a car/van for personal use, vii) replace worn-out furniture, viii) replace worn-out clothes, ix) have two pairs of properly fitting shoes, x) spend a small amount of money each week on him/herself ('pocket money'), xi) have regular leisure activities, xii) get together with friends/family for a drink/meal at least once a month, xiii) have an internet connection.

([7]) 2014 is the first year of measurement.

([8]) People living in households with very low work intensity (VLWI) are those aged 0-59 living in households where the adults (aged 18-59, excluding students aged 18-24) worked not more than 20% of their total work potential during the past year.

([9]) People at risk of poverty (AROP) have an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers).

([10]) Income reference period 2018.

([11]) Belgium had a break in series in 2019, which impacted the results.

([12]) Eurostat (2020b).

([13]) Trends in AROP depend on the evolution of the median income against which the at-risk-of-poverty lines are fixed. EUROMOD simulations estimate an increase in the at-risk-of-poverty rate by 1.7 pp when assessed against an anchored pre-crisis poverty line. The increase is estimated to be smaller when accounting for the fall in the poverty line as a result of the crisis (Almeyda et al. 2020).

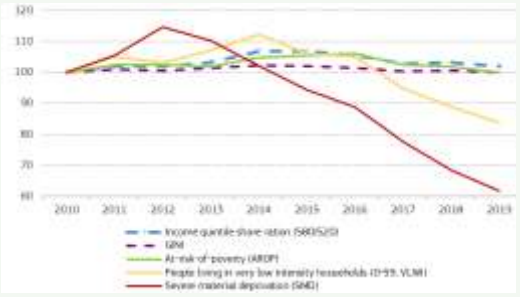
(Continued on the next page)

Box (continued)

Chart 3

Living standards have improved since 2012 despite persistent poverty and inequality

At-risk-of-poverty rate, severe material deprivation rate, people living in households with very low work intensity (rate), Gini coefficient of equivalised disposable income and income quintile share ratio (S80/S20) (Index 2010=100), EU, 2010-2019



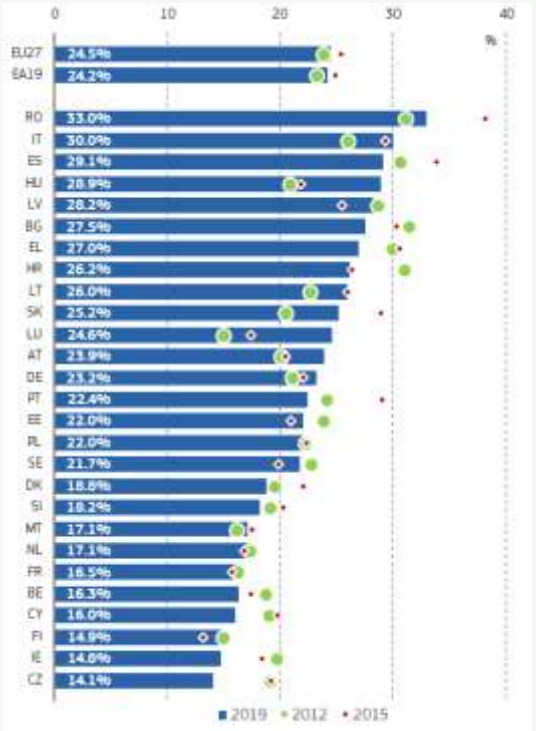
Note: The year refers to the EU-SILC survey year; reference year for income is the previous year.

Source: Eurostat, EU SILC [ilc_li02, ilc_mddd11, ilc_lvhl11, ilc_di12, ilc_di04]; DG EMPL calculations.

Chart 5

Relative median at-risk-of-poverty gap show large differences in intensity of poverty across the EU

Relative median at-risk-of-poverty gap, 2012-2019



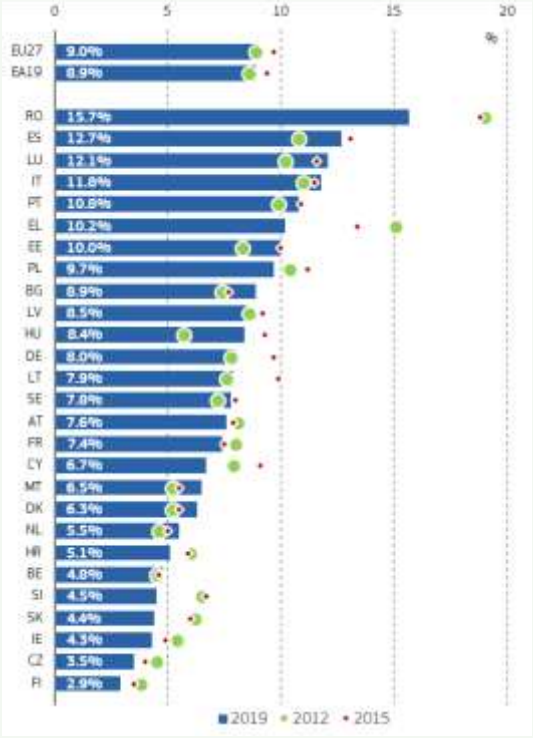
Note: The relative median at-risk-of-poverty gap is calculated as the difference between the median equivalised disposable income of people below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold itself, expressed as a percentage of the at-risk-of-poverty threshold (cut-off point: 60% of national median equivalised disposable income).

Source: Eurostat, dataset: ilc_li11 and table sdg_10_30.

Chart 4

Despite the protective effect of work against poverty, many workers remain at risk

In-work at-risk-of-poverty rate (% of population), 2012-2019



Note: Workers are at risk of poverty if their equivalised disposable income is below the risk-of-poverty threshold, set at 60% of the national median equivalised disposable income (after social transfers).

Source: Eurostat, dataset: ilc_iw01 and table sdg_01_41.

In a majority of Member States, the 2019 at-risk-of-poverty rates (AROP) were lower than in 2018. In 19 countries the AROP rate declined, with marked improvements for Lithuania, Ireland, and Belgium, which recorded an AROP reduction of over 1.5 pp. Of the 8 Member States in which the AROP rate did not decline, only in Luxembourg, Sweden, Poland, and Bulgaria did it increase by over 0.5 pp.

Despite the protective effect of work, many workers are still below the AROP threshold (Chart 4). This was the situation for 9.0% of EU workers in 2019; a drop of 0.7 pp since 2015. Over the period 2015-2019, Greece (-3.2 pp), Romania (-3.1 pp), Cyprus (-2.4 pp), and Slovenia (-2.2 pp) saw their proportions of workers at risk of monetary poverty reduce by more than 2.0 pp. The in-work poverty rate is significantly higher for non-EU born than for natives, particularly in Spain, Luxembourg, France, Sweden, Belgium, Cyprus, Italy, Greece, Denmark, the Netherlands, and Austria.

At EU level in 2019, the median income of people living below the AROP threshold was 24.5% lower than the threshold itself (Chart 5). The relative median at-risk-of-poverty gap is a measure of the intensity of poverty, but does not provide information about the distribution of income below the AROP threshold. In Romania, the median income of people at risk of poverty was 33.0% below the AROP threshold. By contrast, the median income of people at risk of poverty was only 14.1% lower than the AROP threshold in Czechia.

(Continued on the next page)

Box (continued)

