

Thematic Review 2025



Hidden potential

People outside
the labour force
in the context of
labour and skills
shortages in the EU



Hidden potential - People outside the labour force in the context of labour and skills shortages in the EU

Synthesis Report

**European Centre of Expertise (ECE) in the field
of employment and labour market policies**

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Executive Summary

The aim of this ECE Thematic Review and of the present synthesis report is to review the most recent data and expert knowledge on the phenomenon of people of working age outside the labour force, to understand drivers for not being in the labour force¹, and thus for being neither employed nor looking and being available for employment, and to map relevant policies and measures in the Member States to (re-) activate people outside the labour force in light of high and persistent labour and skills shortages.

Labour and skills shortages have been present in the EU since before the COVID-19 crisis. Many of the current shortages (e.g. in science, technology, engineering and mathematics (STEM), including information and communications technology (ICT), construction, healthcare, hospitality) are likely to be further exacerbated by the green and digital transitions. Following demand interruptions during the COVID-19 crisis in several sectors (except healthcare), these shortages exceeded pre-pandemic levels by the end of 2021.

Demographic changes are also expected to exacerbate shortages. The EU population is projected to start falling in the coming years while the number of older people grows, especially relative to the number of people at working age. The decreasing working-age population will likely drive labour shortages in the coming decades while those retired maintain the demand for products and services at a relatively high level. Relating the old-age population to the working-age population provides the old-age dependency ratio. As a result of the projected dynamics in both groups, this ratio is projected to rise sharply in all Member States over the coming decades. The EU will go from having nearly thirty people aged 20-64 for every ten people aged 65+ in 2022, to having less than twenty people by 2045.² In most Member States, these demographic trends are expected to weigh on capital and labour, and thus on GDP.

In 2024, the EU-27 rate of people outside the labour force for the population aged 15-64 was 25%, a decrease from 30% in 2010. The rate of people outside the labour force for the population aged 15-64 is higher than the rate for the population aged 20-64 and for the population aged 25-64 as many young people are still in education. According to Labour Force Survey data, people outside the labour force can be segmented into those who indicate they do not want to work and those who wish to work but are either not actively looking for employment or are not available.

Between 2010 and 2024, a decrease in the rates of people outside the labour force related to those who are inactive and do not want to work can be observed in the EU, with variations between individual Member States. Overall for the EU, there was a decrease in long-term unemployment while the part-time employment rate increased. Thus, it can be concluded that declines in long-term unemployment and rates of people outside the labour force were in part associated with an increase in part-time employment. But full-time employment also increased.

Looking at the composition of people outside the labour force by age, young people made up 40 to 50% of people outside the labour force (aged 15-64) in 13 Member States, and above 50% in 3 Member States. The rate of adults aged 25-64 outside the labour force was 12.8% on EU-27 average in 2024. It was the highest in Italy (20.4%) and Romania (17.8%), and the lowest in Sweden (7.9%), Estonia

¹ The definition of the labour force includes both [employed](#) (employees and self-employed) and [unemployed](#) people (source: [Eurostat Glossary](#), last edited on 6 February 2024).

² European Commission, [2024 Ageing Report – Underlying Assumptions & Projection Methodologies](#), 2023.

(7.8%) and Slovenia (7.4%). The rate of older adults outside the labour force is comparatively high (at 31.8% on average in the EU), with the highest rates in Luxembourg, Romania and Croatia. Sweden, Estonia and Czechia had the lowest rates of older individuals outside the labour force in 2024. **Far more women than men are outside the labour force**, pointing to gender stereotypes and lack of access to affordable and quality childcare and elderly care. The highest rates of women outside the labour force were recorded in Italy, Romania and Greece, while the rate of women outside the labour force was the lowest in Sweden.

Turning to being outside the labour force by education level, rates of people outside the labour force among the highly educated (ISCED 5-8) are low in all Member States, but **rates of people outside the labour force for the low-educated (ISCED 0-2) and medium-level educated (ISCED 3-4) working-age population are far higher**. For the EU-27 average, the rate of being out of the labour force was highest among the low-educated.

Regarding the foreign-born population, the rate of people outside the labour force is higher for nationals rather than non-nationals in 15 Member States, while the opposite is observed in 11 Member States.

The Public Employment Services (PES) are an important stakeholder for collecting and analysing data on inactivity in the Member states, in particular administrative data.

Most people outside the labour force state in the Labour Force Survey that they do not wish to work. The willingness to work or not may depend on a number of factors, such as combining work and other duties (caring responsibilities), the prevalence of economic incentives to not work like pre-retirement schemes and limitations on combining pre-retirement and work, as well as attitudes and norms.

There are many reasons for being outside the labour force. Participation in education and training is one. Caring responsibilities are another key factor, with a strong gender dimension. The share of women being outside the labour force because they have to care for relatives is substantially higher than for men in all Member States. Childcare as a main reason for women for not participating in the labour market or for only working part-time is acknowledged in the country articles.

Own disability and illness is another major reason for being outside the labour force, and several employment barriers can be identified in that respect. These can include lack of education, lower productivity due to disability and discrimination both in the education system and when applying for work in the open labour market, lack of suitable job offers, inaccessible workplaces, and insufficient vocational training programmes tailored to individuals with disabilities, among other barriers.

Discouragement can also be a reason for being outside the labour force, whereby individuals think there is no employment available for them.

The design of unemployment and minimum income (social assistance) benefit schemes in terms of duration, eligibility and activation requirements can also impact economic (in)activity. Reforms of these schemes have had an impact on the rates of people outside the labour force, while incentives and disincentives to work for second earners and pension policies were also identified as having an impact on inactivity, for example in Belgium.

Pension policies, in particular options for early retirement and reforms that allow exiting the labour force at a younger age, are also a clear driver for being

outside the labour force in several Member States (e.g. Belgium, Bulgaria, Finland, France, Poland).

Drivers for being outside the labour force also relate to social norms (for example, gender stereotypes which can be more or less present in different social groups), limited social capital or institutional knowledge, and labour market discrimination.

The Roma population can be overrepresented among people outside the labour force, as reported for example in Hungary.

Poor working conditions have also been named as a reason for some individuals to prefer to remain outside the labour force rather than to be employed (e.g. for women in Austria and in Spain or in relation to labour shortages in the restaurant sector in Greece).

Low wages and the prevalence of the informal sector is also mentioned as a driving force for being outside the labour force in a few Member States.

Lastly, the **risk of being outside the labour force may be transmitted from one generation to another**, as noted in Germany and Italy.

Since 2011, Eurostat publishes indicators on "labour market slack", using Labour Force Survey data (Eurostat). The labour market slack is the sum of unemployed persons, underemployed part-time workers, persons seeking work but not immediately available and persons available to work but not seeking, expressed as a percentage of the extended labour force, referring to the population aged 15-74. In the first quarter of 2024, the labour market slack as a percentage of the extended labour force stood at 11.2% for the EU-27 on average (it was the lowest in Malta and highest in Spain) (Eurostat).

The weight of unemployment in the total EU labour market slack was 48.3% but varies significantly between Member States (Eurostat).

An underemployed part-time worker is a person aged 15-74 working part-time who would like to work additional hours and is available to do so. Part-time work is recorded as self-reported by individuals (Eurostat). Underemployed part-time workers explained 20.8% of the unmet supply of employment in the EU. People seeking but not available accounted for a much smaller part of the slack in the EU (6.6%).

The hidden reserve ("potential labour force") is a subgroup of people outside the labour force and according to Eurostat, this is divided into:

- the unavailable hidden reserve - people with a desire to work who are looking for work but would not be available to the labour market within two weeks; and
- the available hidden reserve - people with a desire to work who are not actively looking for work but would be available within two weeks.

In addition to these two groups, **the unutilised labour force potential** includes the part-time underemployed ("time-related underemployment", see above), i.e. employed people who self-identify as working part-time but indicate a desire to work more.

The role of part-time employment with regard to expanding or limiting the labour force potential is not clear-cut. While on the one hand in Member States with a high incidence of part-time employment, part-time employment is considered to lead largely to unused labour force. On the other hand, part-time employment may offer employment possibilities to those who would otherwise not work at all. In some cases, part-time employment is involuntary, and the employed would prefer to work full-time

but cannot find full-time employment. A motivation for many women to work part-time is the combination of care responsibilities and work, and here individual preferences, social norms as well as availability of affordable and quality full-time care services are at play. Some employees may cumulate different part-time jobs (either because of an unavailability of full-time contracts for them or linked to individual preferences).

Some Member States have analysed the hidden labour force concept in depth, either based on Eurostat data, or having developed their own concepts. The report details such examples from Austria, Germany, France, Hungary and Italy.

Section 3 turns to an analysis of recent policy changes, reforms, and initiatives implemented by EU Member States to tackle high rates of people outside the labour force and to boost labour market participation among underrepresented groups. This analysis reveals a diverse range of strategies and tools employed across different Member States. Many countries use a mix of policy instruments, such as active labour market policies (including support from Public Employment Services), flexible or customised work arrangements, coordination with social benefits (addressing potential inactivity traps, conditionality and incentives for re-entering the labour market, as well as combining income support measures), and relevant support services (including housing, childcare, tax, pension policies and lifelong learning).

In what concerns the PES, historically, people outside the labour force have not been a primary focus of activation strategies by the PES, unless they register with the PES. However, due to demographic shifts, labour shortages and significant changes in the labour markets, this focus is evolving, with the PES increasingly reaching out to people outside the labour force to tap into this potential workforce. The activation of specific groups within the population outside the labour force, largely depends on national policy priorities, often targeting underrepresented groups in the labour market. PES activation measures typically require outreach, especially when the participation of people outside the labour force is voluntary.

In recent decades, PES support for people outside the labour force has shifted towards more intensive and personalised assistance, particularly for long-term unemployed and disadvantaged groups. Evaluation evidence indicates that PES outreach efforts towards people outside the labour force are more successful when they are easily accessible, tailored to the needs of specific groups, and supported by adequate PES resources and staffing. Collaborating with stakeholders who are closer to people outside the labour force is also crucial for effective outreach.

A significant policy focus is on approaches aimed at specific groups of people outside the labour force, such as parents, young people, older workers, people with disabilities, long-term sick individuals and migrants. For parents, the primary policy lever to encourage workforce participation is the availability of affordable and accessible childcare, with several Member States reporting positive outcomes in this area. Some Member States are also adjusting parental leave policies to promote the participation of fathers, although evidence on their effectiveness is mixed. There is limited evidence regarding the success of measures to enhance access to flexible work arrangements, such as teleworking for parents, as well as fiscal incentives.

For young people, the priority is to keep them in education and training to ensure that they obtain the foundations for a long-term labour market engagement. Several programmes are designed to register young individuals out of the labour force with the PES, develop personalised support plans, and offer counselling and professional guidance. These initiatives reflect a comprehensive strategy to address

youth unemployment and inactivity, highlighting the importance of tailored support and collaboration among various stakeholders. While these efforts show varying levels of success, challenges persist in effectively reaching and assisting the most vulnerable youth populations. Overall, despite positive trends in engaging young people Not in Education, Employment, or Training (NEETs) and increasing youth employment, country reports emphasise the need for a stronger focus on education and long-term outcomes to ensure sustainable success.

For older individuals, the combination of measures includes financial incentives for both workers and their employers, increases in the retirement age, specific active labour market policies targeting older individuals, and other related policies. There are various incentives aimed at retaining individuals near or above the retirement age in the workforce. However, these measures primarily focus on keeping older workers employed rather than activating those outside the labour force. Many Member States are enacting reforms to raise retirement age and encourage longer workforce participation, particularly among older women, with evidence indicating the effectiveness of such measures. There is also evidence supporting the effectiveness of active labour market policies specifically targeting older workers.

New evidence regarding the effectiveness of activation policies for individuals with disabilities has emerged in several Member States, demonstrating positive impacts on subsequent labour earnings and disposable income after completing active labour market programmes. Successful experiences have also been reported in activating Ukrainian refugees, as well as immigrant women, highlighting the importance of initial assessments, counselling, and flexible integration plans for migrants.

Positive outcomes have been noted from local-level initiatives led by municipalities to engage people outside the labour force, emphasising a client-centred approach that integrates employment, education and social and health services, allowing municipalities to customise services to local needs.

In terms of lifelong learning policies, national reports indicate a concerted effort among Member States to enhance the skills of people outside the labour force, addressing skill gaps and improving employability while adapting to changing labour market demands. Evaluation results regarding the impacts of these initiatives are mixed.

A combination of policies utilising benefit and labour cost-related incentives to encourage people outside the labour force to seek employment has been highlighted in the Member States. This includes both supply-side measures to incentivise benefit recipients to work and demand-side incentives to reduce wage costs when hiring people outside the labour force. Overall, national reports indicate a collective effort among the Member States to engage people outside the labour force through a blend of supply and demand-side measures, although experiences with these incentives vary, suggesting mixed effects and potential attribution challenges.

1 Introduction

Aim of this review

The aim of this ECE Thematic Review and of the present synthesis report is to review the most recent data and expert knowledge on the phenomenon of people of working age outside the labour force³, to understand drivers of inactivity and to map relevant policies and measures in the EU Member States to (re-) activate people outside the labour force in light of high and persistent labour and skills shortages.

More specifically, the objectives of this review are to:

- Identify country or population-group specific obstacles and challenges for activation to improve the Commission's understanding of people outside the labour force and draw conclusions for policy design. Different population groups are examined, including women, older workers, people with secondary education attainment, people with a migrant background (especially women), young people and persons with disabilities.
- Investigate and identify policy measures and strategies that Member States have implemented, are implementing or plan to implement to activate and promote the inclusion of people outside the labour force both those registered with the national PES and those not registered with the PES.

Background to this review

While EU-27 unemployment remained close to historically low levels throughout most of 2023 and 2024, stabilising at around 6% (5.9% in July 2025), labour and skills shortages grew across many sectors, and SMEs most notably struggle to find workers with the right skills ([Eurostat](#)).

With the employment rate in the EU at an all-time high of 75.8% in 2024, the job vacancy rate⁴ simultaneously rose to 2.9%, the highest rate ever recorded. Even though the vacancy rate has been easing since then, it remained high at 2.2% in Q1-2025. While part of these developments reflects a cyclical upturn in the economy following the substantial dip during the COVID-19 crisis, structural determinants remain crucial. Many of the current shortages (e.g. in science, technology, engineering and mathematics (STEM), including information and communications technology (ICT), construction, healthcare, hospitality) are long-standing and likely to be further exacerbated by the green and digital transitions.