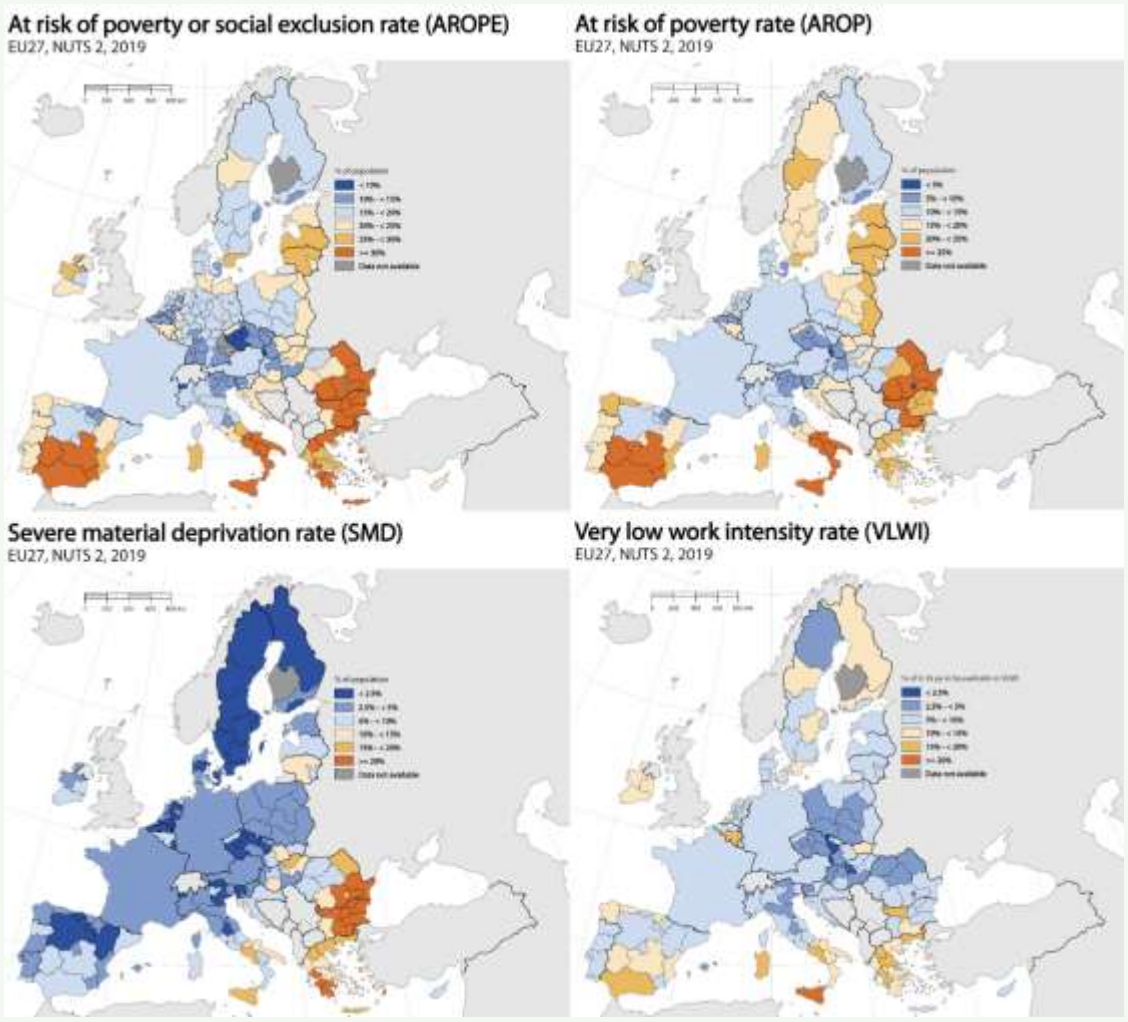
Large disparities in poverty and social exclusion pre-existed across EU regions

Large regional disparities remained in the at-risk-of-poverty-or-social-exclusion rate (AROPE) despite improvements between 2012 and 2019 in most Member States. The three components of the AROPE indicator have different geographical patterns. The at-risk-of-poverty rate (AROP) is the highest in southern Spain, southern Italy, eastern Romania and Bulgaria, as well as in eastern Poland, the Baltic States, some regions of Greece and Sweden, but to a lesser extent. Severe material deprivation (SMD) is concentred in eastern Romania, Bulgaria, and Greece, on top of some other regions. The proportion of people aged 0-59 living in households with very low work intensity (VLWI) is higher in Greece, southern Italy, southern Spain, southern Belgium, Ireland and some Scandinavian regions. European regions with a high share of people living in households at risk of poverty or social exclusion do not have the same challenges, some of them being affected more by low work intensity, while others face monetary poverty or material deprivation issues. (See Chapter 3 for further developments on inequalities at territorial level).

Chart 6

Components of AROPE (AROP, SMD and VLWI) have different geographical patterns

At-risk-of-poverty-or-social-exclusion rate, at-risk-of-poverty rate, severe material deprivation rate (% of population), very low work intensity rate (% of population aged 0-59 living households in VLWI), EU Member States, NUTS 2 level, 2019



Note: AROPE combines AROP, SMD and VLWI. The sum of components do not equal to the level of AROPE, because components overlap in AROPE.
The year refers to the EU-SILC survey year. AROP refers to the income year previous to the survey year.
AROPE, AROP, SMD: % of population; VLWI: % of population aged 0-59 living in households with VLWI.
NUTS 2 level, except for BE and PL (NUTS 1), DE, EE, FR, HR, CY, LV, LU, AT and MT (NUTS 0). DE at NUTS 2 for AROPE rates.

Source: Eurostat, EU-SILC, ilc_mddd21, ilc_lvhl21, ilc_li41 and ilc_peps11.
Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat Cartography: Eurostat – IMAGE, 06/2021

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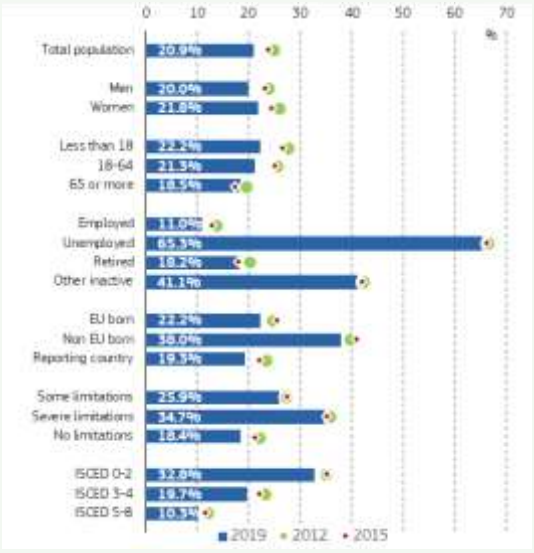
Box (continued)

Higher risk of poverty or social exclusion for vulnerable groups

Chart 7

The unemployed, inactive, non-EU-born, low-educated, and those with severe activity limitations are at high risk of poverty or social exclusion

AROPE by gender, age, labour status, country of birth, highest education level and activity limitations, 2012-2019



Note: By gender and age: total population.
By labour status and country of birth: population aged 18+.
By activity limitation: population aged 16+.
ISCED 0-2: Less than primary, primary and lower secondary education; ISCED 3-4: Upper secondary education and post-secondary non-tertiary education; ISCED 5-8: Tertiary education.

Source: Eurostat, datasets: ilc_peps01, ilc_peps02, ilc_peps04, ilc_peps06 and hlth_dpe010

Although almost all groups have experienced an improvement since 2012, some remain more at risk of poverty or exclusion. In 2019 the AROPE rate for the unemployed was 65.3% and inactive people other than pensioners had a rate of 41.1% (Chart 7). Work provided a certain protection against poverty but not a full one: employed people had an at-risk-of-poverty-or-social-exclusion rate of 11.0% and 9.0% of workers being below the monetary at-risk-of-poverty line (Chart 7 and Chart 4). Others at very high risk of poverty or social exclusion included people born outside the EU (38.0%), as well as people reporting activity limitations ([14]) in their daily lives, especially severe limitations (34.7%), and low-educated people (32.8%) (Chart 7). For non-EU-born people, the gains recorded in employment were only partially translated into a reduction of their AROPE rate. Decreases have been seen in Member States where the rate was previously very high (Belgium, Bulgaria, Denmark, Italy, Spain) but the rate has further increased in France, the Netherlands, Austria, and Sweden ([15]).

([14]) Activity limitation is a dimension of health/disability capturing long-standing limitations in performing usual activities (due to health problems). In EU-SILC, one question instrument – the Global Activity Limitation Instrument (GALI) - assesses the presence of long-standing activity limitations, asking 'For at least the past 6 months, to what extent have you been limited because of a health problem in activities people usually do? Would you say you have been ... severely limited / limited but not severely or / not limited at all?'

([15]) Only Member States where the non-EU-born represent a sizeable part of the population are mentioned (Eurostat, EU-SILC, [ilc_peps06]).

Higher social costs for vulnerable groups

Some population groups were already exposed to higher risks before the crisis. Among the vulnerable groups, notably people with disabilities, people with a minority racial or ethnic background such as migrants or Roma tend to find themselves at a disadvantage in the labour market and with regards to access to public services ([43]). Some may end up being excluded from access to housing and struggle to find employment, depriving societies of their full potential. In turn, accessing services remotely can be difficult and in the current crisis is also affecting older people, youth and some population in rural and remote areas with inadequate digital infrastructure. The inclusion in educational systems and in employment and the access to social services of those who are in a condition of disadvantage ([44]), as recognised in the European Pillar of Social Rights, is a key condition to ensure an inclusive recovery.

People with disabilities were more vulnerable to service disruption due to the lockdown, impacting at the same time their informal

([43]) See Box 1.3.

([44]) Principle 3 of the European Pillar of Social Rights: 'Regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, everyone has the right to equal treatment and opportunities regarding employment, social protection, education, and access to goods and services available to the public. Equal opportunities of under-represented groups shall be fostered.' And Principle 20: 'Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need.' https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

carers. Progress was made in the provision of care, and support for people with disabilities increased from the first lockdown to the second one ([45]). However, the situation remained unstable due to several challenges increasing the risk of discontinuity, in particular the financial stability of the sector (higher costs, lower income) and the accentuated staff shortages (higher absenteeism, staff departures, sick leave, and mental health difficulties) ([46]). Social and lifestyle habits, mental wellbeing and physical activity of people with disability were also impacted ([47]) alongside an increase in vulnerability to the virus (See Chapter 2 for further developments).

For informal carers, the disruption of health and social services, physical school closures and the confinement measures largely adopted across the EU led to an increase in the number of hours dedicated to care provision. Some of the informal caregivers started to provide care as a result of the lockdown measures. The outbreak of the pandemic negatively impacted informal caregivers in many aspects of their life, such as employment status, social participation, quality of life, access to health and social services and health status, including mental health. In a context of reduced support from health and social services or from family, friends and neighbours, the burden was heavier than before the pandemic, with an increase in the average of weekly hours of informal care provided and an intensification of the various care activities ([48]). This burden increased more for women – the majority of the caregivers – than men and in general the impact of the pandemic was more severe for female caregivers. While informal carers received some support from public or private professionals and were mainly supported by other informal carers in their private circle, most of them did not feel sufficiently supported, with consequences on employment. Caregivers reported difficulties to reconcile their paid work and their caring duties and had to use flexible working arrangements or leaves, which might have had, in some cases, a negative impact on income ([49]).

The deterioration in young people's mental well-being was more pronounced among those affected by a severe disruption in learning and working. A global survey on youth and COVID-19 found that young people whose education or work was either disrupted or stopped were almost twice as likely to be affected by anxiety or depression as those for whom it had not. Young people reported a limitation of their freedom of movement and of their social and political rights due to the measures taken during the pandemic ([50]). Young people were one of the groups impacted harder by the labour market deterioration as they are overrepresented among workers on temporary contracts (Section 3). Together with other initiatives of the European Commission, the recently adopted Reinforced Youth Guarantee is expected to help mitigate the impact of the crisis on young people ([51]).

Healthcare and long-term care and the reduction in social relations were of particular concern for the older population ([52]). Older people – among others – were affected by postponements and cancellations of COVID-19-unrelated medical appointments due to containment measures. The proportion of people reporting very good, good or fair health status was stable, as it was for depressive symptoms. However, in the hardest-hit countries, anxiety, loneliness, or sleep problems were more frequently reported, in particular for people taking multiple medicines ([53]) or chronically ill. Social relationships strongly focused on the nuclear family ([54]), with children helping their parents more regularly. Social contacts ([55]) were reduced, likely having negative impact on psychological wellbeing, since findings indicate the positive influence of social networks and face-to-face contact on personal wellbeing, contrary to electronic interaction ([56]). People not living in large urban areas were less depressed, especially those that were not living in single houses. The presence of a partner or other relatives in the same dwelling, or having children living very close, was a protective factor against mental and physical health

([45]) Exact periods differ across countries and therefore cannot be specified with precision.

([46]) EASPD (2020).

([47]) Lebrasseur, A and al. (2021).

([48]) Care activities cover emotional support, remote communication, practical help in person, care coordination and support and help with transportation.

([49]) EuroCarers (2021).

([50]) European Youth Forum (2020).

([51]) The reinforced Youth Guarantee, a part of the Youth Employment Support package, was adopted in October 2020 as the natural successor of the Youth Guarantee (April 2013). Member States committed to ensure that all young people under the age of 30 receive a good quality offer of employment, continued education, apprenticeship, or traineeship within a period of four months of becoming unemployed or leaving education. The reinforced Youth Guarantee steps up the comprehensive job support available to young people across the EU, now reaching out to a broader target group of 15 to 29 year-olds (previously 15-24 year-olds), at the same time as focusing on the activation of the hardest-to-reach – who may have been facing multiple obstacles for years – through tailored, individualised approaches. The Recommendation is backed up by significant EU financing under NextGenerationEU and the long-term EU budget.

European Education Area, the Digital Education Action Plan, EU equality strategies are other relevant initiatives of the European Commission that mitigate the impact of the crisis on youth.

([52]) See European Commission (2021c) for an extensive discussion of how the COVID-19 crisis has strongly affected long-term care systems, adding evidence to the urgency of strengthening them.

([53]) Indicator of multimorbidity. Multimorbidity is the coexistence of multiple health conditions in an individual.

([54]) Nuclear family can be defined as 'a group of people who are united by ties of partnership and parenthood and consisting of a pair of adults and their socially recognised children'. (Encyclopaedia Britannica).

([55]) Contacts with family, friends or neighbours, social activities like culture and sport, shopping, etc.

([56]) Digitalisation of services and products have an impact on the elderly that should be taken into account.

deterioration ([57]). Older people living in institutions were severely impacted by the crisis and concerns were also raised about their rights ([58]).

Poverty, poor housing conditions and overrepresentation of people with migrant background in contact-intensive jobs led them to a higher risk of COVID-19 infection. Multiple vulnerabilities are documented for the non-EU born population, especially disadvantaged labour market positions (poorer employment conditions, discrimination, work in sectors hardest hit by the pandemic, etc.) and worse living conditions than the overall population. On the education side, due to less supportive learning environment for children at home – and sometimes difficulties in speaking the host-country language – physical school closures and distance-learning measures disadvantaged children of immigrants. They are also more at risk of poverty and consequently of not having access to adequate IT equipment, an internet connection at home, or to have a quiet place to study, which are necessary to follow online lessons in good conditions ([59]). On the health side, evidence also starts to emerge of low COVID-19 vaccination rates in some migrant and ethnic minority groups in the EU and in general in disadvantaged groups of population.

Marginalised and segregated minorities suffered more than before from social exclusion and poverty. Findings from a report by the Fundamental Rights Agency ([60]) suggest that the measures taken against the pandemic disproportionately impacted marginalised and socially excluded Roma and Travellers. These groups are particularly sensitive to rapid negative changes in the labour market, since they are more engaged in precarious or informal work – the latter making it impossible to claim support and social benefits put in place to protect against income losses. Street vendors or travelling traders were not allowed to work due to lockdowns. At the same time, their lack of formal registration limited their access to welfare services. Without access – or with insufficient access – to the Internet or to IT equipment, many children from these minorities were unable to follow lessons online. They are more likely to live in inadequate housing conditions, thus increasing their risk of COVID-19 infection and making the enactment of stay-at-home measures more challenging.

Due to their living conditions, the homeless ([61]) were at higher risk of COVID-19 infection, while the lockdown hampered their access to hygiene and isolation spaces. Homeless have higher risk of poor health ([62]) or disability, and consequently with an increased likelihood of being seriously affected by the virus. Access to healthcare by the homeless is limited in usual times and the lockdown amplified their difficulties. Support and services were prone to experience disruption or instability. A lack in protective equipment, sanitation products, and testing materials was reported by shelters. Access to usual food supplies, washing facilities, safe places to stay, and services in general were negatively impacted by confinement measures. The homeless were required to follow restriction rules, even if they were not in a position to do so. They were more likely to suffer from isolation. At the same time vulnerable groups and informal workers were more likely to lose their income and become at risk of homelessness ([63]).

Social inequalities and living conditions are elements to take into account when establishing lockdown measures and mitigation policies. These developments show the importance of ensuring that the pandemic will not contribute to an increase in inequalities in the long run. The European Centre for Disease Prevention and Control (ECDC) has provided guidance to Member States, EEA countries and United Kingdom for the protection of medically and socially vulnerable groups ([64]) in July 2020.

Gender inequalities exacerbated by the crisis

The pandemic highlighted and reinforced long-standing gender inequalities ([65]). Women are over-represented in non-standard forms of work (self-employed, temporary, part-time workers and informal workers) and the hardest-hit sectors such as retail, accommodation, residential care activities, activities of households as employers of domestic personnel, or manufacturing of clothing apparel ([66]). However, in the whole economy, employment losses have not been greater among women than among men (*Section 3.1*) and the gender employment gap even slightly declined. Women constituted the majority of frontline workers ([67]) in healthcare. While the unpaid care burden increased for both women and men due to the physical closure of schools, childcare and other care services, alongside a decrease in informal help from family members, women continued to take on the

([57]) SHARE-COVID19 (2021).