Added to that, the decreasing working-age population will likely drive labour shortages up in the coming decades. Once retired, people maintain the demand for products and services at a relatively high level, while the labour supply decreases due to the shrinking of the working-age population. The EU population is projected to start falling in the coming years while the number of older people grows, especially relative to the number of people at working age. The total EU population is expected to rise from 449 million people in 2022 to a peak of 453 million people in 2026. After that, it would fall to 432 million in 2070, a decline by 4% compared to 2022. This general trend at EU aggregate level encompasses heterogeneous developments at country level. However, an upward

³ In the past referred to as 'inactive' persons. Instead of the terms 'economically inactive population' and 'inactivity rate', the terms 'persons outside the labour force' and 'rate of persons outside the labour force' are used, as per the [ILO resolution concerning statistics on work, employment and labour underutilisation](#)

⁴ The job vacancy rate (JVR), is calculated as follows:

JVR = number of job vacancies / (number of occupied posts + number of job vacancies) * 100

shift in the age distribution is expected in all Member States with the size of older age groups growing, while younger age brackets are projected to shrink. Relating the old-age population to the working-age population provides the old-age dependency ratio. As a result of the projected dynamics in both groups, this ratio will rise sharply in all Member States over the coming decades. From about 29% in 2010 in the EU, it rose to 36% in 2022 and is set to rise further to 59% in 2070, with most of the increase expected already by 2045. Put differently, the EU goes from having nearly thirty people aged 20 to 64 for every ten people aged over 65 years in 2022, to having less than twenty people by 2045 (European Commission, 2023). In most Member States, these demographic trends are expected to weigh on capital and labour, and thus on GDP.

Assuming that the activity rates of people in various education groups (primary, secondary and tertiary educated) within each population subgroup (young, prime-age individuals, older people, female, male, mothers) remain constant, the number of active people is expected to follow a very similar pattern. After rising from 191 million in 2002 to a record 205 million in 2022, the number of active people is estimated to decline to 201 million in 2030, 192 million in 2040, and 184 million in 2050.

Given the projected demographic trends, maintaining and increasing labour supply will remain a major policy challenge and will require the activation of people outside the labour force.

EU strategies are already concerned with addressing inactivity in the context of labour shortages. In 2020, through the European Pillar of Social Rights Action Plan, the European Commission set three EU headline targets to be achieved by the end of the decade in the areas of employment, skills, and social protection, consistent with the UN Sustainable Development Goals⁵. One of the three headline targets relates to inactivity and reflects the common ambition that at least 78% of the population aged 20-64 will be in employment by 2030. The March 2024 EU Action Plan on labour and skills shortages⁶, as a key deliverable of the European Year of Skills, also sets out key areas for working with the Member States and the social partners to address such shortages.

Scope and structure of this report

This synthesis report is based on analysis of available EU-level data as well as qualitative information collected from unpublished country articles for each Member State, prepared by independent experts from the Economic Centre of Expertise on Labour Market Policy (ECE) pool of experts. Among other sources, the country reports have been informed by responses that the national Public Employment Services (PES) provided to a survey launched alongside this thematic review in May-July 2024. The information contained in the country articles and in this synthesis report covers the period up to July 2024 when experts completed their country articles.

The report is structured as follows: Section 2 presents data on recent trends in the number of people outside the labour force across the EU and discusses the major characteristics and key drivers of inactivity. Section 3 highlights policy measures supporting the integration of people outside the labour force in the labour market and also highlights examples of effective practices for (re-)activation. Section 4 presents conclusions and policy recommendations for the activation of the hidden potential in the labour market.

⁵ The European Pillar of Social Rights Action Plan (europa.eu)

⁶ https://ec.europa.eu/commission/presscorner/detail/en/ip_24_1507

2 Key drivers, major characteristics and recent trends in the number of people outside the labour force across the EU

This section investigates the characteristics of inactivity across the EU. It seeks to understand the driving forces for inactivity and to identify barriers to labour market access. It also investigates the extent to which Member States have assessed the volume of untapped potential in their labour markets.

This section uses data from the European Labour Force Survey, available at Eurostat's website. It is also based on the country articles prepared by independent experts for this thematic review in July 2024. An additional source of information is the responses by national PES to a survey launched in the context of this study, in May-July 2024.

2.1 Recent trends in inactivity in the EU

Eurostat defines persons outside the work force (or economically inactive) by the fact that (a) they do not have a job, and (b) they are either not actively searching for a job, or (c) they are not immediately available to work, or (d) both (b and c). **In the EU-27, there were 69.9 million persons aged 15-64 out of the labour force in 2024 (69.8 million in the first quarter 2025) (Eurostat). The rate of people outside the labour force for the population⁷ was 25%, a decrease from 30% in 2010.** The rate of people outside the labour force for the population aged 15-64 is higher than the rate for the population aged 20-64, as many young people are still in education.

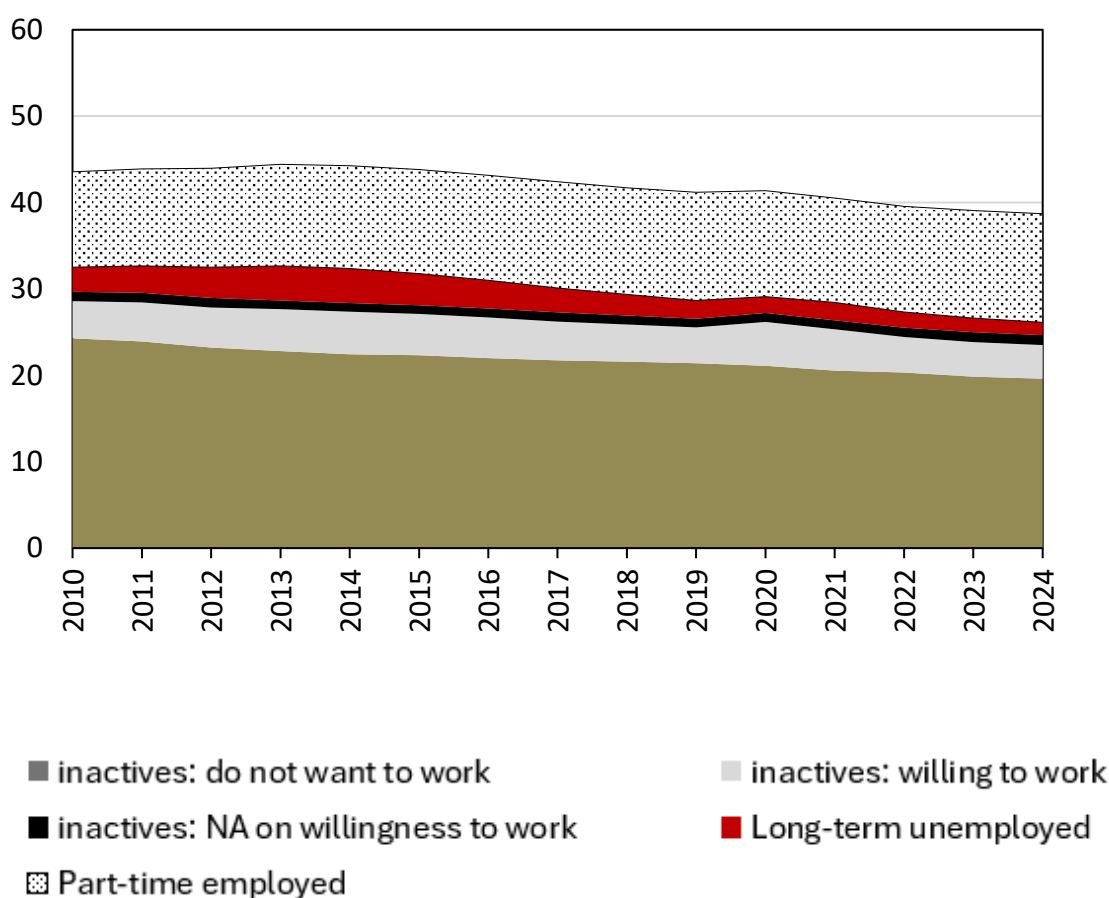
Using Labour Force Survey data, people outside the labour force can be segmented into those who indicate they do not want to work and those who wish to work but are either not actively looking for employment or are not available. They can transit either directly from inactivity to employment or become unemployed, meaning they are actively looking for a job and are available. Conversely, being outside the labour force can increase in case of inflows from employment, or from unemployment when people are giving up job search or are not available anymore. Transitions between long-term unemployment and being outside the labour force may be blurred in practice. Registered long-term unemployed are in practice not always intensely followed up by PES and some categories of long-term unemployed may be (de facto) exempt from job search. Conversely, some people are employed but only on a part-time basis. From a perspective of better utilising labour, in addition to those already stating they would like to work more hours (underemployed part-time workers and involuntary part-time employed), some part-time workers may want to work more if conditions to work part-time are suitable (such as affordable and quality childcare) or if needed (e.g. if early retirement options are not available). A motivation for many women to work part-time is to combine care responsibilities and work, and here individual preferences, social norms as well as availability of affordable and quality full-time care services are at play. Some employees may cumulate different part-time jobs (either because of an unavailability of full-time contracts for them or linked to individual preferences). The share of second job holders is quite small on EU average. For different reasons, multi-job holding is prevalent among low-wage earners as well as among those with white collar high-skilled occupations in their main job (Eurofound, 2020).

Between 2010 and 2024, on average in the EU-27, a decrease in rates of people outside the labour force related to those who are inactive and do not want to work can be observed, falling from 24% in 2010 to 20% in 2024 (see Figure 1). The

⁷ The EU population aged 15-64 stood at 286.2 million in 2024.

rate of people outside the labour force wanting to work varied between 4 and 5% over this whole period. There was a decrease in the long-term unemployment rate from 3% in 2010 to 1% in 2024 (with some variation over the period). During this period, the part-time rate increased from 11 to 13%. Thus, it can be concluded, that **declines in long-term unemployment and rates of people outside the labour force were in part associated with an increase in part-time employment. But full-time employment also increased.**

Figure 1. Development of inactivity, long-term unemployment and part-time employment, age group 15-64, EU-27, 2010-2024



Note: Inactivity is being defined as being outside the labour force

Source: own elaboration on the basis of the Labour Force Survey.
 Note: Break in data series in 2014 and 2021

In the Netherlands, Austria and Germany, a high incidence of part-time work of women has given rise to concerns about the underuse of the labour force in a context of labour shortages (country articles). The part-time rate was also comparatively high in Belgium, Denmark and Sweden. Different patterns can be observed (see Table A1 in the annex): in the Netherlands, a very high part-time rate is associated with a comparatively low rate of people outside the labour force, while the reverse can be observed in Romania, for example, where a comparatively low part-time rate is observed alongside a comparatively high rate of people outside the labour force. In Austria, both the rate of people outside the labour force not wanting to work and those wanting to work

decreased between 2010 and 2023, while the part-time employment rate increased. In Germany, the rate of people outside the labour force not wanting to work decreased significantly, with an increase of people outside the labour force wishing to work and an increase in the part-time rate.

The rate of people outside the labour force fell considerably in Bulgaria, Cyprus, Czechia, Malta and Hungary, and decline was sizeable also in Estonia, France, Lithuania, Poland and Slovakia. These declines were driven by a fall of the rate of people outside the labour force not wanting to work. In Ireland and Sweden, the rate of people outside the labour force wishing to work sizeably increased, and this rate was comparatively high in Italy over the whole period. In Latvia, the rate of people outside the labour force wishing to work fell while at the same time the rate of people outside the labour force not wanting to work increased.

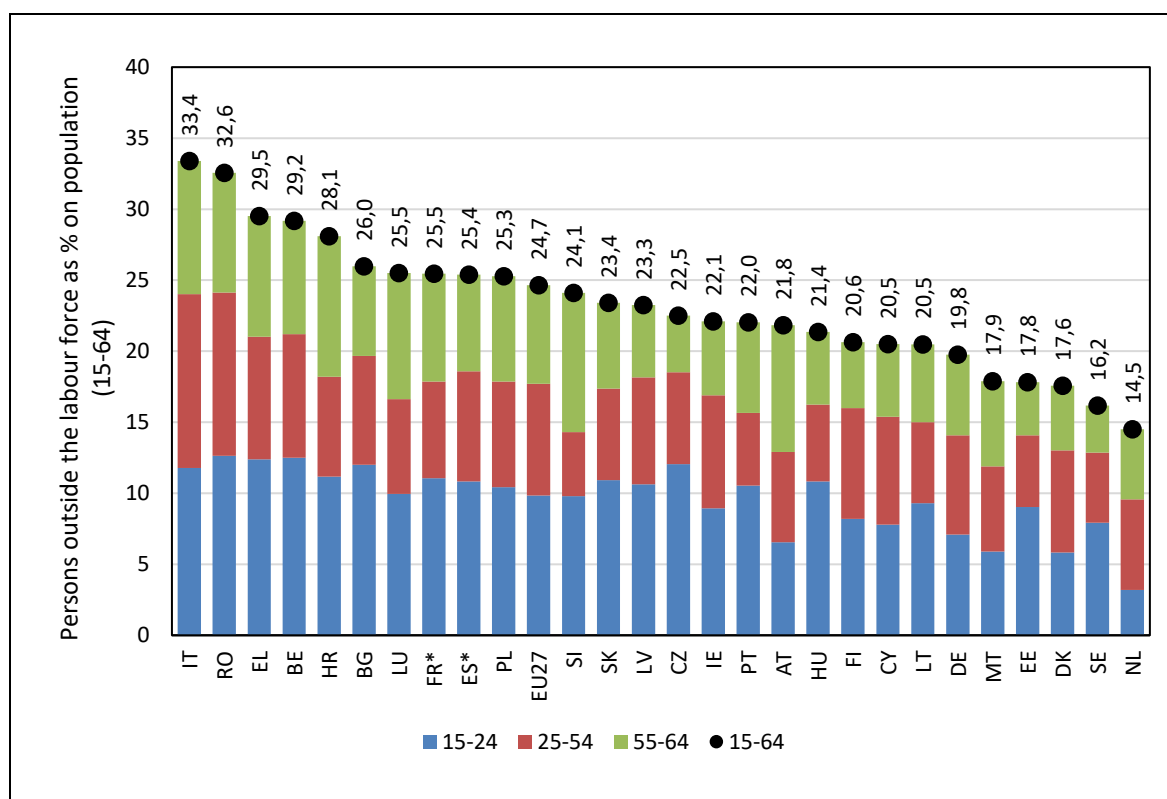
In a small number of Member States, the rate of people outside the labour force increased (e.g. Romania). In a larger number of Member States, the decline in the rate of people outside the labour force was low, or the rate of people outside the labour force increased slightly, and with some variations over time. In Spain and Greece, the main variations can be observed for long-term unemployment rates, which were comparatively high over the whole period.

2.2 Characteristics of people outside the labour force across the EU

Being outside the labour force by age

In 2024, in the EU-27, 27.8 million young people aged 15-24 were outside the labour force, accounting for 40% of all working age population (15-64) outside the labour force. **Young people made up 40 to 50% of the people outside the labour force in 13 Member States, and above 50% in 3 Member States.** (Figure 2).

Figure 2. Rate of people outside the labour force and its composition by age groups, 2024



Source: Eurostat, Labour Force Survey, own calculations.