([58]) To better monitor that everyone has the right to affordable long-term care services of good quality [European Pillar of Social Rights - Principle 18], comparative data is needed on affordability, social protection coverage and quality. Although progress is being made in developing common EU indicators on long-term care, important data gaps remain (AGE Platform Europe, 2020).

([59]) OECD (2020) and European Commission (2020a).

([60]) Fundamental Rights Agency Report (2020).

([61]) People sleeping rough or in temporary accommodation, including emergency accommodation.

([62]) With an especially high prevalence of respiratory disease.

([63]) FEANTSA (2020) and Chapter 2 for further developments.

([64]) https://www.ecdc.europa.eu/en/publications-data/guidance-medically-and-socially-vulnerable-populations-covid-19

([65]) European Parliament, FEMM Committee (2020) and EIGE (2021a).

([66]) See Section 3 and Chapter 2 for further developments.

([67]) 76 % of healthcare workers in the EU are women (LFS, 2020). Healthcare activities are defined as "the provision of health and social work activities. Activities include a wide range of activities, starting from health care provided by trained medical professionals in hospitals and other facilities, over residential care activities that still involve a degree of health care activities to social work activities without any involvement of health care professionals." (NACE rev. 2 classification).

largest share of caring responsibilities. In particular, many women faced serious challenges in balancing work and private life. COVID-19 confinement measures contributed to the spread of teleworking. A higher share of women than men are in teleworkable occupations, which may have helped many women to remain in employment despite the increase in caring duties. While telework could be an opportunity for gender equality, giving men the possibility to take over more housekeeping and care tasks at home, it is a challenge to the extent it may reinforce conventional gender roles ([68]). An intersectional approach shows that some groups of women living in situations of increased disadvantages relative to others faced a 'double-burden': intersectional inequalities were particularly high for low-income women, ageing women and single mothers ([69]).

Both mental and physical health of women have been impacted by specific factors. Recent research suggests that women's mental health was more strongly affected by the pandemic than men's mental health ([70]). Data show a spike in violence against girls and women ([71]), amplified by stress and psychological distress due to confinement measures, deteriorating socioeconomic situations, and job losses. Health services specific to women were impacted by disruption (like maternity care and contraception supply) or restricted (like abortion provision which was sometimes classified as non-essential ([72]).

Childcare facilities and schools were impacted by service disruptions, leading to an increase in duties for parents. Women spent more hours per week caring for children, especially single mothers with children under 12, compared with parents in other types of households. Online schooling solutions in primary and secondary education were not found to be satisfactory by most Europeans and the families' overall life satisfaction was lower than in households without children. This constitutes a reversal of the pre-crisis situation, suggesting a deterioration in the mental health of families, perhaps as a consequence of increased childcare and educational duties falling to parents ([73]).

4.4. Healthcare and ageing

COVID-19 has exposed latent health system fragilities that existed before the outbreak. In 2020 the virus spread rapidly across the EU, with Spain, France, and Italy each reporting over one million COVID-19 confirmed cases as of the end of 2020. The high number of cases led to excess mortality (*Chart 1.17*) but also to hospital saturation risks and an overall overload of our sanitary and social care systems. In this context, the costs of building more resilient health systems are low in comparison with the significant economic consequences of failing to do so ([74]), even if the risk of a health crisis will never disappear entirely. Older people have been more exposed to the risk of death or suffering a serious form of COVID-19, as they are likely to have previously developed illnesses and existing co-morbidities ([75]). Age is the first explanatory factor of death or long-term effects of COVID-19; indeed, among other factors, population age-structure is a key reason for the significant impact of the pandemic on Europe.

COVID-induced mortality reversed past longevity improvements and mortality reductions in old age. However, this trend is likely to be temporary since the losses are mainly due to deaths of older people and the life expectancy of younger cohorts should not be affected to a large extent. Life expectancy at birth declined in 2020 compared to 2019 in most of EU countries, both for men and women (*Chart 1.22*). Some studies found that those reductions, unprecedented in their global nature, were mostly attributable to an increased mortality in people aged over 60 years and in particular linked to identified COVID-19 deaths including in many EU countries for which there is available evidence ([76]). In general, life expectancy losses were highest for men than women in the EU. For the total population, the highest losses were recorded in Bulgaria (-1.5 years), Spain (-1.6 years), Lithuania, Poland and Romania (-1.4 years). Cyprus, Denmark, Finland and Latvia were the only EU countries to record no change or a small increase (+0.1 years). While the younger population is found to be at significantly lower risk of severe health risks and death from COVID-19, they may face significant longer-term effects ('long COVID-19'), for which little scientific knowledge is currently available.

([68]) EIGE (2021a).

([69]) See European Parliament, FEMM Committee (2021) for further analysis.

([70]) Maksimovic and al. (2021).

([71]) According to the World Health Organisation (WHO) - Europe, Member States are reporting up to a 60% increase in emergency calls by women subjected to violence by their intimate partners in April 2020, compared to the same month in 2019. https://www.euro.who.int/en/about-us/regional-director/statements-and-speeches/2020/statement-during-covid-19-pandemic,-violence-remains-preventable,-not-inevitable
See also EIGE (2021b) and European Parliament, FEMM Committee (2021).

([72]) The European Parliament (FEMM Committee) published a series of document on access to abortion services for women in the EU and the impact of the service disruption during the pandemic in this area. See https://www.europarl.europa.eu/committees/en/femm/supporting-analyses/latest-documents

([73]) Eurofound (2021). Results presented in this report are based on data from the EU survey on Income and Living Conditions (EU-SILC) and Eurofound's Living, working and COVID-19 e-survey, which was carried out to capture the implications of the pandemic on the way people live and work.

([74]) OECD and European Union (2020).

([75]) Due to close contacts, the risk was also higher for people living in old age homes and long-term care facilities.

([76]) Aburto and al. (2021).

Chart 1.22

Most of EU countries experienced life expectancy losses from 2019 to 2020

Changes in life expectancy at birth in years from 2019 to 2020 by sex

Note: Countries are sorted from largest losses to largest increases for men. No data for IE. Only data for total population for DE (-0.2 years). Data are provisional estimates.

Source: Eurostat, dataset: DEMO_MLEXPEC. EMPL calculations.

Click here to download chart.

Access to health care in COVID-19 times

Most EU countries have achieved universal coverage for a core set of health services, which is crucial to deal effectively with the COVID-19 pandemic. However, the range of services covered and the degree of cost-sharing vary substantially. Effective access to different types of care can also be restricted because of shortages of health workers, long waiting times or long travel distances to the closest health care facility. Only a small share of the population reported unmet needs for health care in most EU countries in 2019. Still, this proportion was nearly five times higher among low-income households than high income households across the EU as a whole. Further, the affordability of health services can be restricted when they involve high out-of-pocket payments. On average across EU countries, around one fifth of all health spending is paid out-of-pocket by households, but this proportion exceeds more than one third in Latvia, Bulgaria, Greece and Malta. In general, countries that have a high share of out-of-pocket spending also have a higher proportion of the population facing substantial out-of-pocket payments for health services, particularly among low-income groups ([77]).

Older people are more likely to live in rural areas that often suffer from a low provision of services. In combination with a greater risk of reduced mobility, illness or social exclusion, this situation can lead to health and social difficulties. In the EU in 2019, 22.1% of the 90.4 million people aged 65 years or more were living in predominantly rural regions, 39.7% in intermediate regions and 38.2% in predominantly urban regions ([78]). Living in rural areas can hamper access to health services. During the pandemic the proximity of health facilities and the availability and accessibility of intensive care units were severely reduced. However, in rural areas, due to a lower population density, social distancing was easier and the pandemic hit those regions to a lower extent. At the same time, many residential facilities, like old age homes or long-term care facilities, were strongly affected by the virus.

The COVID-19 pandemic stretched the resources of health systems. It highlighted the shortages of health workers in many countries, and the need for mechanisms to mobilise human resources quickly in times of crisis. The timing of lockdown measures was crucial at the beginning of the outbreak, since early measures restrained the rise in the number of cases ([79]). One of the many consequences of the rising number of cases and the consequent limitation of face-to-face care following confinement measures, was the implementation of a range of remote services delivered through digital means.