Notes: * definitions differ

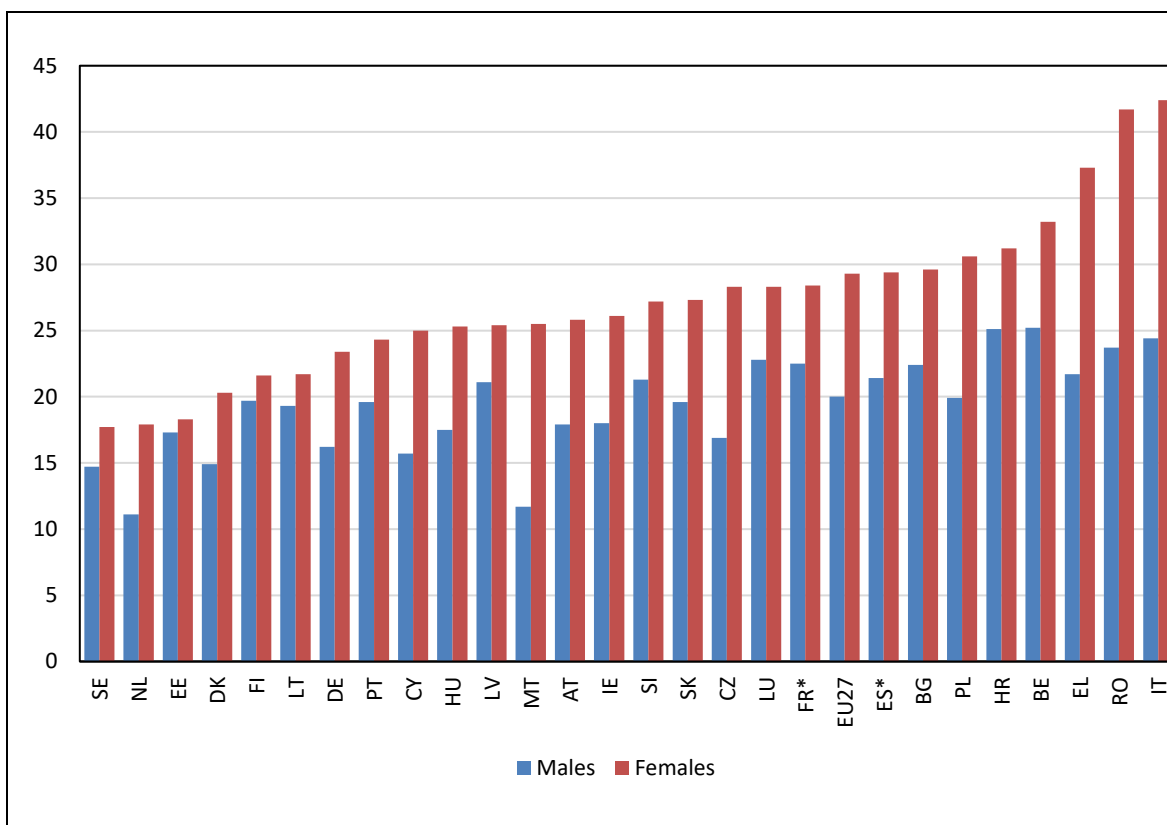
Rates of young people outside the labour force are significant (in 2024, on EU average, 59% of young people aged 15-24 were outside the labour force), as many still are in education, which is desirable. It is worrying when young people are neither in education, training nor employment (NEET), and this calls for the need of policy action (the NEET rate amounted to 9.2% in 2024, Eurostat).

According to Eurostat, the rate of adults aged 25-54 outside the labour force was 12.8% on EU-27 average in 2024. It was the highest in Italy (20.4%) and Romania (17.8%), and the lowest in Sweden (7.9%), Estonia (7.8%) and Slovenia (7.4%).

According to Eurostat, the rate of older adults aged 55-64 outside the labour force stood at 31.8% (EU-27, 2024), and was thus 19 percentage points higher as compared to the rate of being out of the labour force among the 25-54 years old. The highest rates of being outside the labour force among older persons were recorded in Luxembourg (49%), Romania (45.3%), Croatia (45.3%), and the lowest in Sweden (17.0%), Estonia (19.1%) and Czechia (21.5%). High rates of older people outside the labour force point to the need to increase incentives, employment conditions and improve activation policies for older individuals.

Being outside the labour force by genderThe majority of those outside the labour force are women. In 2024, in the EU-27, about 41.5 million women aged 15-64 were outside the labour force, making up 59.4% of all people outside the labour force. In all Member States, the rates for women are higher than the rates for men, pointing to gender stereotypes and lack of access to affordable and quality childcare and elderly care. In 2024, rates of people outside the labour force were 60 to 80% higher among women as compared to men in Czechia, Greece, Italy, Netherlands, Malta and Romania. The rate of women outside the labour force was only 5 to 20% above that for men in Estonia, Lithuania and Finland. The highest rates of women outside the labour force were recorded in Italy (42.4%), followed by Romania and Greece (see Figure 3). This rate was the lowest in Sweden (17.7%).

Figure 3. Rates of people outside the labour force by sex (15-64), in %, 2024



Source: Eurostat, Labour Force Survey

Notes: * definitions differ

Being outside the labour force by education level

The low-educated working-age population has a higher probability to be outside the labour force than the more educated one. In the EU-27, 32.5 million persons aged 15-64 outside the labour force had a low education level (ISCED⁸ level 0-2) in 2024. Most young people aged 15-20 were still in education. If not considering the youngest ones, 16.9 million persons aged 20-65 were outside labour force and had a low education level, a third of all persons outside the labour in that age group. Among the 25-64 year-olds, the age group when most people have completed their education, 15.6 million persons outside the labour force had a low education level, 18.6 million a mid-level education level (ISCED 3-4)⁹ and 7.8 million a high education level (ISCED 5-8). In 2024, the rate of being outside the labour force of low-educated among the 25-64 year-olds was 33.9%, nearly twice as high as the average rate in that age group across all education levels (17.8%).

In some Member States, the adult population outside the labour force (among the 25-64-year-olds) with a mid-level education level made up between half and two-thirds in Italy, Spain, Malta and Portugal (in increasing order) (EU-27 average 44.2% in 2024).

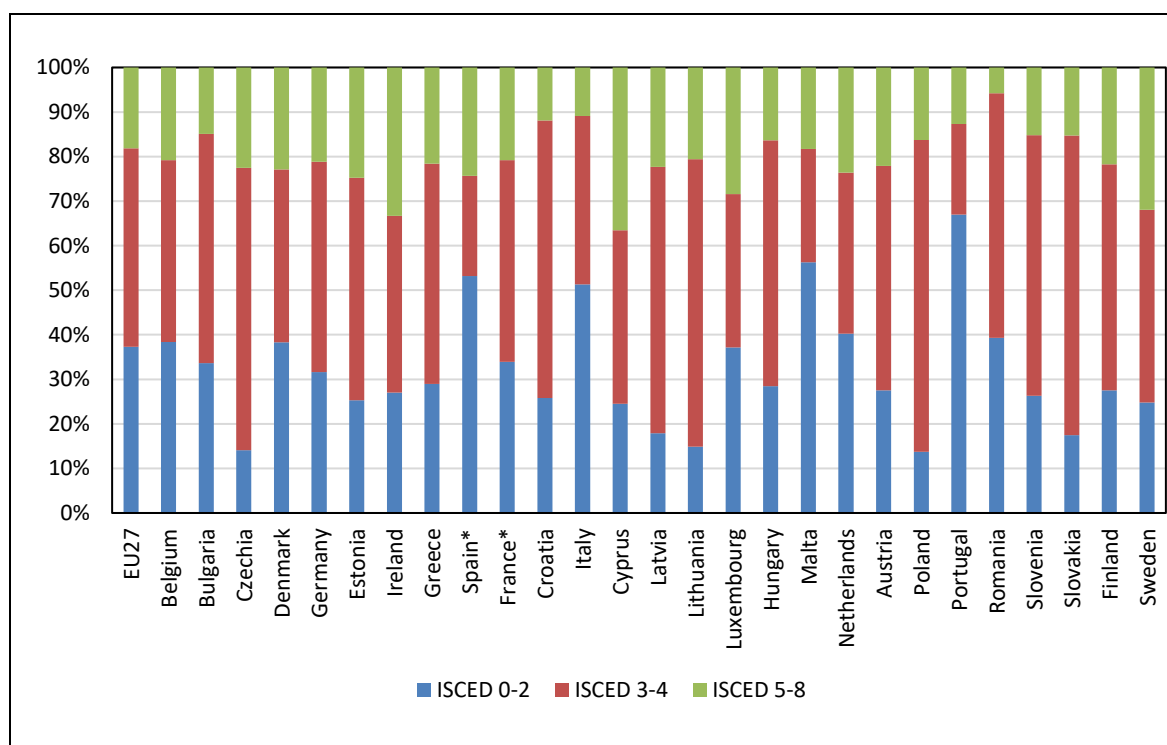
In all Member States, the share of the highly educated (ISCED 5-8) among all working age population outside the labour force is low (Figure 4). Potential explanations is the wish to make investment in education worthwhile, possibly higher job satisfaction and

⁸ ISCED 2011 (International Standard Classification of Education).

⁹ Upper secondary and post-secondary non-tertiary education.

better working conditions, and higher demand in the labour market as well as good career progression opportunities. Health risks and discouragement may be lower.

Figure 4. Composition of population 25-64 outside the labour force by education level, 2024



Source: Eurostat, Labour Force Survey, [lfsa_igaed],

Notes: * definitions differ

Being outside the labour force by country of birth

In 15 Member States, the rate of people outside the labour force is higher for nationals than for non-nationals (defined as foreign-born population), and in 11 Member States the reverse can be observed (see Figure A2 in Annex). Such differences, as well as differences between Member States regarding the respective ratios, are presumably linked to a number of factors: the foreign-born population may more often finish education in the country in which they were born, they may return to the country in which they were born if outside the labour market, or conversely higher rates of people outside the labour force may be driven by factors such as higher rates of people outside the labour force for foreign-born women. Refugees may also be encountering specific labour market barriers.

Cumulation of various factors

The country articles have looked in more detail into the profile of people outside the labour force and the hidden reserve (see section 2.4 for a discussion on the concept of the hidden reserve). This allows to account for the characteristics of the people outside the labour force in more detail and to take stock of characteristics that cannot be observed through the Labour Force Survey data (see Table A1 in the Annex). Often, people outside the labour force show a combination of distinct characteristics, often relating to a lower level of education. Being a migrant or being a Roma, living in rural areas, or being out of work for a long time are also found as characteristics of people outside the labour force. Although the cumulation of employment barriers can be observed across the Member States, the relative weights for specific groups differ from

one country to another.¹⁰ For example, a large category of persons outside the labour force are people with disabilities (making up 25.5% of people aged 15-64 outside the labour force in 2022, and 34.5% among the persons outside the labour force aged 55-64. Nearly half of people with disabilities in working age outside the labour force had a low education level (Eurostat).

Monitoring

A variety of stakeholders in the Member States collect and analyse data on inactivity and on reasons for inactivity. While some Member States use definitions that are derived from the ILO concept, others use slightly different concepts and definitions and carry out in-depth analysis by using data other than the LFS (mainly administrative data). Some examples are included in the table below.

Table 1. Definitions and concepts used by PES and other key stakeholders

MS	Definitions and concepts on “inactivity” used in the Member State
AT	The Austrian PES (Arbeitsmarktservice or AMS) definition labels people outside the labour force as people who have not moved for at least one year in their AMS status. In addition, AMS uses a different definition to that of Statistics Austria, using monitoring data from Austria’s umbrella organisation of social insurance institutions .
DE	For accessing the means-tested minimum income scheme (<i>Bürgergeld</i>), the notion of employability is key. Data from 2022 suggests that among all benefit recipients, around 1.1 million or 20.6% could be considered employable, but are economically inactive and are exempted from job placement due to household and care responsibilities, participation in education, temporary health issues or due to old age.
DK	The issue of the people outside the labour force is the focus of an expert committee established in 2023 working on preparing Danish employment policy reforms ¹¹ . In a recent report, the committee made an in-depth analysis of the labour market attachment of the population (Ekspertgruppen for fremtidens beskæftigelsesindsats, 2023). The aim is to assess the relationship between active employment policy and the labour market status of the population.
ES	The definition of people outside the labour force (16-65) in the country is that of the National Statistics Institute (INE) and refers to “persons not in employment and not unemployed”. Therefore, all persons in unemployment registered with the PES are considered the active population; and all persons not registered with the national or regional PES are outside the labour force and PES cannot get in touch with them, at least not directly. The national definition of people outside the labour force does not consider underemployed persons working part-time.
LT	The State Data Agency collects and publishes data on labour market indicators, including on people outside the labour force, through regular surveys and censuses. The State Data Agency is implementing a project of data harmonisation from different registers and databases called „ Data Lake “. Administrative data about labour market participation of the population are collected by the Social Insurance Fund Board Sodra and the PES. Monitoring, identifying and approaching people outside the labour force in Lithuania involves a comprehensive approach using statistical data, demographic profiling and targeted interventions. By leveraging national statistics, administrative records, and health and social services data, Lithuania can effectively identify and support people outside the labour force.

¹⁰ A detailed analysis of the combination of different characteristics on the basis of the Labour Force Survey is out of the scope of this synthesis as it would require an in-depth analysis of micro data which was not at the disposal of the country experts and study team.

¹¹ For more information, see <https://fremtidensbeskæftigelsesindsats.dk/>

MT	With regards to young people outside the labour force, Jobsplus through its data sharing agreements regularly carries out data cleaning exercises to identify this specific target group. These individuals are then approached by the PES through various outreach methods and tools, including targeted and personalised email and regular mail campaigns.
NL	The PES uses the ILO definition of inactivity.
PT	There is a significant percentage (around 16%) of people outside the labour force that are simultaneously registered with the PES. There is also a smaller but still significant percentage (around 5%) of people outside the labour force that are both registered with the PES and receiving unemployment benefits.
SI	<p>The PES has data on those who are registered with the PES and are exempted from looking for a job (i.e. temporarily unemployable) and participants of the social activation programme. However, it does not carry out systematic analysis of this data.</p> <p>The PES also detected a strong need of outreach towards NEETs, as less than half of all NEETs are registered with the PES. In order to detect and identify NEETs, the PES are currently forming a proposition for a national mandate to detect NEETs by intersecting administrative data and reaching out to NEETs.</p>
SK	Inactivity is more prevalent among the core and older age cohorts, people without tertiary education, and those living in rural areas. Approximately 5% of people outside the labour force were single parents with young children (0-5 years old), and around 40% lived in jobless households with no working adults. Women face a slightly higher risk of inactivity, although the rate has decreased over the last decade. The vast majority of people outside the labour force live in small towns and rural areas, a pattern that has remained consistent over time. Marginalised Roma populations face several barriers to accessing the labour market, even for low-qualified positions.

Source: Country articles and responses to the PES survey of May-July 2024

The PES is an important stakeholder for collecting and analysing data on inactivity, in particular administrative data. Having said this, detailed analysis of administrative data may be restricted to those registering with the PES. The PES from 11 Member States replied that they are not systematically involved in collecting and analysing data on people outside the labour force (see the following table). This should be seen in the context of the fact that in some Member States, there is no obligation to be registered with the PES if not receiving a benefit paid by the PES.

Table 2. PES activities to collect and analyse data on inactivity, by PES

Does your PES systematically collect data or does analysis on:	Groups of people outside the labour force (e.g. NEETs, women non-returners, discouraged workers, those approaching retirement, people with disabilities or health issues, migrants etc.)?	The share of people outside the labour force registered with PES?	The proportion of people outside the labour force among PES customers?	Recent trends in inactivity and on sub-groups of people outside the labour force (including flow analysis)?	The barriers faced by people outside the labour force?
AT	Yes	no	no	no	yes
BE Actiris	Yes	no	no	no	yes
BE Forem	Yes	yes	yes	no	no
BE VDAB	Yes	no	yes	yes	yes
BG	No	no	no	no	yes
CY	No	no	no	no	no
DE	No	no	no	no	yes
DK	yes	yes	yes	yes	yes
EE	No	no	no	no	no
EL	yes	no	no	no	yes
ES	yes	no	no	yes	yes
FI	yes	yes	yes	yes	yes
FR	yes	yes	yes	yes	yes
HR	No	no	no	no	yes
IE	yes	no	yes	yes	yes
LT	yes	yes	yes	yes	no
LV	No	no	no	no	yes
MT	yes	no	no	no	yes
NL	No	yes	yes	yes	no
PL	No	no	no	yes	yes
PT	No	no	yes	no	no
SE	No	no	no	no	no
SI	No	no	no	yes	yes

Source: Responses to the PES survey, May-July 2024

Note: No responses available for CZ, HU, IT, LU, RO, SK

Several country articles stress that the main issue of attention is the labour force participation rate (e.g. Estonia) and employment (e.g. Denmark, Estonia), non-

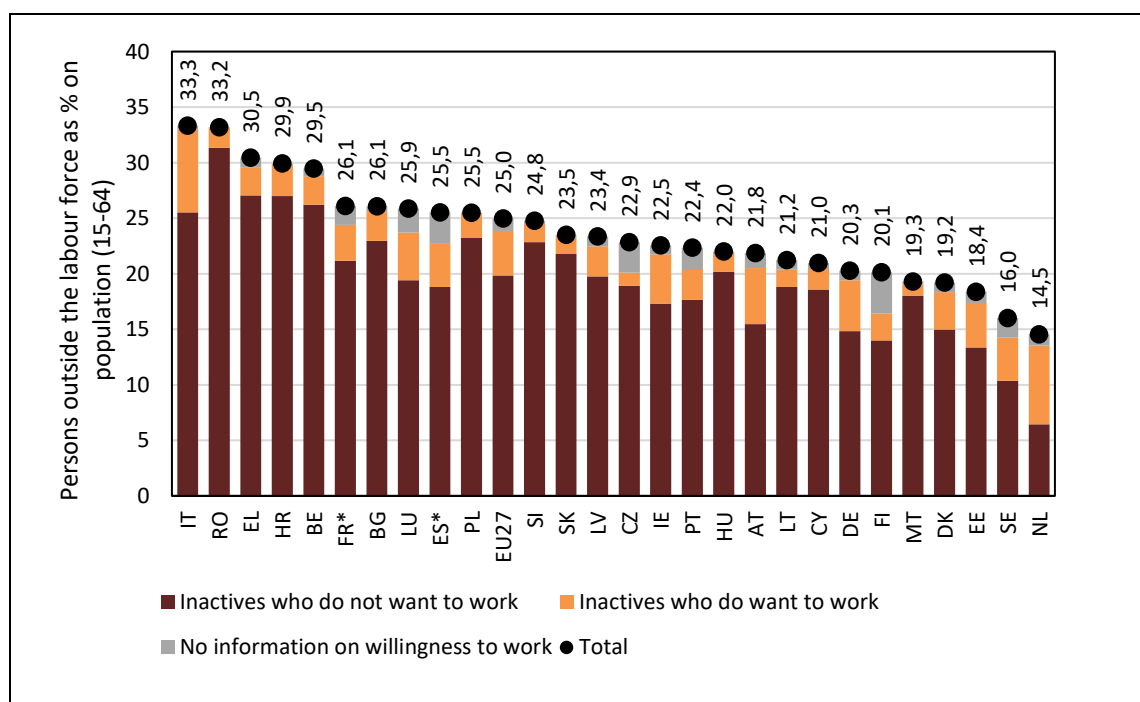
employment (e.g. Slovenia) or (long-term) unemployment (e.g. Spain). In Luxembourg, the number of people outside the labour force has largely remained unstudied in contrast to the active population. In Portugal, inactivity has received little attention among researchers at national level, in contrast to the systematic analysis of unemployment. Analysis related to inactivity in the country tends to consider only particular dimensions that may underpin inactivity, such as disability, illness, fertility, childcare, elderly care, discouragement or early retirement. More specific cases have also been considered in the literature, including those involving inmates, domestic violence and homelessness.

2.3 Key drivers for being outside the labour force

Most people outside the labour force state in the Labour Force Survey that they do not wish to work (see Figure 5 and 6, further below). Only in the **Netherlands** is there a higher share of people outside the labour force who state that they would wish to work as compared to those not wanting to work.

In the case of **Estonia** a main reason why the rate of people outside the labour force has declined is increased employment of older workers, as a result of pension policies (The Bank of Estonia, Soosaar et al. 2024). While increases in retirement age and low incomes in retirement do explain a large part of increasing labour market participation in older age groups over the past two decades, they do not fully account for the remarkably high labour market participation rate among older women. Possibly cultural and historic pathways are likely at play, as the labour market participation rate among Estonian women is very high in all age groups compared to other Member States. Sweden also has comparatively low rates of people outside the labour force among older workers.

Figure 5. Rates of people outside the labour force, composition by willingness to work (15-64), 2023



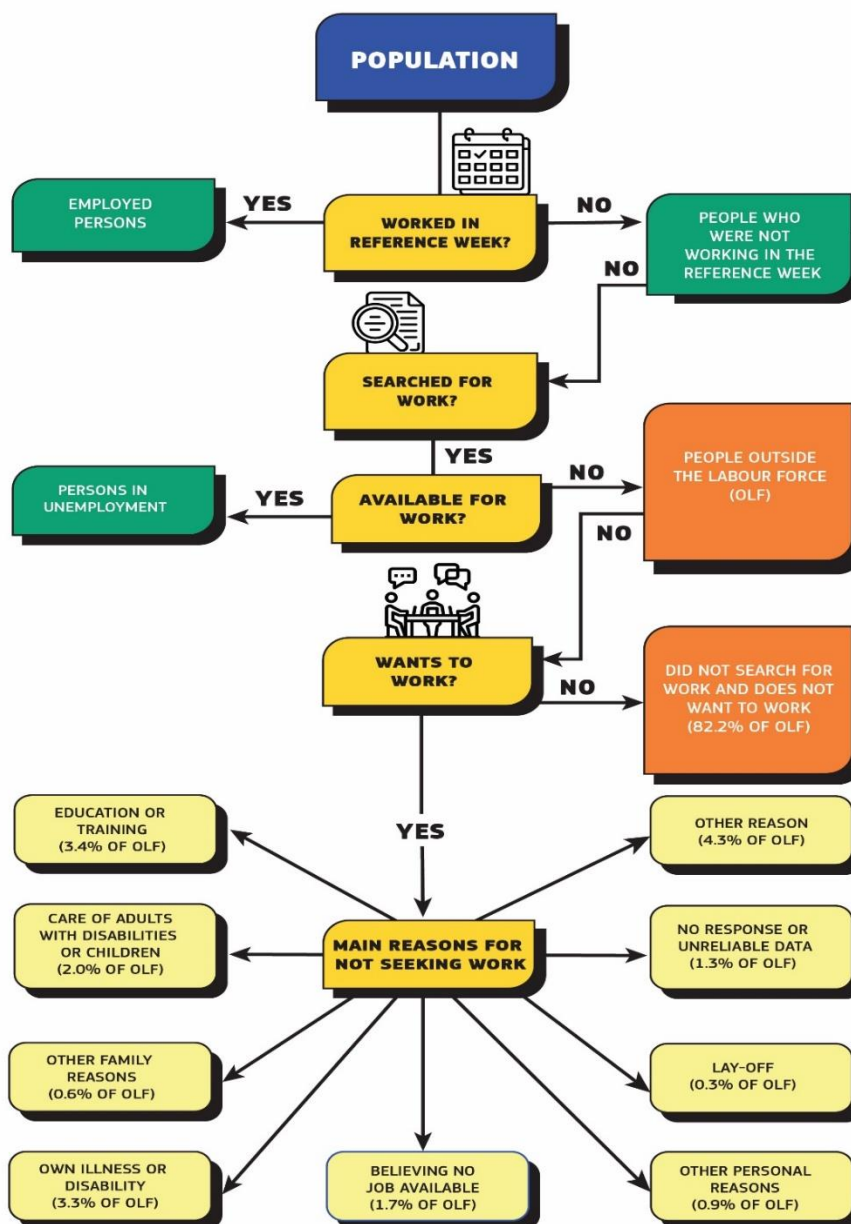
Source: Eurostat, own calculations. Notes: * definitions differ

The willingness to work or not may depend on a number of factors, such as the possibility to combine work and other duties (for example caring responsibilities), the

prevalence of economic incentives to not work, like pre-retirement schemes, and limitations on combining pre-retirement and work, as well as attitudes and norms.

To assess whether people outside the labour force could be more or less easily activated and thus made available for the labour market, a closer look at the reasons for being outside the labour force is essential. A main distinction can be made between those wishing to work and those responding to the labour force survey that they do not wish to work.

Figure 6. Sub-categories of Persons Outside the Labour Force (OLF)



Source: Own depiction; Data: Eurostat, own calculations.

Note: Percentages refer to shares on all OLF, EU27, 2023

Nearly a fifth of those outside the labour force indicate they wish to work. The main reason for not looking for work although the person indicates willingness to work is

education and training (3.4% of all persons outside the labour force and 20.6% of all those persons outside the labour force who wish to work), own illness and disability (3.3% and 19.6% respectively), care of adults with disabilities and children (2.0% and 11.9% respectively), believing no job is available (1.7% and 10% respectively) (see Figure 6). Publicly available Labour Force Survey data do not allow to distinguish between the main reasons for being outside the labour force among those indicating that they do not wish to work.

Looking deeper into the reasons for being outside the labour force shows large differences across the Member States. The main reasons for being outside the labour market are discussed below:

Participation in education and training is a key reason for not participating in the labour market. Sweden has the highest shares of people outside the labour force participating in education and training (11.8% of all people outside the labour force; 3.4% on EU-27 average). Country differences are linked not only to differences in the length of education and training but also on whether those in education and training work for a few hours to finance their studies. For example, in Finland, heavy reliance on formal education has also led to postponement of the career start, and several measures have been introduced over the years to shorten the time spent in education. Meanwhile, the share of students in a degree-oriented education who are working at least part-time increased from 53.8% in 2019 to 56.2% in 2022 (Statistics Finland 2022a).

Not participating in education, training or employment (NEET) is considered a major policy concern for activation. The country article for Estonia mentions that the risk of young people being NEET is higher among migrant youth, young people with no work experience or who have only basic education or whose parents have low education or have been unemployed (Söstra 2023).

Caring for adults with disabilities and children is another important reason for being outside the labour force and wishing to work (with the highest share of 4.3% in Ireland, as compared to 2% for the EU average, Labour Force Survey). **Here, there are large differences by gender.** The share of women being outside the labour force because they have to care for relatives is substantially higher than for men in all Member States (Annex Figure 3 and 4).

Childcare as a main reason for women for not participating in the labour market or for working only part-time is acknowledged in the country articles (independently of the question if they wish or not to work). For example, Croatia names the underdeveloped social services sector (for care services in particular) as the main driver for women outside the labour force. Another example is Austria, where there is a lack of childcare infrastructure compatible with full-time work. This explains mainly the high part-time employment rate among women, particularly in rural regions (Danzner et al., 2024). Another example is Italy where the lack of childcare and the unequal distribution of childcare are named (Carta et al., 2023). Caring for older adults has been identified as a major employment barrier, as mentioned for example in the Estonian country article.

Deeply rooted gender stereotypes continue to play a critical role in shaping women's participation in the labour market. Women, much more than men, while expressing willingness to participate in the labour market, are less engaged in active search activities in Italy. In Austria, a qualitative study of autobiographical narratives by women in the hidden reserve shows that the (temporary) withdrawal from the world of work is often based on a personal decision by women. It is largely due to previous negative experiences in the labour market (including the encounters of devaluation,

discrimination, sexual violence, repeated unemployment, low pay, harsh working conditions and a lack of opportunities for career advancement) (Schönherr 2022, country article Austria).

Own disability and illness is another important reason for being outside the labour force and wishing to work, in particular in the Netherlands (32% of people outside the labour force state the main reason for being outside the labour force is linked to health, compared to 3.3% for the EU average) (see Figure 6 for details).

Disability and health issues as a driving force for being outside the labour force is complex. For example, in the case of **Denmark**, several employment barriers can be identified. They include lack of education, lower productivity due to disability and discrimination both in the education system and when applying for work in the open labour market (country article Denmark). Likewise, for example the **Bulgarian** labour market has proven to be difficult to access for people with disabilities, particularly due to the low popularity of flexible working schemes and the structure of vacancies. Most of the growth (8%) in inactivity has occurred in those outside the labour force due to illness or disability (country article Bulgaria). Another example is **Cyprus**, where the rates of people outside the labour force of people with disabilities are significantly higher compared to the EU average, both for severe and minor cases of disability. Potential reasons may be linked to the disability benefit system as well as to a lack of suitable job offers, inaccessible workplaces, insufficient vocational training programmes tailored to individuals with disabilities, or a general lack of awareness and inclusivity within the labour market (country article Cyprus).

In **Estonia**, it was found that a major barrier to labour market participation for people with reduced work ability concerns attitudes. However, about half of the people with partial work ability who are not working would like to take up employment if they had the opportunity (the share was the same in studies carried out both in 2017 and 2021). About half of this potential labour market reserve do not have confidence in finding a job that would fit their needs.