Availability and access to intensive care units (ICU) were key during the health crisis. The geographical access and the overall availability of ICU beds vary largely among EU countries. For example, in Germany there are 33.9 ICU beds per 100 000 inhabitants, compared with 7.8 in Ireland. Next to performant public health systems, beds in intensive care units were an important resource during the pandemic, but other types of beds were also mobilised. In 2018, 2.4 million hospital beds were available across all Member States ([80]), comprising mostly curative beds (almost three quarters), followed by beds for rehabilitative care, then by beds for long-term care and beds for other purposes ([81]).

([77]) OECD and European Union. (2020).

([78]) Eurostat (2020c).

([79]) Rocks and Idriss (2020).

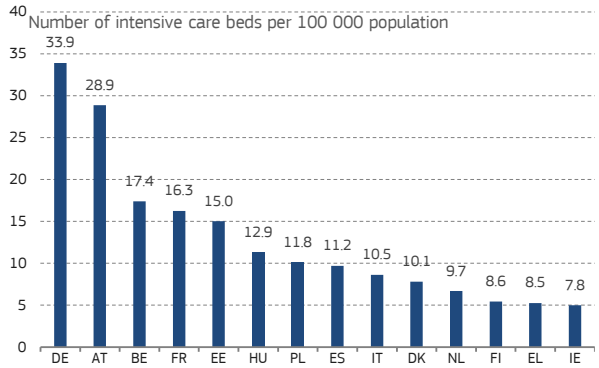
([80]) Eurostat, Healthcare resource statistics – beds, https://ec.europa.eu/eurostat/statistics-explained/index.php/Healthcare_resource_statistics_-_beds

([81]) Psychiatric care beds are included in the different categories of beds (curative, rehabilitative, long-term care, and other).

Chart 1.23

Huge variations in intensive care capacity

Intensive care capacity – ICU beds before the COVID-19 crisis, latest year available



Note: There may be differences in the notion of intensive care affecting the comparability of the data. Data refer only to adults in Belgium and Ireland, and to all ages in Germany and Spain. Data in France exclude beds in constant monitoring units and paediatric ICUs.

Source: Adapted from OECD (2020)
German Federal Statistical Office, Austrian Ministry of Health, Belgian Ministry of Health, French Ministry of Health, Hungarian National Health Insurance Fund, Polish Ministry of Health, Spanish Ministry of Health, Italy: (Remuzzi and Remuzzi, 2020[46]), Danish Society of Anesthesiology and Intensive Medicine, Dutch Intensive Care Society, Irish Department of Health.
DK: 2014; DE, ES: 2017; AT, FR, HU, NL: 2018; BE, EE, PL, FI, EL, IE: 2019; IT: 2020.

Click here to download chart.

On average, 538 hospital beds per 100 000 inhabitants were available in 2018, Germany recording the highest number (800 beds per 100 000 inhabitants), while Ireland ([82]), Spain, Denmark and Sweden had less than 300 beds per 100 000 inhabitants. Over the period 2013-2018, the number of hospital beds decreased by 2.5% in the EU ([83]). The situation was similar in most EU countries, with the largest contractions in the number of hospital beds recorded in Sweden, the Netherlands ([84]) (note that there is a break in the series), Lithuania, Denmark, and Finland. The number of hospital beds increased modestly in Spain, Romania, and Malta, and more rapidly in Bulgaria and Ireland ([85]). These changes can be analysed in relation to changes in the average duration of stay or increase in private hospital beds.

Many European governments have implemented policies to boost surge capacity in response to the pressure on hospitals, and particularly on ICU beds. For example, in Estonia, France, Hungary, Italy, Romania, Slovenia and Spain the military helped create field hospitals. Most European countries converted general purpose and other clinical wards into ICU wards. In addition, many countries postponed elective surgery to free up a maximum amount of hospital beds to deal with the pandemic.

The pressure on hospitals caused delays in providing services not related to COVID-19. Waiting times for elective surgery ([86]), which were on the rise even before the pandemic, are likely to increase further, as many elective surgeries were postponed in many countries. Furthermore, disruptions to cancer care have also been evident. Delays in cancer diagnoses and treatments are very likely to increase mortality due to cancer ([87]). The emerging evidence points to the risks of not giving sufficient weight to non-COVID 19 health care needs, resulting in urgent health problems remaining undiagnosed and exacerbated chronic illnesses.

Physicians and nursing staff were at the frontline of the fight against the pandemic. In 2018, there were approximately 1.7 million practising physicians in the EU-27 ([88]) and among them approximately 330 000 general practitioners. In the EU, Greece recorded the highest number physicians per 100 000 inhabitants (610 physicians licensed to practise), followed by Austria (524 practising physicians), Portugal (515 physicians licensed to practise), Finland (465 physicians licensed to practise), and Lithuania (460 practising physicians) ([89]). By contrast, there were fewer than 300 practising physicians per 100 000 inhabitants in Luxembourg and Poland (298 and 238 physicians per 100 000 inhabitants, respectively, in 2017). This ratio increased in all EU countries between 2013 and 2018. In the majority of EU countries, more than 50% of physicians were employed in hospitals ([90]). In 2019 the share of nurses and midwives in the total workforce was 2.2% in the EU-27, ranging from 3.4% in Germany to 1.1% in Bulgaria. 11 EU countries recorded shares of nurses and midwives of 1.5% or less in their total employment. In total, 4.45 million nurses and midwives (both professional and assistant) were employed in the EU in 2019, half a million more than in 2012 ([91]).

([82]) Other than psychiatric care beds, beds in the private health sector excluded.

([83]) To increase efficiency and reduce waiting times for selected procedures, in recent years many EU countries have shifted some medical services from inpatient to day care settings. High occupancy rates of curative (acute) care beds can be the sign of the pressure on the hospital sector, leading to potential bed shortages during a health crisis, like the COVID-19 pandemic. However, on the other hand, low occupancy rates point to underuse of hospital resources. There is no consensus about the "optimal" occupancy rate, but 85% is often seen as the highest occupancy rate to reduce the risk of bed shortages when a sudden increase in need for admissions happens (OECD and European Union (2020)).

([84]) Break in series.

([85]) Break in series.

([86]) Elective surgery or elective is surgery that is scheduled in advance because it does not involve a medical emergency.

([87]) OECD and European Union (2020).

([88]) Practising physicians are the ones providing services directly to patients. The figures include generalist and specialist practitioners. 2017 data for Luxembourg, Poland and Sweden; data for Slovakia refers to professionally active physicians; data for Greece, Portugal and Finland refers to physicians who are licensed to practise. The number of physicians licensed to practice is higher than the number of practising physicians.

([89]) Greece, Portugal and Finland: physicians licensed to practise. This figure stands higher than the real number of practising physicians.

([90]) Eurostat (2021), *Healthcare personnel statistics – physicians*, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Healthcare_personnel_statistics_-_physicians

([91]) Eurostat (2020), *Number of nurses and midwives on the rise*, https://ec.europa.eu/eurostat/web/products-eurostat-news/-/edn-20200512-1

Many countries have sought to mobilise additional staff quickly during the pandemic, often by recalling inactive and retired health professionals and mobilising students in medical, nursing and other health education programmes nearing the completion of their studies. Some countries were also able to redeploy some of the staff from less affected regions to those that were more affected. The exceptional workload and psychological drain on health professionals led to a considerable mental health burden, with possible long-term effects for their well-being.

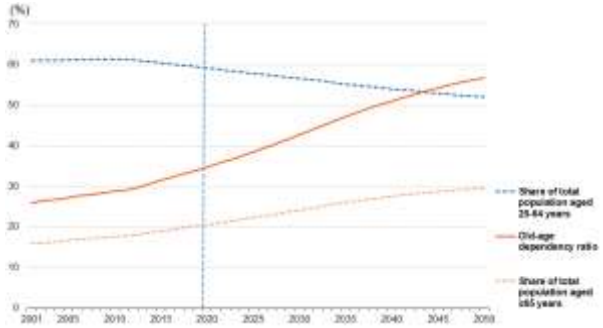
Ageing: a rapid transformation of society

Population projections for the near future foresee a further acceleration in the ageing of society, with an increase in the number and share of the eldest. This trend must be linked to both low fertility rates and an increase in life expectancy, which started to change the EU population structure several decades ago. Eurostat's projections, based on 2019 data, hypothesise that the number of people aged 65 years or more will reach 129.8 million by 2050 in the EU – an increase of 39.3 million (43.4%) from 90.5 million in 2019. The fastest growing group is expected to be the very old (aged 85 years or more). Their relative size will more than double (+113.9% by 2050, with 26.8 million people), and within this group, the number of centenarians is projected to grow close to half a million ([92]).