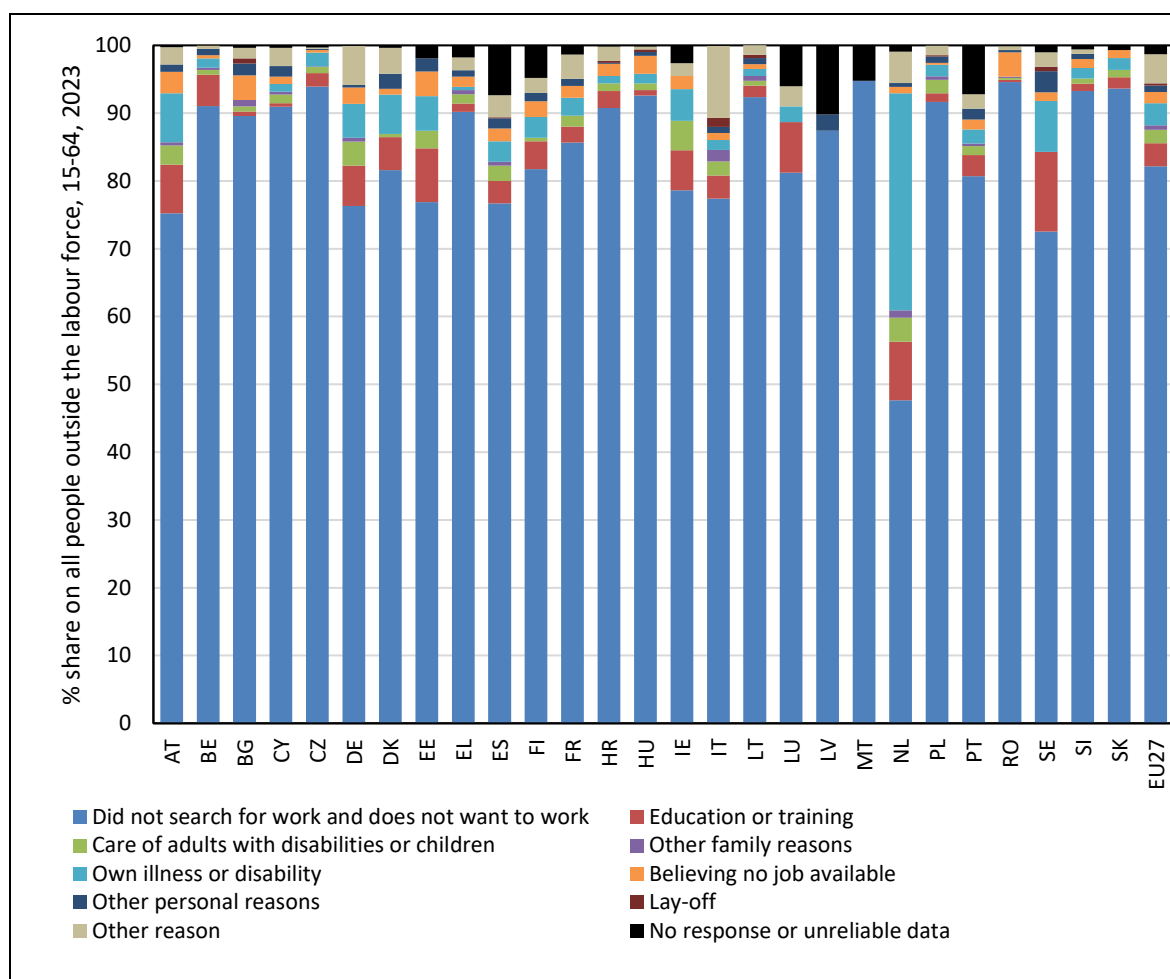
In the case of **Spain**, considering all persons aged 15-64 with a degree of disability of 33% or more, in 2022 there were 1.9 million persons with disabilities, out of which only 35% were at work, and the remaining 65% (thus 1.2 million people) were outside the labour force (INE, 2023). The reasons behind this low employment rate are manifold and include a complex and unclear income protection system that is not designed to promote or facilitate access to employment. Employment is not always compatible with income support schemes and disability benefits are perceived by many persons with disabilities as a safer and more stable source of income than employment. Other reasons, such as higher costs than average to engage in employment, discrimination and lack of inclusive work environments or pressure from protective families, in particular for young persons with disabilities, also play a role.¹² In **Hungary**, besides their poor health, people with disabilities face multiple limitations such as poor reading and math skills, an exceptionally low level of digital skills, older age and the lack of work experience. Due to their prolonged unemployment, people with disabilities can have lower self-esteem, feel helpless and feel more anxious, further reducing their chances of being reemployed. Limited access to public services (e.g. healthcare or public transport) and the internet are also strong barriers to work. This is aggravated by discrimination on the part of employers and possibly other employees (Krekó et al.,

¹² Based on unpublished report by González Gago, E., Incentivising the employment of persons with disabilities in the open labour market, contribution for Spain for ECE Thematic Report [2023, not published].

2024). In the **Netherlands**, participation in the labour market of chronically ill people is much lower than the EU average (Stigtlér & Wilthagen, 2022).

Discouragement can be a reason for being outside the labour force. In this case, individuals think there is no employment available for them. This concerns 3.6% of the population of working age being outside the labour force in Bulgaria, as compared to a share of 1.7% for the EU average. Discouragement is also named in the Romanian country article as an important reason for inactivity.

Figure 7. Distribution of reasons for being outside the labour force in the EU MS (% of people outside the labour force aged 15-64), 2023



Source: Eurostat, own calculations.

The long-term unemployed and those with repeated unemployment spells are also considered among the groups with a high probability to move in and out of inactivity and have little employment potential in some Member States (as for example noted in the Finnish country article). Another example is France: amongst people outside the labour force aged 30-54, 36% are registered with the PES, and 17% claim unemployment insurance. 19% of people outside the labour force in the middle age group have never worked and appear therefore very far from the labour market. The proportion of people who have no work experience or who have not been working for at least five years is particularly high among those who declare health, disability or family reasons to explain their inactivity.

Some country articles underline the importance of the design of unemployment and minimum income (social assistance) benefit schemes in terms of duration,

eligibility and activation requirements. Reforms of these schemes have had an impact on rates of people outside the labour force, while other policies that were identified as having an impact on the inactivity included incentives and disincentives to work for second earners and pension policies (see, for example, the Belgium country article).

Pension policies, in particular options for early retirement and reforms that allow exiting the labour force at a younger age, are a clear driver for inactivity in several Member States (e.g. Belgium, Bulgaria, Finland, France, Poland). In addition, employers are often reluctant to hire older workers in many Member States.

Drivers of inactivity also relate to social norms (as for example gender stereotypes which can be more or less present in different social groups), **discrimination and behaviours.** For example, in the case of Belgium, limited social capital or institutional knowledge, and labour market discrimination may drive immigrant penalties in the Belgian labour market.

Researchers in Belgium have also emphasised the importance of path dependencies in career trajectories, which appear to be more persistent among immigrants than among natives (Kil, 2021). There is a labour reserve among refugees as mentioned in the Belgium country article. This group faces disproportional difficulties to access and maintain themselves in the labour market (Belgium country article). Difficulties in the labour market integration of migrants, and in particular refugees have also been named in several other Member States.

The Roma population is disproportionately overrepresented among people outside the labour force and people in unemployment, as reported for example in Hungary. The disadvantage of this population group stems mainly from lack of education and skills (which reflects the failure of public education to provide equal opportunities and tackle inherited disadvantages), lack of access to work opportunities (as many of them live in rural areas) and employer discrimination (Karacsony et al., 2019).

Poor working conditions have also been reported as a reason for some individuals to prefer to remain outside the labour force rather than to be employed (e.g. for women in Austria and Spain or in Greece in relation to labour shortages in the restaurant sector). For example, in the case of Spain, the lack of attractiveness of precarious jobs available for lower qualified women adds to the cultural stereotypes regarding the role of women as regards the care of children and the elderly. Low wages in such cases may not compensate for the cost of care (country article Spain). In the case of France, a study focusing on “essential workers” during COVID-19 (outside health occupations, i.e. trade, personal services, cleaning, transport, etc. see Amossé and Erhel, 2023) has shown that not in employment or retirement (NER) rates were particularly high for these occupations, who suffer from difficult working conditions during their working lives. Among the 50-64 age group, seniors who were previously employed in these occupations are more often unemployed (5.7% against 3.7%), or disabled (8.6% against 4%), or outside the labour force for other reasons (20% against 11.2%) than the whole population of this age group.

Low wages and the prevalence of the informal sector is named as a driving force for inactivity in a small number of Member States. The **Croatia** country report underlines the weaknesses of some sectors in the economy as one driver of inactivity: this concerns mainly the strong tourism sector, the large undeclared economy, in addition to generally relatively low wages and possible poverty trap in some individual cases. Relatively low wages and the lower opportunity cost of being outside the labour force would contribute to lower activity and an increased rate of people outside the labour force. It is argued

that older workers with an opportunity to withdraw from the labour market when eligible for early retirement may favour this option, as then it is often more profitable for them to combine pension income and income from activities earned in an undeclared economy. The **Italy** country report names as key drivers of inactivity both supply-side factors (e.g. low skill levels and employment histories) and demand-side factors (e.g. poor employment prospects linked with stagnant productivity and growth, leading to low quality of job opportunities, particularly in southern regions). High rates of informal work negatively impact the activity rates of the Italian population. Wage stagnation and job insecurity deter potential workers, particularly younger individuals and those outside the labour force, from entering activation paths.

Data on transitions from one quarter to another show a strong inertia in inactivity, as shown in the example of France: 83% of people outside the labour force aged 30 to 54 are in the same situation in the next quarter. However, those declaring training or temporary reasons for inactivity are more likely to be in employment in the next quarter (France country article).

The risk of being outside the labour market may be transmitted from one generation to another. In Germany, children whose parents are low educated are much less likely to hold a medium or high education degree compared to the EU average. Thus, the barrier of having a low education level is also connected to unequal opportunities in the German education system (Germany country article). In Italy, studies have highlighted the low intergenerational mobility and inequalities in career progression, which discourage access to the labour market.

2.4 Estimated untapped potential

Since 2011, Eurostat publishes indicators on "labour market slack", using Labour Force Survey data (Eurostat). The labour market slack is the sum of unemployed persons, underemployed part-time workers, persons seeking work but not immediately available and persons available to work but not seeking, expressed as a percentage of the extended labour force, referring to the population aged 15-74. In the first quarter of 2024, the labour market slack as a percentage of the extended labour force stood at 11.2% for the EU average (it was the lowest in Malta and the highest in Spain) (Eurostat).

The weight of unemployment in the total EU labour market slack was 48.3% but varied significantly between Member States (Eurostat). In 2022, people who are available to work, but not looking for a job accounted for 24.3% of the EU slack, but more than a quarter in Italy (45.5%), Bulgaria (35.9%), Estonia (32.5%) as well as in Germany and Hungary (28.4% in both). The lowest shares were reported by Malta (7.7%), Czechia (8.9%) but also by Lithuania (10.7%), Cyprus (11.3%), Slovakia (12.3%), Finland (13.4%) and Greece (14.6%).

An underemployed part-time worker is a person aged 15-74 working part-time who would like to work additional hours and is available to do so. Part-time work is recorded as self-reported by individuals (Eurostat). Underemployed part-time workers explained 20.8% of the unmet supply of employment in the EU, but more than 29% in the Netherlands (43.8%), Ireland (35.3%), Cyprus (30.6%) and Belgium (29.7%). This share fell below 14% in Bulgaria, Slovakia, Hungary, Estonia, Czechia and Latvia. Generally, compared with eastern Member States, western Member States are characterised by a larger share of underemployed part-time workers in the total of people with an unmet supply of employment. People seeking but not available accounted for a much smaller part of the slack in the EU (6.6%). The share of this category in the labour market slack was the highest in Finland (21.3%),

Luxembourg (15.0%) and Austria (14.8%) in 2022. In Romania, Italy, Hungary, Croatia and Greece, it stood below 3%.

The hidden reserve ("potential labour force") is a subgroup of people outside the labour force and according to Eurostat, this is divided into:

- the unavailable hidden reserve - people with a desire to work who are looking for work but would not be available to the labour market within two weeks; and
- the available hidden reserve - people with a desire to work who are not actively looking for work but would be available within two weeks.

In addition to these two groups, **the unutilised labour force potential** includes the part-time underemployed ("time-related underemployment", see above), i.e. employed people who self-identify as working part-time but indicate a higher desire to work.

The role of part-time employment with regard to expanding or limiting the labour force potential is not clear-cut. While in Member States with a high incidence of part-time employment, part-time employment is considered to lead largely to unused labour force, on the other hand part-time employment may offer employment possibilities to those who would otherwise not work at all. In the case of Romania, a regulatory framework leading to too few part-time options limits the labour market participation of women with caring responsibilities and of older workers (country article Romania).

Some Member States have analysed the hidden labour force concept in depth, either based on Eurostat data, or having developed their own concepts over time. Examples from Austria, Germany, France, Hungary and Italy are presented in boxes 1-5 below.

Box 1: Analysing the hidden labour force and labour force potential in Austria

Part of a study commissioned by the Chamber of Labour in Vienna examined people outside the labour force in Austria and looked at both the people outside the labour force and underemployed part-time workers. In addition to the size of these groups, their structure and the reasons for their lack of or low participation in the labour market were also analysed. The hidden reserve has remained relatively constant over the last two decades, although there was a slight increase after the economic crisis (2008/09) and a significant increase in 2020, the year of the COVID-19 crisis.

Furthermore, a model-based simulation (a microsimulation model) provides an outlook on the development of the unutilised labour force potential up to 2040. It shows that there is also considerable potential for additional employment beyond the group of persons in unemployment (Angel et al., 2023). In 2023, the hidden reserve in Austria consisted of 165 700 people, with 69 300 people belonging to the unavailable hidden reserve and 96 400 people to the available hidden reserve (STATcube - Statistical Database of Statistics Austria, 2024). In 2022, however, 47.4% of this unavailable hidden reserve had a hiring commitment for a job. If the immediately available could be activated for gainful employment, it would increase the volume of hours worked by around 1% (Angel et al., 2023). In addition, for those people who wish to work and are actively looking for opportunities to do so but are not immediately available for employment (within two weeks), an increase in the volume of work performed of around 0.4% could be expected if they were activated. In addition, those people who would like to work but are not actively looking for opportunities to do so and are not immediately available for work would increase the volume of work by around 3.2% if they were activated (Angel et al., 2023).

Furthermore, 111 800 people working part-time indicated a desire to work more (STATcube - Statistical Database of Statistics Austria, 2024).

Source: Austria country article

Box 2: Measuring the hidden reserve in Germany

Eurostat data on inactivity is based on the same sources as those applied by DESTATIS, but the concepts used are not identical. Naturally, both DESTATIS and Eurostat LFS data are based on the German Labour Force Survey. In contrast to the DESTATIS (and IAB) concept of the hidden reserve, Eurostat data also includes persons outside the labour force who do not want to work. In publicly available data on the Eurostat webpage, it is possible to identify persons who would like to work but are not seeking employment and those that are not willing to work. The total number of persons outside the labour force in the Eurostat database roughly corresponds to the concept of “economically inactive persons” (*Nichterwerbspersonen*) that is also used by DESTATIS (see Table 1). In the DESTATIS methodology, the hidden reserve is therefore a subgroup of people outside the labour force.

In contrast to Eurostat data, data according to the IAB concept (persons available for work with employment barriers) suggests that the COVID-19 pandemic had no major effects on the number of persons outside the labour force. According to IAB data, the hidden reserve has even decreased during the pandemic. This could also suggest that during the pandemic, the hidden reserve shrank because fewer persons outside the labour force were willing to work or were available to work in a context of school closures, given that the hidden reserve concept of the IAB includes persons outside the labour force who are both available and willing to work. However, this observation is contradicted by the high increase in the number of persons outside the labour force that are willing to work according to Eurostat data in 2020 (see orange line in Figure 4). Thus, a likely explanation for the increase in the number of persons outside the labour force willing to work in the Eurostat data might be a break in the time series in 2020 (followed by another break in the time series in 2021) and could therefore be attributed to methodological changes. At this moment, it is not possible to check this assumption, as no break-corrected time series are available for Germany yet.

Source: Germany country article

Box 3: Measuring the labour force potential in France

Existing data on the labour force potential in France rely on other concepts and indicators, such as the unemployment halo, and specific categories by age, like NEETs or older people neither in employment nor in retirement (NERs). The unemployment halo may be considered as a good proxy of the potential workforce in the short run. Indeed, the unemployment halo is made up of people outside the labour force who would like to work but are either not available to work within the next two weeks, or not actively searching for a job in the previous month.

In 2022, 1.8 million people were in the halo (1.9 million in 2023), and 2.2 million were unemployed. Looking at recent dynamics shows that the number of persons in unemployment has been decreasing since 2015, whereas the halo has stabilised (and increased in 2020 following the COVID-19 crisis). The NER represented 16% of the

population aged 55 to 69 in 2021, among which 3% were in unemployment and 13% in inactivity (Castelain, 2023).

Source: France country article

Box 4: Estimating the hidden reserve in Hungary

According to the Central Statistical Office of Hungary (CSO), one in five working-age adults (between 15 and 64 years) or about 1.35 million, are “economically inactive”¹³. The potential labour reserve, according to the CSO, was c.300 000 in 2023. Their definition is different from the ILO’s as it includes the unemployed in the reserve as well. The definition of the potential labour reserve according to the CSO includes (1) all unemployed people as defined by ILO, (2) all people outside the labour force who were not working during the reference week and want to work and do not fulfil the unemployment criteria, and (a) are not actively looking for a job, or (b) are not available within two weeks, and (3) people who are working part-time during the reference period.¹⁴ According to CSO estimates, only 93 000 (7% of all economically inactive) can easily be integrated in the labour market.¹⁵

The potential labour reserve is smaller than the population outside the labour force. Excluding people who are still in education and mothers of children aged below one but including mothers of children aged over one on parental leave (considered to be employed by the Hungarian Central Statistical Office), the authors of the country article estimate the reserve to number 786 000 people, or 13% of the working-age population using the latest LFS data for 2023 Q2. This group represents the broadest reserve that could potentially be integrated into the labour market in the long run.

The composition of the reserve is generally not favourable. About 71% have been out of work for over two years, 67% have a low level of education, 41% are aged over 54 years and at least 24% have health limitations. Women and Roma are overrepresented in the reserve. Strong regional disparities point to a structural mismatch of the demand and supply of labour. The share of the reserve within the working-age population is highest in the Northern and Southern Transdanubian regions and lowest in the most developed Central and Western regions of the country. The majority of the labour reserve (almost 90%) face multiple barriers.

According to estimates, there are about 20 000 people who may be reintegrated relatively easily. These are educated people living in urban areas who do not receive a pension or maternity benefit and have no other observed barrier. A further 53 000 may be reintegrated with some investment and at some cost, such as urban dwellers with lower secondary education receiving no benefits or better-educated mothers and pensioners, who may need childcare, part-time options and/or additional financial incentives to return to work. A further 193 000 may be feasible to reintegrate, though at considerable cost.

Source: Hungary country article

¹³ The CSO of Hungary considers people to be “economically inactive” if: 1) they did not work during the reference week, 2) do not have a regular job providing an income, and 3) were not actively looking for work, or 4) were actively looking for a job but were not immediately available.

¹⁴ See: CSO of Hungary, https://www.ksh.hu/docs/hun/modsz/mun_modsz.html

¹⁵ See: CSO of Hungary, https://www.ksh.hu/stadat_files/mun/hu/mun0003.html

Box 5: Assessing the untapped potential in Italy

While the Italian labour market is characterised by a higher share of persons outside the labour force compared to other countries, it also presents a notably high potential labour force. In 2023, 18% of persons outside the labour force aged 15-64 could potentially contribute to the workforce (Istat data). However, this proportion varies significantly across different age groups. For instance, it is much lower among young people aged 15-24, where only 8% could potentially join the labour force. In contrast, the potential labour force increases to an average of 32% for the main cohort aged 25-54. It then decreases again to 12% for individuals aged 55-64.

Potential workers are predominantly women, particularly those facing high involuntary part-time rates. ISTAT data show that involuntary part-time employment remains significantly higher for women than for men and above the EU average. In 2023, involuntary part-time rates for women were three times higher than for men (15.6% against 5.1%), representing about half of the part-time employed women in Italy. Among foreign female workers, 26.2% worked part-time involuntarily, particularly in family services, where foreign women are typically employed.

The majority of people within the potential workforce consists of individuals who are not actively seeking work but are available to work. This phenomenon is influenced by a specific characteristic of the Italian labour market, which is marked by a higher degree of discouragement and a "wait-and-see" approach, rather than active job search among the working-age population (Palombi et al. 2022).

Source: Italy country article

Other considerations on untapped potential include employment in the agricultural sector in the case of Poland. In 2022, the share of agriculture in total employment was high at 8.2%, but the gross value added generated by this sector constituted only 2.8% of GDP (LFS and Eurostat data). This suggests underemployment or hidden unemployment in the sector. The issue was especially evident in 2020 in the aftermath of the COVID-19 crisis. Then, the number of agricultural workers increased by 5.5%, which reversed a long-term decline. Nearly half (46%) of these new workers in agriculture had been outside the labour force in 2019. This surge in employment led to a 10% decline in value-added per worker, indicating that agriculture acted as a buffer, potentially preventing unemployment (country article Poland).

A few Member States report a **low hidden reserve**, as the example of Sweden, highlighted in the box below.

Box 6: Estimating the hidden potential labour force in Sweden

Following the Swedish Labour Force Survey (see also Fuller et al., 2021 and Lee, & Kang, 2024) the hidden potential labour force comprises three categories: (1) latent jobseekers who are persons not in the labour force (not employed and not seeking for job but willing and able to work under the right circumstances); (2) underemployed persons (*undersysselsatta*) who are employed but are working less than they would like to do and who could have started working more during the reference week; and (3) long-term unemployed persons, comprising persons who are at least six months unemployed, according to the Swedish definition of long-term unemployment and seeking employment.

In 2023, the number of latent job seekers amounted to 166 700 persons in 2023, the number of under-employed persons was 329 000 persons and the number of long-term unemployed 127 500. To estimate the hidden potential labour supply, the

authors of the country article convert the number of persons in each category into million working hours and calculate the potential labour supply in the number of full-time equivalent potential jobs¹⁶. For 2023, they estimate that the number of full-time equivalent potential jobs was 102 600 jobs for the category of long-term unemployed, 80 000 jobs for the category of underemployed, and 80 000 jobs for the category of latent jobseekers, or a total of 272 600 potential full-time jobs, or 4.3% of the working-age population (16-64). Between 2010 and 2023, the hidden potential labour force, measured in million hours, has declined by around 11%, the strongest decrease being for the categories underemployed (-16%) and latent jobseekers (-14%). Worth noting is that the decline of underemployment during the last decade has been considerably more pronounced for women (-34%) due to the reduction of female part-time work and the lengthening of their actual working hours.

Source: Sweden country article

The coexistence of skills shortages (Duell et al. 2023) and inactivity and unemployment is an issue in all Member States. In particular, the Greek labour market is characterised by the coexistence of labour shortages with jobless and inactive workers where labour shortages are especially high in certain occupations and in certain sectors. This is evidence of more serious skills mismatches and other matching frictions (country article Greece). Many country articles discuss whether specific groups being outside the labour force are eventually to be considered as hidden reserve in case their employability is very low.

A broader concept of the potential labour force than the one proposed by Eurostat would also encompass some other categories of individuals. The desire to work as compared to not working at all or the desire to work more hours depends on a number of the regulatory and social policy framework. Changes in the framework (for example through pension policies, design of disability benefits, access to affordable quality childcare, organisation of school days of children, design of safety net and unemployment benefit schemes, work incentives for second earners built in tax systems, etc) would influence the desire to work and job search behaviour.

From a policy perspective, assessing the potential labour supply does not indicate whether the additionally labour would match the skills demanded by employers. This issue is mentioned for example in the Estonian country article, which points to labour and skills shortages, calling for the need not only to increase labour supply but to develop skills accordingly as well as for improving working conditions in some occupations.

¹⁶ Estimations available upon request.

3 Policies supporting the re-integration of persons outside the labour force in the labour market

Based on the information in the country reports, which among other sources have been informed by PES responses to a survey launched alongside this thematic review, this section takes stock of relevant existing and planned policy measures in the Member States for (re-)activation as well as outreach while differentiating between overall measures and targeted measures for specific subgroups and the different hurdles these subgroups face.

The review aims to map recent policy developments, reforms and measures developed in the Member States to address high rates of persons outside the labour force and increase labour market participation of under-represented groups in light of labour and skills shortages. The review covers several policy levers including active labour market policies (including PES support), flexible and/or tailored working arrangements (e.g. telework), articulation with social benefits (incl. potential inactivity traps, conditionality, incentives to (re)enter the labour market, combination of income support measures) and relevant support services (including housing, childcare).

In addition to ALMPs and PES initiatives, this section also considers other policy areas such as availability of childcare, working conditions and social dialogue, pension policies, tax policies, and lifelong learning. With this mind, the policies discussed in the country reports are analysed in this section as follows. To start with, overall PES and ALMP approaches to activating the hidden labour reserve are discussed, followed by policies targeting specific groups of persons outside the labour force (such as youth, parents, older workers, people with disabilities, migrants). Next is the analysis of local approaches to activation. The section concludes with the analysis of policies using lifelong learning and tax and benefit policies as a tool for activation.

Table 3. Overview of policies aimed at activating the hidden labour potential

Type of policy	Member States with examples of such policies
3.1. General PES and ALMPs measures for all target groups	All Member States
3.2. Specific measures for target groups:	
3.2.1. childcare, flexible working and work life balance policies (aimed at parents)	AT, BG, BE, CZ, DE, ES, IE, HR, HU, IT, LT, LU, MT, PL, RO, SK
3.2.2. youth employment and policies NEETs	All 27 MS implementing Youth Guarantee Additional approaches: BE, BG, CY, DK, DE, EE, FI, HU, IT, IE, LU, PL, RO, SI
3.2.3. policies for older workers	AT, DE, DK, EE, FI, FR, HR, HU, LT, LU, LV, PL, RO, SE
3.2.4. policies for people with disabilities and long-term sickness	AT, DE, DK, FI, IE, LV, MT, PL, SE
3.2.5. policies for activating migrants	BE, BG, DE, EE, ES, FI, PL, SE

3.3. local approaches to activation	FI, LT, NL, SE
3.4. lifelong learning policies for activation	BE, DE, ES, FR, RO, PT
3.5. tax and benefit policies for activation	BE, CZ, EE, ES, IT, FR, HU, LV, PL, RO

Source: ECE country articles.

Several methodological remarks are to be noted:

- Country articles contain a reflection of most recent and/or effective policy developments, rather than a comprehensive overview of all policies. Hence, as the synthesis is based on country examples, it should not be read as a full mapping of all existing national policies.

Due to the variety of groups of persons outside the labour force and for the benefit of readability, the present synthesis does not cover all groups in detail, focusing more on groups less covered in other research. For the group of people with disabilities, a forthcoming ECE thematic review is dedicated solely to this target group and hence the present synthesis only discusses most recent developments. In relation to activating young people, the key policy instrument is the drive from the EU's Youth Guarantee, which is analysed in depth in several EC publications, so the present synthesis only briefly touches upon initiatives to activate young people and NEETs.

- For readers with an interest in PES initiatives, section 3.1 below, on overall PES approaches, should be read alongside the other sections where relevant examples of PES approaches have also been highlighted.

3.1 Overall PES approaches

Typically, the PES in the Member States do not hold a specific mandate to provide services to persons outside the labour force. If a person outside the labour force is not registered with the PES, it cannot participate in ALMPs and other PES measures offered. The PES typically do not develop specific objectives to reach persons outside the labour force and have no financial incentives directed to persons outside the labour force. Hence, persons outside the labour force would only receive social security benefits (such as unemployment benefit) when they register with the PES. While potentially any interested person might use job placement activities, counselling and vocational guidance provided by the PES without formal registration, PES only specifically reaches out to individuals active in the labour market.

This limited PES mandate to reach persons outside the labour force needs to be seen in the general context of the PES mission, which is to **facilitate labour market transitions, the placement of those registered with the PES, the reduction of unemployment and the provision of support measures and employment incentives, also with reference to the shortage of skilled workers in several economic sectors.** The key focus of the PES is on those people who actively register as unemployed, obtain their status as recognised unemployed and participate in the activation process. During this process, the PES is actively involved in monitoring, advising and carrying out other related activities to facilitate the entry of jobseekers into the labour market.

At the same time, the PES offer measures addressing people furthest from the labour market when they are registering with the PES. Such measures are described in the respective sections of this report, e.g. PES measures addressing the long-term unemployed, young people, women returning to the labour market or people with disabilities. **The trend in jobseeker support over the last decades has been towards more intensive and individualised support, especially for the long-term unemployed and disadvantaged groups.**

However, in the context of tight labour markets and labour shortages, the PES are re-orienting their activities to also capture the hidden labour reserve. Increasing attention is paid in the PES activation approaches to design the measures with the view of addressing the increasing labour and skills shortages in the labour markets.

This can be seen in examples from the PES in Austria, Belgium Flanders, Estonia, Germany, Finland, France, Italy, Poland and Romania.

In this context, **in Austria**, in view of current challenges such as climate change and the shortage of skilled workers in several economic sectors, the AMS offers targeted framework programmes within training, and further education can be promoted, e.g. in the environmental sector. Similarly in **Estonia**, measures that specifically address labour shortages are training measures (e.g. training vouchers) that are mostly available to people who are employed or registered as unemployed (i.e. not inactive by common definitions used for inactivity). In these cases, training measures address specifically labour market shortages and are offered in areas with most labour market need as identified by skills forecasts. In both examples, PES measures are addressing the people registered with the PES, including people outside the labour force when they are registered with the PES.