Chart 1.24

The old-age dependency ratio is projected to more than double over the period 2019-2050xxx

Population structure indicators, EU-27, 2001-2050 (%)



Note: Old-age dependency ratio = Number of people aged 65 years or more divided by the number of people aged 20-64 years, expressed as a percentage.
2008, 2010-2012, 2014-2015 and 2017: breaks in series. 2020-2050: population according to the 2019 Eurostat's projections, baseline variant (EUROPOP2019).

Source: Eurostat, dataset: demo_pjanind and proj_19ndbi. Ageing Europe - statistics on population developments (2020), https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Ageing_Europe_-_statistics_on_population_developments

Click here to download chart.

The ageing of European society raises questions about the sustainability and adequacy of our social security systems ([93]). In the timespan of 50 years, the ratio between people aged 65 years or more and those aged 20-64 (otherwise referred to as the 'old-age dependency ratio') is projected to rise from 34.1% in 2019 to 56.7% by 2050, meaning that there will be fewer than two persons of working age for each older person (*Chart 1.24*). The EU is the region of the world with the highest share of older people, besides Japan. Although this rapid ageing poses many challenges to the EU due, the silver economy can also offer opportunities.

([92]) Eurostat (2021).
Eurostat (2020c).

([93]) This issue was discussed in the previous editions of the ESDE annual review; in particular:
2020 edition, Chapter 3, Section 3 on inclusive growth;
2019 edition, Chapter 2, Section 4 on social sustainability and Chapter 4, Section 4 on investing in long-term care;
2017 edition, Chapter 2 on Intergenerational fairness and solidarity.
https://ec.europa.eu/social/main.jsp?catId=113#ESDE

Box 1.4: Life expectancy, subjective health and unmet need for medical care before the COVID-19 crisis

Life expectancy and subjective health

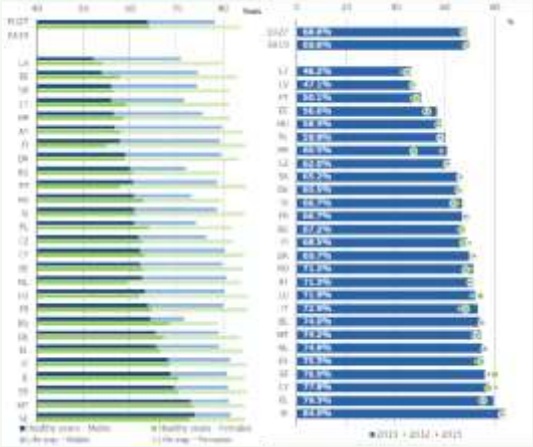
Older people are in greater need of medical and long-term care than the general population, and are less often in good health. The difference between healthy life years and life expectancy in the EU was 14.3 years for men and 18.9 years for women in 2019 (Chart 1). In general, women have an advantage in life expectancy over men, with a favourable difference of 5.5 years. Lithuania has the widest gap (9.6 years), and the Netherlands, the smallest (3.1 years). In most EU Member States, the female life expectancy is 80 years or higher. The differences are greater in countries with a lower life expectancy. These gaps tend to disappear when looking at the healthy life years (+0.9 years for women).

In most EU countries, perceived health indicators improved slightly before the pandemic. 68.6% of the population reported to be in good or very good health, ranging from 46.2% in Latvia to 84% in Ireland. This percentage drops to 40.4% for people aged 65 years and more.

Chart 1

Healthy life years are not automatically correlated to life expectancy at birth

Healthy life years and life expectancy at birth by sex in 2019 (left) and share of people with good or very good perceived health in 2012-2019 (right), EU



Note: Eurostat calculates information relating to healthy life years at birth using mortality statistics and data on self-perceived long-standing activity limitations. Mortality data come from Eurostat's demographic database, while self-perceived long-standing activity limitations data come from EU-SILC.
Information on self-perceived long-standing limitations in usual activities due to health problems is collected through the question 'For at least the past six months, to what extent have you been limited because of a health problem in activities people usually do? Would you say you have been: severely limited / limited but not severely / not limited at all?'

Source: Eurostat, dataset: hlth_hlye and SDG_03_20 / HLTH_SILC_10.

Unmet needs for medical care and health inequalities

Unmet needs for medical care decreased in most EU countries in 2019, although the health crisis will likely reverse this trend temporarily. Though the situation improved in many Member States and the overall level in the EU was low in 2019 (1.7%), the levels of unmet need for medical care due to costs, distance or waiting lists are concerning in some countries – especially in Estonia, where it has deteriorated (Chart 2). For older people (65+), the level of unmet need is slightly higher, at 2.5%. Health inequalities are particularly striking among older persons, as shown by the difference in outcomes and in unmet needs by income groups (Chart 3).

Many people in need of long-term care may not be able to access it. There are several reasons: lack of formal services and availability of beds, financial reasons, etc. Affordability is one of the main barriers. More than one third of households who need long-term care, without using professional homecare services, report financial reasons for this. Others might chose informal care by preference. On average in the EU, only one third of the people aged 65 or more with severe difficulty with personal care or household activities used homecare services in 2014. Those people might rely on informal care or have unmet care needs ([1]).

At EU level, the share of people aged 65 years or more reporting good or very good health is at 40.4%. In this age group, the difference between the first income quintile and the wealthiest one is 24.8 pp in favour of the latter (Chart 3). In 2019, the gap varied between 39.5 pp in Czechia to 13.6 pp in Luxembourg: a lower gap, though still very significant. 2.5% of people aged 65 or more reported unmet needs for medical care due to financial reasons, a waiting list, or distance. In many countries, this share is low and the inequalities across income groups are smaller than 2.0 pp. In other countries, however, the gaps between the poorest and the wealthiest are more concerning, most notably in Romania and Greece. The situation in Estonia should be highlighted too: the level of unmet need is high, standing at 17.8%, and is reported more often by those in the last quintile of income (23%) than in the first (17.0%). Lithuania is another country where the difference is in favour of the poorest.

([1]) European Commission (2021a).

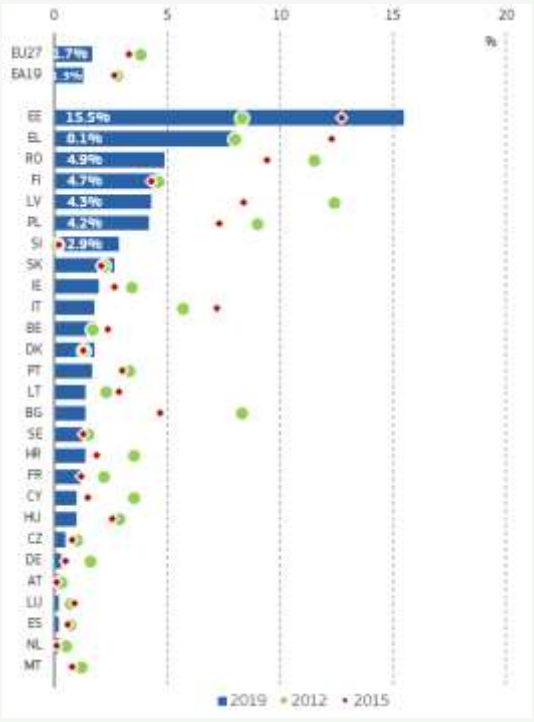
(Continued on the next page)

Box (continued)

Chart 2

Unmet needs for medical care decreased in most EU countries

Self-reported unmet need for medical care, EU27, 2012-2019



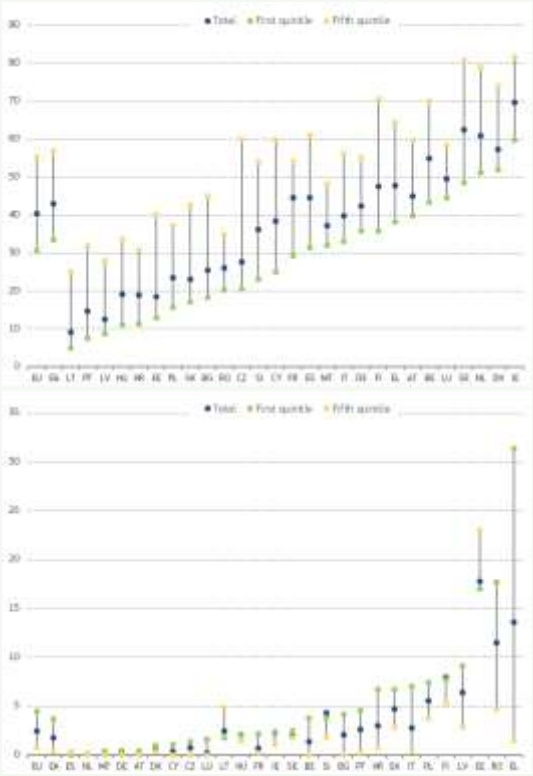
Note: Percentage of population aged 16 and over. The indicator measures the share of the population aged 16 and over reporting unmet needs for medical care due to one of the following reasons: 'Financial reasons', 'Waiting list' and 'Too far to travel' (all three categories are cumulated). Self-reported unmet needs concern a person's own assessment of whether he or she needed medical examination or treatment (dental care excluded), but did not have it or did not seek it.