The Flemish region in Belgium has strategically prioritised the activation of the labour reserve. This translated into significant changes in the Flemish PES-VDAB's target group which registers considerably more persons outside the labour force in their database in recent years. At the close of 2023, approximately 210 000 job seekers were registered with VDAB (the Flemish public employment service). Nearly half of these individuals were non-benefit-eligible job seekers or persons who were formerly outside the labour force. This group includes people on social assistance, social tenants, newcomers in a civic integration course, individuals recognised as long-term sick, and those without benefits. For example, 11 527 registrations were of individuals on long-term sick leave, 18 963 registrations of people entitled to social assistance and 88 898 registrations as independent individuals. Overall, an April 2024 report indicated that VDAB witnessed an increase of 22% of people who were previously outside the labour force in its database, compared to April 2023 (VDAB 2024-b), as described in the box below.

Box 7: Strong expansion of the PES client database through the registration of social housing tenants, Belgium/Flanders, 2023

In an effort to increase the employment rate of Flanders and to activate people who are not integrated in the labour market, the Flemish government decreed that as of 2023 all '*inactive tenants of social housing who have work potential*' should get registered with the Flemish PES-VDAB. This new rule applies to new as well as existing social tenants and their partners (but not their children or people older than 65).¹⁷ It needs to be said that the profile of most social tenants does not match the sought-after profile in

¹⁷ Article 6.20 Flemish Housing Codex of 2021. <https://codex.vlaanderen.be/>

the new policy. It is estimated that about 20% of social tenants would be eligible for this obligation (Cochez et al. 2024), as many are of retirement age, or are already working, disabled or receiving social assistance (the latter are already registered with VDAB). Whereas critics pointed to a violation of the right to housing (Van der Auwera 2024), the PES-VDAB welcomed the measure as an opportunity for PES-VDAB to reach non-professionally active people (VDAB 2024). Even though only a part of social tenants have a profile that matches the obligation, the quantitative result is still very impressive. The result of the new measure is a strong increase in the number of persons outside the labour force registered at VDAB who could potentially be guided towards work (Interview VDAB). Whereas this is potentially a positive outcome, the profile of non-job seeking individuals (who are registered under compulsion) is new to the PES-VDAB.

Sources: Interview VDAB, VDAB 2024, Cochez et al 2024, Van der Auwera 2024.

In Germany, in the context of securing labour demand due to structural change, transformation and demographic developments on the labour market, **it is also part of the strategy of the Federal Employment Agency to activate people in the "hidden reserve"** who are not registered.

In **Finland**, **PES** measures targeted specifically at labour shortages are such labour market training programmes as recruitment training, targeted training and training for highly educated. They are tailored according to the needs of the employers and labour shortage sectors.

In France, the recent reform and the creation of France Travail (PES) in January 2024 has the ambition to better include and follow up all people who are out of work. From 1 January 2025, all minimum income (called RSA in France) recipients will be registered at France Travail to maintain their minimum income (in addition to individuals who register to get UI or spontaneously to get support). All registered individuals will be oriented to the guidance structure which is the most adapted to their needs, and will benefit from a diagnosis, which will be the basis to elaborate a professional project and an action plan to facilitate the transition to employment. Each person will then sign an individual "involvement contract" that will define the goals and the measures to be implemented (training, work experience, etc.). The contract will also include some commitments for the beneficiary, depending on his/her situation.

Active job search is required for persons in unemployment, and for RSA recipients, new conditions of 15 hours of activity per week are progressively introduced across the country. Evaluations of the effects of the 15 hours requirement are ongoing in the first departments that have introduced the measure. The government has communicated some initial results showing that 40% of RSA beneficiaries who have received support and been committed to 15 hours of activity are in employment after five months, including 14% of stable jobs¹⁸. However, at this stage, the government provides no information about the profiles of beneficiaries, which may be affected by a selection bias as the departmental councils and social workers may have selected the most "employable" RSA recipients for this support. Besides, one should observe trajectories over the medium and long run to assess the efficiency of this type of measure.

¹⁸ See

https://cabinetpm.hosting.augure.com/Augure_CabinetPM/default.ashx?WCI=EmailViewer&id=%7Bd7818594-5fb6-4acb-b4db-0f258a5abeb2%7D

In Italy, important reforms aimed at increasing the flexibility of the labour market and strengthening ALMPs were introduced over the past decade. These reforms were complemented by a series of measures with greater focus on individuals who are more distant from the labour market and outside the labour market, starting with the introduction of the Youth Guarantee Programme (*Piano per la Garanzia Giovani*) in 2014, followed by the European Social Fund Plus (ESF+) National Programme Youth, Women, and Work (*Programma Giovani, Donne e Lavoro*) in 2022, and the Worker Employability Guarantee Programme (*Programma Garanzia Occupabilità dei Lavoratori*); in all three cases, measures are co-financed by European funds.

In Poland, the Draft Act on the labour market and employment services now at the consultation stage would make it possible for PES to reach out to persons outside the labour force and encourages PES to take an active approach. The PES will be able to undertake activities aimed at identifying, reaching and activating persons outside the labour force, as well as implementing projects financed by the European Fund Social Plus (ESF+) intended for persons outside the labour force. Unregistered people will also be able to use the help of a career advisor, and take advantage of job offers made available in the *ePraca* portal run by the minister responsible for labour (Rada Ministrów, 2024b).

In Romania, the National Strategy for Employment 2021-2027 includes measures for providing services to persons outside the labour force who are able to work. The Strategy aims to develop services in order to find the most effective ways to encourage participation of persons outside the labour force in the labour market. In this respect, the Strategy includes the creation of mixed teams for providing integrated services for identification, guidance and support measures and customising interventions under the case management approach.

Based on PES responses to the survey launched alongside this review in May-July 2024, **14 PES responded that they had designed and implemented measures for persons outside the labour force with the objective of combatting labour and skills shortages in mind.** Another 9 PES (Austria, Belgium-ACTIRIS, Bulgaria, Denmark, Germany, the Netherlands, Portugal Slovenia and Sweden) responded that this was not the case, while 6 PES did not respond (Czechia, Hungary, Italy, Luxembourg, Romania, Slovakia). For example, in Spain, the investment projects under the Recovery and Resilience Plan which include training have been designed based on the training needs identified to address labour and skills shortages.

Some Member States are developing or testing new measures to activate persons outside the labour force in the context of skills and labour shortages, as reported by PES in responses to the PES survey carried out alongside this review, during May-July 2024. For example, **PES in Austria and Belgium-Flanders** are developing service offer tailored to new needs such as language training for non-native speakers. In **Denmark**, the PES currently provides funding and support for project where the municipalities work to get more young people with mental health disorders and psychological distress into jobs or education through the Individual Placement and Support (IPS) method. The IPS method is also found to be very effective in **Finland**, which is currently used in the social sector, but so far it has not been included in the selection of the PES¹⁹. In **Lithuania**, psychological counselling and debt management was launched for persons preparing for the job market. Also, since 2023, all companies in the country can receive subsidies for adapting workplaces and environments for

¹⁹ See <https://thl.fi/en/research-and-development/research-and-projects/ips-individual-placement-and-supportproject>

persons with disabilities (until then, only social enterprises could use state support for adapting workplaces). **Croatia** has tested a voucher scheme for adult education, implemented since 2022 by CES, to help people outside the labour force, people in unemployment and people in employment to acquire micro-credentials, partial and full qualifications in programmes related to digital, green and other skills in demand in the labour market. The voucher programmes give special attention to including vulnerable groups such as LTUs, NEETs and persons outside the labour force while eligible foreign workers can also use vouchers to learn Croatian as a foreign language. **Ireland** established an interdepartmental group in 2024 (comprising members from the Department of Social Protection, Department of Further and Higher Education, and SOLAS) within the framework of the PTW strategy to examine barriers to employment, education and training for priority groups.

Employer oriented measures are mentioned by several PES as approaches considered most effective (Belgium, Denmark, Estonia and Ireland) in encouraging people to enter, or re-enter, the labour market in the context of addressing skills and labour shortages. Other approaches considered effective, as reported by PES responding to the PES survey carried out during May-July 2024 include:

- Free training and support (BE-VDAB).
- Incentives that can be cumulated with unemployment benefit, for jobseekers (e.g.: the Federal Government has created a bonus for long-term jobseekers who take up a job in a shortage occupation, or in another Region) (BE-VDAB).
- Work-focussed counselling with active Listening and Exploring; supporting change; providing feedback; help with problem solving and removing barriers to work; action planning and providing information; and practicing employment interviews (EE).
- Encouraging employment or self-employment and gaining the first work experience (HR).,
- Experimental approaches such as “From Stadium to Employment” (“Du stade vers l’emploi”) in France, an innovative one-day recruitment method that integrates a sports practice, targeted to jobseekers for now. This process takes place in 3 steps. First, counsellors welcome participants and launch the morning activity (sports practice) where jobseekers and employers are mixed anonymously. Then, participants share a meal altogether, still anonymously. After lunch, counsellors reveal the identity of employers. The employers share their activity’s field, and recruitment needs before launching the job dating session. This initiative has been rolled out in every region in 2023 and some agencies have used this recruitment process for women-only recruitments. This method has also been implemented by using different sports disciplines as a means to connect innovatively jobseekers and employers (football, rugby, etc..).

Measures found less effective, as reported by PES responding to the PES survey carried out during May-July 2024, included:

- **Croatia** has found that after participating in Public Works, people are rarely involved in other ALMP measures and remain outside the labour force.
- **Lithuania** noted that long-term employment subsidies, designed to cover wages for more than 6 months, often did not encourage sustainable employment. After the subsidies ended, employers tended to terminate the employment contracts because they were no longer economically viable, limiting the labour market integration of the long-term unemployed.

- **Lithuania** also noted that language learning alone, without additional integration support, did not sufficiently help migrants to enter the labour market, as they lacked the contextual and cultural support needed in the work environment. Short-term job search programmes, which focused only on quick employment without a long-term perspective and recognition of qualifications, were also not effective. Although they helped migrants to find a job quickly, they did not solve the main long-term problems of integration, so many participants soon became unemployed again.

3.1.1 Increased PES outreach activities

Activation of target groups among persons outside the labour force very much depends on national policy priorities, usually through focus on specific groups that are under-represented in the labour market, and PES activation measures often need to be based on outreach, particularly when the participation of persons outside the labour force is voluntary. The following table highlights the sub-groups of persons outside the labour force that national PES target for outreach.

Table 4. Sub-groups that national PES target for outreach

Sub-group of persons outside the labour force	Member States where PES have outreach activities
Young people / NEETs	13 PES: AT, BE (Actiris), BE (Forem), BE (VDAB – young people at risk of dropping out - potential NEETs), BG, CY, EE, EL, ES, FI, HR, MT, SI
Women	4 PES: AT, BE (Forem), HR (women over 50), MT
Older people	5 PES: BE (Forem), BG, EE, FI, IE
Social benefit recipients	4 PES: AT, BE (VDAB – social tenants, people on living wages, those on income replacement allowances), IE, PT
Sickness benefit recipients	2 PES: BE (BE-Actiris), BE (VDAB)
Migrants	9 PES: BE (all three PES), CY, ES, HR, MT, PT, SI
Refugees	4 PES: AT, EE, IE, PT
People with disabilities or long-term illness	11 PES: AT, BE (Actiris), BE (Forem), BG, CY, EE, ES, FR, HR, IE, MT
People in long-term unemployment	3 PES: ES, HR, PT
Traveller and Roma communities	3 PES: BG, IE, HR
Other	BE (VDAB) - Persons outside the labour force without rights to benefits) BE (VDAB) - Those under the supervision of the judicial authorities DE - women and men with caring responsibilities IE – Lone parents MT – individuals with history of substance abuse PT – low-skilled, discouraged workers

*Source: Responses by national PES to the PES survey of May-July 2024.
Note: No PES responses available for CZ, HU, IT, LU, RO, SK
No outreach by the PES in LT (done by NGOs, the social partners etc.), NL (done by municipalities), PL, SE, LV*

Thus, the PES outreach approaches to persons outside the labour force are becoming increasingly important. In order to activate persons outside the labour force, the PES attempts to reach persons outside the labour force via their advice/counselling and support facilities in terms of outreach advice, e.g. through the career information centres or dedicated advice centres, as well as the regular PES offices. These are typically offering a low-threshold access policy and are open to all, including persons outside the labour force. For example, in Germany, Career counselling in working life (BBiE) focuses not only on the target group of employees but also on networking, e.g. with the BCAs, chambers, associations) to motivate and support clients to re-enter the labour market. Outreach is done on site or in the social media, through high-profile campaigns, such as poster advertising in city centres (ideally combined with low-threshold contact options, e.g. QR code to potential employers or to the BA's offer) with advertising on public transport, in cinemas or in sports stadiums (source: PES survey responses).

Here, recent experiences from Austria's PES (AMS) are informative to pilot outreach approaches to ensure they are easily accessible and targeted to the needs of specific groups.

Box 8: Current approaches to reach persons outside the labour force in an effective way, Austria, ongoing

The AMS is exploring various targeted approaches to engage persons outside the labour force, with some initiatives already implemented and others in development. They are currently testing programmes such as the Job Navi for young mothers in Vienna, a women's vocational centre for migrants in Salzburg, and social media marketing for childcare services. Established projects include open spaces for community engagement, career centres with outreach counselling for young women, and the "Neighbours in Vienna" initiative offering career guidance for migrant women. Effective outreach relies on collaboration with trusted community figures and understanding the needs of the target group. The AMS recognises the importance of low-threshold access to services, including on-site counselling and digital outreach, to reduce barriers for those distant from the labour market. Future plans include evaluating social media strategies and utilising educational institutions to register persons outside the labour force directly. Overall, the AMS aims to enhance its outreach effectiveness by ensuring measures are accessible and tailored to the specific needs of persons outside the labour force.

Sources: Interview AMS, <https://nachbarinnen.at/>

Other PES are also offering examples of specific outreach activities dedicated to groups of persons outside the labour force. This is reported in Croatia, Finland and Ireland.

In Croatia, the PES service has developed a protocol for outreach to persons outside the labour force. The protocol provides advisers based in Lifelong Career Guidance Centres²⁰ (CISOK) with a comprehensive view of working with different

²⁰ They operate in bigger towns in almost all counties in Croatia.

vulnerable groups and describes the target groups and activities of identifying, informing and activating persons outside the labour force through the activities of the CISOK.

In Finland, an important good practice in which PES has a vital role is the one-stop guidance shop network. These are low-threshold agencies for all young people regardless of their labour market status. There are multidisciplinary services available at the advisory service points in about seventy municipalities, and the young people are counselled and guided within the service network.