Source: Eurostat, dataset: hlth_silc_08 and table sdg_03_60.

Chart 3

Substantial health inequalities at old age

Share of people aged 65 years or more with good or very good perceived health (top) and with unmet needs for medical care (bottom), by income quartile in 2019, EU



Note: Unmet need for medical care: The indicator measures the share of the population aged 16 and over reporting unmet needs for medical care due to one of the following reasons: 'Financial reasons', 'Waiting list' and 'Too far to travel' (all three categories are cumulated). Self-reported unmet needs concern a person's own assessment of whether he or she needed medical examination or treatment (dental care excluded), but did not have it or did not seek it.

Source: Eurostat, datasets: HLTH_SILC_10 (top) and HLTH_SILC_08 (bottom).

4.5. Energy poverty and housing conditions

Income losses during the COVID-19 crisis have likely impacted people's ability to cover housing-related expenses, among which those related to the ability to keep one's home warm are among the most relevant. The latest EU-SILC data show that countries differ in the evolution of indicators of energy poverty between 2012 and 2019 (*Chart 1.25*). The percentage of the population unable to satisfy heating needs ([94]) has been falling sharply (by 5 pp or more) in Bulgaria, Malta, Latvia, Italy, Cyprus, Hungary, Poland, Greece, Portugal, Lithuania and Romania (*Chart 1.25*). In the EU, 18.2% of people at risk of poverty were affected (compared with 4.6% for people living in households on 60% or more of the median equivalised income).

Arrears in the payment of utility bills decreased by 1 pp or more in 20 countries since 2012, especially in Romania, Hungary, Croatia and Latvia (*Chart 1.25*). However, the levels are still particularly high in Greece (32.5%) and in Bulgaria (27.6%). In 2019 in the EU, 14.9% of the people living in a household at risk of poverty had arrears on utility bills, compared to 4.5% of those living in the other households. Large families with dependent children or single parents were also more likely to have arrears on utility bills.

The most vulnerable people are less likely to live in an adequate environment and may have suffered more from the obligation to stay at home. For those who have experienced income losses despite the governmental mitigation measures broadly adopted across the EU, paying bills and rent on time became a greater challenge. Long-standing

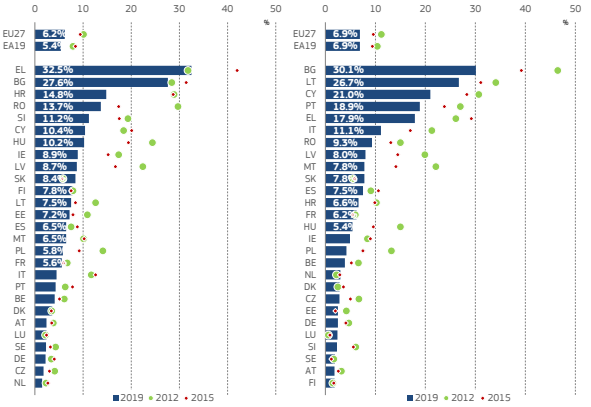
([94]) Similarly, households may face difficulties in keeping their dwellings cool during heatwaves too if the building insulation is not efficient enough or if their housing conditions are maladapted to the local climate. The increasing number of heatwaves and the heat island effect in urban areas will have a higher impact in the future due to climate change. People confined in apartments during the COVID-19 crisis may have suffered from heat, especially the most vulnerable, who have a higher probability of living in poor conditions.

marginalised and segregated communities, such as ethnic Roma, were hit hard by the pandemic and their situation is expected to worsen in regards to housing ([95]).

Chart 1.25

Indicators of energy poverty: positive evolution trends in most countries

Population unable to keep home adequately warm (right) and with arrears on utility bills (left), 2012-2019



Source: Eurostat, dataset: ilc_mdes01, ilc_mdes07 and table sdg_07_60.

Click here to download chart.

Almost 1 in 8 citizens in the EU were living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor in 2019. This situation affected 31.1% of the population in Cyprus, and had not improved since 2012. In the EU as a whole, the rate has fallen slightly since 2015, from 15.3% to 12.7% (*Chart 1.26*). Coupled with other measures of housing deprivation (no bath or shower and no indoor toilet, or a dwelling considered too dark) as well as overcrowding, it is estimated that 4.0% of Europeans were in a situation of severe housing deprivation ([96]). The rate was much higher than this in some countries, particularly Romania (14.2%) and Latvia (12.7%), despite their national rates decreasing (*Chart 1.26*).

Despite a decrease of 3.6 pp since 2012, severe housing deprivation is still highest for people in the lowest income quintile, standing at 8.8% in 2019. Large families (2 adults with three or more dependent children) as well as single-parent families were also at higher risk; their respective rates were 9.6% and 6.5%. Of children below the age of 18, 6.0% were in severe housing deprivation (down 2.2 pp from 2012). According to the 2019 Social Scoreboard, the severe housing deprivation rate in the EU was higher on average for tenants renting at market price (5.5%) than for owner-occupiers. This affected 9.5% of people below the poverty line, compared with 2.9% for those above.

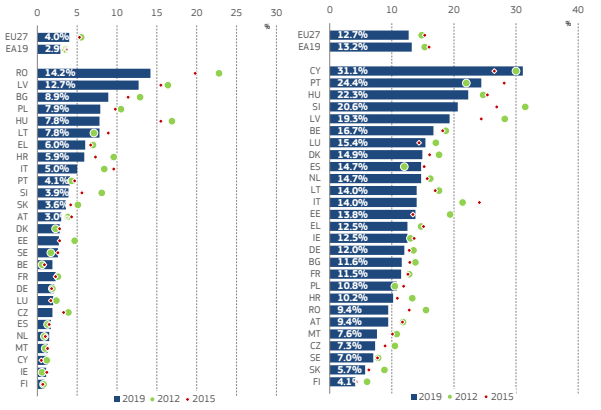
([95]) See Commission (2020c).

([96]) Alternative indicator for SDG 1.

Chart 1.26

Lower severe housing deprivation rates despite high levels of population living in a defective dwelling

Severe housing deprivation rate (left) and population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor (right), 2012-2019



Note: Severe housing deprivation rate is defined as the percentage of the population living in a dwelling considered to be overcrowded, while also exhibiting at least one of the housing deprivation measures.
Housing deprivation is a measure of poor amenities and is calculated by referring to those households with a leaking roof, lack of bath or shower, or indoor toilet, or a dwelling considered too dark.

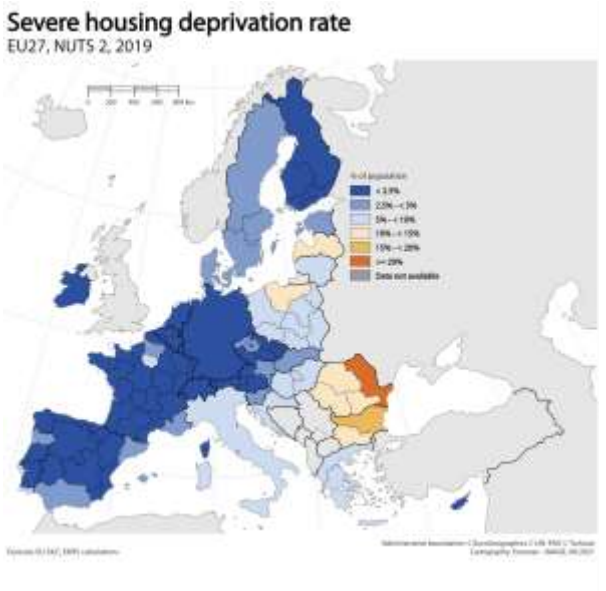
Source: Eurostat, dataset: ilc_mdho06a, ilc_mdho01 and table sdg_01_60.

Click here to download chart.

Chart 1.27

Severe housing deprivation is mostly concentrated in Eastern Europe and the Baltic States

Severe housing deprivation rate at NUTS 2 level, 2019



Note: Severe housing deprivation rate is defined as the percentage of the population living in a dwelling considered to be overcrowded, while also exhibiting at least one of the housing deprivation measures.
Housing deprivation is a measure of poor amenities and is calculated by referring to those households with a leaking roof, no bath or shower and no indoor toilet, or a dwelling considered too dark.

Source: Eurostat, EU-SILC, EMPL calculations.

Click here to download chart.

The highest rates of severe housing deprivation were recorded in some regions of Romania, Bulgaria, Latvia and Poland. Most of the regions in Germany, Spain, France, Portugal, Benelux, Finland and Czechia recorded rates below 2.5%, while most of regions in countries Italy, Greece, Croatia, Hungary and Poland had rates between 5% and 10%.

Box 1.5: Updated Social Scoreboard

The European Pillar of Social Rights, signed as an inter-institutional Proclamation by the European Parliament, the Council, and the Commission on 17 November 2017, remains the European social compass throughout the recovery as well as for the green and digital transitions. It identifies principles and rights in three areas:

- equal opportunities;
- fair working conditions; and
- social protection and inclusion.

The Pillar is accompanied by the 'Social Scoreboard', which monitors the implementation of the Pillar by tracking trends and performances across EU countries and feeds into the European Semester of economic policy coordination.

With the Action Plan for the implementation of the European Pillar of Social Rights, adopted in March 2021, the Commission proposed a revised Social Scoreboard. It will help to monitor the actions and policy priorities proposed to implement the Pillar principles, and support EU's efforts towards a strong Social Europe by 2030. The headline indicators of the revised Scoreboard were endorsed by the 14 June 2021 meeting of Employment, Social Policy, Health and Consumer Affairs Council, while negotiation on the use of the secondary Scoreboard indicators will continue in autumn 2021.

The updated Social Scoreboard is as follows (new or updated indicators are marked with **):

	Headline indicators	***Secondary indicators***	***SDG***
Equal opportunities	Adult participation in learning during the last 12 months** Share of early leavers from education and training Individuals' level of digital skills Youth NEET rate (15-29) Gender employment gap Income quintile ratio (S80/S20)	Tertiary education attainment Underachievement in education (including in digital skills**) Participation of low-qualified adults in learning ** Share of unemployed adults with a recent learning experience** Gap in underachievement between the bottom and top quarter of the socio-economic index (PISA)** Gender gap in part-time employment Gender pay gap in unadjusted form Income share of the bottom 40% earners (SDG)**	4. Quality education 5. Gender equality 10. Reduced inequalities
Fair working conditions	Employment rate Unemployment rate Long-term unemployment rate GDHI per capita growth	Activity rate Youth unemployment rate Employment in current job by duration Transition rates from temporary to permanent contracts Share of involuntary temporary employees** Fatal accidents at work per 100 000 workers (SDG)** In-work-at-risk-of-poverty rate	8. Decent work and economic growth
Social protection and inclusion	At risk of poverty or social exclusion rate (AROPE) At-risk-of-poverty or social exclusion rate for children (0-17)**	At-risk-of-poverty rate (AROP) Severe material and social deprivation rate (SMSD) Persons living in a household with a very low work intensity Severe housing deprivation (owner and tenant)	1. No poverty 3. Good health and well-being

(Continued on the next page)

Box (continued)

	Impact of social transfers (other than pensions) on poverty reduction Disability employment gap** Housing cost overburden** Children aged less than 3 years in formal childcare Self-reported unmet need for medical care	Median at-risk-of-poverty gap** Benefit recipients rate [share of individuals aged 18-59 receiving any social benefits (other than old-age) among the population at-risk-of-poverty]** Total social expenditure by function (% of GDP): Social protection, healthcare, education, long-term care** Coverage of unemployment benefits [among short-term unemployed]** Coverage of long-term care needs** Aggregate replacement ratio for pensions Share of the population unable to keep home adequately warm (SDG)** Connectivity dimension of the Digital Economy and Society Index Children from age 3 to mandatory primary school age in formal childcare** Out-of-pocket expenditure on healthcare Healthy life years at age 65: Women and men Standardised preventable and treatable mortality (SDG)**	

5. CONCLUSIONS

The outbreak of the COVID-19 pandemic, with the resulting health crisis and the necessary containment measures to curb the spread of the virus, led to a severe contraction of GDP in the EU (-6.1%) in 2020. The total hours worked dropped, almost as sharply as the economic activity. It is expected that, with the gradual rollout of vaccinations and the progressive lifting of restrictive measures, the EU economy will grow strongly in the second half of 2021 and in 2022, with GDP reaching pre-crisis levels by mid-2022.

The EU employment rate declined in 2020 by 0.7pp to stand at 72.4%, with substantial variation across Member States. The decline was similar between women and men at EU level, but had a greater effect on certain categories, such as young people, migrants, and workers on temporary and part-time arrangements. Absences from work of employed people also strongly increased in the first two quarters of 2020 to return to pre-crisis levels in the third quarter.

The EU unemployment rate increased in 2020 to 7.0% of the labour force, 0.3pp more than in 2019. Measures to protect employment helped cushion this increase, although the impact of the crisis on young people has been deep, with both youth unemployment and NEET rates rising strongly.

The COVID-19 pandemic pushed 1.8 million people into inactivity, especially in the first part of 2020. The activity rate declined especially for young people, with transitions to inactivity escalating during the first wave of the pandemic and reverting to pre-crisis levels in the second half of 2020.

Exceptional policy response to the COVID-19 crisis has countered the unprecedented labour-income loss. According to Eurostat's flash estimates, the median employment income for workers is estimated to have decreased by 7.2%. Losses are very unequally spread between countries and particularly strong for the most vulnerable sub-groups of the working population. However, the income support measures implemented in most Member States have managed to shield considerably the most vulnerable employment groups and this is confirmed by Eurostat flash estimates, which show a slight increase of 0.7% of median household income. Yet, there are risks that previous inequalities – beyond income – will deepen in the near future, if not aptly addressed. Further policy action needs to bolster a sustainable and inclusive recovery after the crisis that has recently hit EU economies and societies. In this respect, the EU and its Member States have been mobilising a wide range of measures to tackle and mitigate the impact of the crisis. At the EU level, this included the State Aid Temporary Framework, adopted in March 2020, the flexibilisation of fiscal rules, and of the use for the EU Cohesion Funds. An innovative instrument for 'temporary Support to mitigate Unemployment Risks in an Emergency' (SURE) was also adopted.

The major European Recovery Plan, which will boost the economic recovery and support the green and digital transition, involves the creation of a new instrument, 'Next Generation EU' which combined with the long-term EU budget amounts to EUR 1.8 trillion and represents the biggest financial stimulus package ever adopted at the EU level „. Further, the European Commission adopted a Recommendation on Effective Active Support to Employment following the COVID-19 crisis (EASE), which outlines a strategic approach to gradually transition between emergency measures taken to preserve jobs in the short term and new measures needed for a job-rich recovery.

COVID-19 has tested the resilience of health systems and placed strong pressure on health workers. The pressure on health systems caused delays in providing health services, adding to challenges in access to healthcare and impact the health status of the population. Especially, older people were the most impacted by the COVID-19, and suffered the majority of deaths, notably in the first part of the crisis when those living in old-age homes or long-term care facilities had the highest mortality rates. Furthermore, the pandemic showed that the social determinants of health are crucial. Disadvantaged groups are at higher risk of dying, to suffer chronic illnesses and to declare a worse health status than the general population. They also have a greater probability losing the job and to live in an overcrowded, inadequate or insecure housing and environment.

Despite the cushioning effect of public measures, the most disadvantaged or fragile still suffered severely from the pandemic. The confinement measures affected different population groups unevenly. The impact of the confinement measures on the labour market was particularly felt by young people - their employment rate dropped by 2.8pp in 2020 compared to 2019. Physical closure of schools, training centres and universities affected the life of children, young people and families (especially single partners), while the disruption of several health and social services significantly affected persons with disability, migrants and marginalised and segregated minorities (such as Roma), and the homeless.

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