In this regard, the national PES in Ireland, Intreo, has in recent years engaged in activities that have brought it into closer contact with several key sub-groups of persons outside the labour force, including persons with disabilities; young people/NEETs; older people; and people from migrant backgrounds. Some of this activity brings Intreo into contact with the sub-groups as “jobseekers”, however some also involve effort to engage with persons formally outside the labour force.

However, **this PES outreach activity to persons outside the labour force needs to be underpinned by appropriate resources and staffing.** Experiences from Greece and Hungary show how the national PES are struggling to reach persons outside the labour force due to limited capacity and resources.

In Greece, with unemployment still high, and the unemployment registry listing many persons outside the labour force, PES DYPA services are overstretched to conduct extensive outreach to attract the genuinely inactive into the labour market (meaning those that do not have a labour market involvement whether formal or informal). DYPA counselling and job-search assistance services are overburdened. DYPA faces staff shortages with 1 000 job counsellors for around 800 000 registered unemployed.²¹ The OECD has recommended that DYPA hire more job counsellors and improve the support given to them through guidelines, training and digital tools (OECD, 2024).

In Hungary, local PES offices have limited capacity and motivation to reach out to the labour reserve according to a survey conducted in 2020 (Csillag, Scharle, 2022). The local PES offices lack systematic connection and coordination with NGOs and other public services that could provide services to the (long-term) unemployed and help in outreach activities.

3.1.2 Partnerships developed to support persons outside the labour force

Another way the PES are trying to reach out to persons outside the labour force is through partnerships with other stakeholders who are often in close contact with the groups of persons outside the labour force and thus act as mediators to bring persons outside the labour force in contact with the PES.

The following table summarises the partnerships developed to support persons outside the labour force, as reported by national PES.

²¹ See [DYPA data](#) for May 2024.

Table 5. Examples of PES partnerships developed to support persons outside the labour force

MS	Groups of persons outside the labour force targeted	Composition of the partnerships to support persons outside the labour force
BE - VDAB	social tenants, people on living wages, people with income replacement allowances, those under the supervision of the judicial authorities	<p>The PES (VDAB) works together with the health insurance funds. The health insurance funds assess whether their clients can take steps towards work and need support in doing so. They refer those citizens to the PES, which activates them towards work.</p> <p>Agency Integration and Integration, NIHDI, local governments, the Department of Education and Training, the Justice and Enforcement Agency and FPS Justice, Flemish Agency for Housing in Flanders and the housing companies.</p>
CY	NEETs	Coordinated approach of PES with the Ministry of Education Sport and Youth, Municipalities, Church, Youth Board, Universities.
CY	GMI recipients, many of whom are LTU	Partnership with the Welfare Benefit Management Service (ΥΔΕΠ) for the registration and activation of GMI recipients and exchange of information regarding the results from job referrals provided to GMI recipients by the PES. Certain sanctions are implemented when there are undocumented job referral rejections by the candidates who receive the GMI benefit including suspension or termination of their benefits. Among GMI recipients there are also a substantial share of LTU. There is also close cooperation in all provinces and districts with trade unions and employers via the District Employment Committees that meet periodically in the District PES offices to help identify challenges that special groups of people face for their integration in the labour market. (e.g. identify the need for childcare facilities to allow single mothers or inactive mothers to enter or return to the labour market).
DK		Increased collaboration of the PES with the health sector through Individual Placement and Support (IPS) projects.
EE	Various groups	See box 9 below.
ES		Collaboration with local authorities and civil society is a common practice of the National Employment System, whose competence lies with each autonomous region within the scope of its territory.
HR	Various groups	The partnership approach is centred around addressing the identified needs of potential clients in a specific region/location through collaboration with local chambers, universities, adult education institutions, schools, NGOs. Partnerships can be general or specific. They can be formal or informal. Formal partnerships are established through signed agreements of cooperation between CISOK centres and local stakeholders and foster outreach to non-traditional clients and vulnerable group users.
IE		The Irish PES collaborates with a range of organisations such as partners in the Further Education and Training sector, employers and the community and voluntary sectors. It also collaborates with

		NGOs and groups representing minority or disadvantaged groups such as PWD, Roma and Travelers, ex-offenders etc.
LT		Close cooperation between the PES and various state and civil society organisations institutions such as the State Social Insurance Fund, State Tax Inspectorate, State Labour Inspectorate, Migration Department, Youth Affair Agency, municipalities, NGOs and other organisations, to provide comprehensive support to persons outside the labour force. This includes sharing data, organising joint events, and providing integrated services to address the diverse needs of target groups.
MT	Various groups	Jobsplus works in close collaboration with the Correctional Services Agency (CSA), the Detox Centre, NGOs working in relevant fields, Agenzija Sapport, Foundation for Social Welfare Services (FSWS), Commission for the Rights of Persons with Disability (CRPD) and other stakeholders with the aim to provide information on ways how Jobsplus can assist their service users. Jobsplus also has cooperation agreements with specialised bodies (Caritas Malta, Richmond Foundation, OASI and Inspire Foundation).
SI		The PES has detected a strong need for strengthening the cooperation with social work centres and thus initiated the project Strengthening cooperation between the employment offices, the social work centres and other stakeholders for the integration in the labour market of the long-term unemployed. The PES has a coordinated approach with other governmental and non-governmental bodies, such as social services, recognising the need for interinstitutional treatment and connection with non-governmental institutions.

*Source: Responses by national PES to the PES survey of May-July 2024 and country articles
Note: No PES responses available for CZ, HU, IT, LU, RO, SK*

The example from Estonia outlined below provides further details on the composition and functioning of such partnerships.

Box 9: Estonia’s PES networking with different partners to make sure that people who are able to work find their way to the UIF to register as unemployed

Estonia’s PES does not directly reach out to groups of persons outside the labour force, but is networking with social services in local municipalities, criminal supervisors of prison boards (for people released from prison), non-profit organisations dealing with groups of persons outside the labour force and associations for people with disabilities. For instance, the UIF is cooperating with an NGO implementing a programme for young people with a criminal background to offer labour market services and support their entrance into employment. Separate networking is also done with employers to increase awareness of different support measures available to them when employing a person in a labour market risk group (for instance, young persons or people with reduced work ability). Concerning cooperation between municipalities, a study on subsistence benefit recipients outlined that the cooperation is very different across municipalities – in some it is regular and systematic while in others cooperation is nearly non-existent (Melesk et al. 2022). In the study, social workers outlined that there is a need for better transfer of information and data between the municipality and the UIF as the latter creates an individual action plan for each registered person while the municipality does not know its contents and how the person is fulfilling the plan (e.g. what kind of services are offered, whether a person participates or not etc). This information can only be obtained

through consultations on each individual, but this can be very time consuming for the social workers. Similar issues were outlined between PES and local municipality cooperation in cases of activation of people with reduced work ability (Kallaste et al. 2022).

Sources: PES response to survey of May-July 2024; Estonia country article.

Finally, it is also significant that PES collect data and undertake research on the size and characteristics of persons outside the labour force. For example, in Germany, the research institute of the Federal Employment Agency (IAB) carries out studies on persons outside the labour force that are not registered with the PES, including on their labour market barriers (see Dengler et al 2021). IAB also estimates the size of the hidden reserve in Germany (Federal Employment Agency, 2024). In Finland, the PES systematically collects data on groups of people outside the labour force including students, NEETs, working pensioners, people on family leaves and persons with disabilities.

3.2 Approaches for activating specific target groups

In this sub-section, an overview of policies aimed at activating specific groups in the hidden labour reserve is presented, including policies aimed at activating parents, young people, older workers, people with disabilities and long-term sickness and people with a migrant background, with a sub-section dedicated to each type of policy.

3.2.1 Childcare, flexible working and work life balance policies (aimed at parents)

A mix of policies to activate parents (men and women) has been highlighted in the Member States. This consists of policies to improve access to childcare, support for flexible forms of work, leave policies and targeted PES measures (see table below). In the context of increasing labour and skills shortages, the labour force potential of women and parents with children has moved more into the focus of political attention and ensuing measures. This has been highlighted in the experience of Austria where in particular, women with childcare responsibilities who do not (or cannot) participate in the labour market are increasingly the focus of attention. If these women are not entitled to financial benefits from the AMS (PES), they do not necessarily register as jobseekers and can only use the services of the AMS to a limited extent.

Table 6. Overview of policies aimed at activating parents

Type of policy	Member States with examples of such policies
Measures on childcare	11 MS: AT, BG, BE, DE, ES, IE, HR, IT, LT, RO, SK
Leave policies supporting activation	8 MS: BE, BG, IT, LT, LU, PL, HU, SK
Measures supporting flexible work forms	6 MS: CZ, DE, LU, LT, PL, SK
Targeted approaches by PES	4 MS: AT, BE, DE, RO
Other	Fiscal incentives: 4 MS: BE, BG, HU, IT Measures to involve fathers: 2 MS: AT, PL

Source: ECE country articles

A key barrier to the activation of parents (mothers and fathers) is the lack of accessible and affordable childcare facilities. Hence, examples of policies

supporting childcare were reported in Austria, Bulgaria, Belgium, Germany, Spain, Ireland, Croatia, Italy, Lithuania, Romania and Slovakia.

The negative impact of the lack of childcare facilities is exemplified in Romania and Slovakia. In **Romania**, women's inactivity in the workforce is significantly influenced by the underdeveloped early education system, with only 420 registered childcare units for children aged 0-3 years as of 2023, predominantly located in urban areas (92%). The school population in preschool units has seen a slight increase, and the National Recovery and Resilience Plan aims to enhance early education by constructing 110 new nursery units, which will provide approximately 15 000 additional childcare places. This initiative seeks to raise the enrolment rate of children aged 0-3 in educational services from 14.1% to 19% by the end of 2025, while also increasing the enrolment rate for children aged 3-6 from 88% to 91%. In **Slovakia**, the lack of care services for children and dependent family members hinders the timely return to the labour market for mothers, resulting in the lowest employment rate for mothers with children under three among selected OECD and EU Member States. Six years post first birth, mothers in Slovakia work 2.5 months less annually and earn 33% less than their childless counterparts.

Furthermore, the remaining barriers to accessible and affordable care are noted in Belgium and Bulgaria, including regional variations, long waiting lists and preference for parents on standard forms of work.

In **Belgium**, formal childcare is managed by the Communities and is relatively affordable compared to other European nations, with income-related fees and tax deductions for childcare expenses, particularly benefiting low-income households. Despite high uptake rates, the supply of childcare services does not meet demand, leading to long waiting lists, especially in affluent municipalities where availability is greater. Priority for childcare spots is often given to working parents with stable jobs to maintain the required 75% occupancy rate for subsidised services. In **Bulgaria**, childcare availability and costs are significant issues, particularly in larger cities like Sofia, Plovdiv and Varna, with the problem extending to smaller municipalities due to the relocation of wealthier families. The demand for public childcare exceeds supply, causing private childcare costs to rise and availability to diminish, especially in the capital. Although there is a public scheme to co-finance private childcare for families lacking access to public options, it has not gained much popularity.

Current and future plans to expand childcare provision are noted in Austria, Croatia and Italy, which should help to activate parents.

In 2022, **Austria** established a five-year agreement for early childhood education and care, allocating EUR 1 billion to enhance childcare facilities, particularly for children under three, and to address regional gaps for 3 to 6-year-olds, with a total investment of EUR 4.5 billion planned by 2030. However, experts argue this funding may not meet the demand, prompting calls for a legal right to childcare from age one. **Croatia** is also prioritising early childhood education, with the Recovery and Resilience Plan aiming to increase preschool coverage, particularly for vulnerable groups, through an investment of EUR 213.3 million to create 22 500 new preschool places by 2026, and a long-term goal to raise coverage from 83% to over 97% by 2030. **Italy** has introduced measures to improve childcare, including a 'crèche bonus' to assist families with fees and a universal single allowance for children to support low-income families, while also investing in early childhood education and care infrastructure to enhance availability.

Success with measures to improve childcare availability have been reported in Germany, Ireland and Lithuania.

Germany has established a legal right to childcare for pre-primary children and afternoon supervision for primary school children, recognising the importance of childcare services in enhancing labour market participation, especially for single mothers, whose employment rates are significantly lower than those in couple families. This legal right has been progressively expanded, with provisions for children aged 1 to school entry introduced in 2013, and a new right for afternoon supervision starting in 2026, gradually extending to fourth graders by 2029.

In **Ireland**, the Early Childhood Care and Education (ECCE) Programme offers up to two years of free preschool education, with 95% participation among eligible children, alongside the National Childcare Scheme (NCS) that provides financial support for childcare costs, particularly benefiting families with additional needs. The NCS has seen a significant increase in participation, nearly doubling from 59 000 to 117 000 children between the first and second quarters of 2023 thanks to increased levels of funding and expansion of scheme eligibility/benefits (Labour Market Advisory Council, 2023). A review of the first 12 months of the NCS (which itself was launched in 2019) found broad engagement of parents with the scheme (allowing for the disruption caused by the COVID-19 pandemic), and reported positive impacts on the cost and use of childcare, work choices and family finances (Frontier Economics, 2021)..

In **Lithuania**, the affordability of childcare services has generally improved since 2020. Private childcare services are on average five to seven times more expensive than public services and not available to low-income families. For those children without the possibility of attending public childcare institutions, a EUR 100-120 monthly grant for attending private childcare institutions may be available.

Furthermore, a number of Member States have taken measures to adapt parental leave policies to improve the activation of parents. This is reported in Belgium, Bulgaria, Italy, Lithuania, Luxembourg, Poland, Hungary, Slovakia.

In **Belgium**, mothers are entitled to 15 weeks of maternity leave, which is shorter than in many other European countries, and parents can take parental leave until their child is 12 years old, with the option to reduce working hours as desired. Due to the brief maternity leave, children often enter formal childcare as early as 3 months old until they are 2.5 years old, when they can access free pre-primary education, with kindergarten enrolment being nearly universal from that age. In contrast, **Bulgaria** offers some of the longest maternity leave periods and payments, which, while beneficial, can hinder women's career progression and increase the risk of job loss due to the demands of childcare. **Italy** provides a generous parental leave system, with well-paid leave for the first five months and additional flexible working arrangements for employees caring for young children. **Lithuania** has recently updated its parental leave system, allowing parents to choose between receiving benefits until their child is 18 or 24 months old, with specific non-transferable months and varying benefit percentages based on the duration chosen. Additionally, since January 2023, parents of children under 3 years of age in Lithuania can work reduced hours of 32 per week if employed in budgetary institutions. A successful reform in **Luxembourg** has been the modifications regarding parental leave and the so-called "Pappecongé" (paternity leave) which has been increased.

Hungary's government introduced a new type of paternity leave and parental leave in 2023. Within the framework of the new paternity leave, fathers are entitled to a 10-day leave during the two months following their child's birth. As for the new parental leave, parents are eligible for a 44-day leave until the child reaches the age of 3 (see the box below).

Box 10: Introduction of the 10-day paternity leave and a new parental leave, Hungary, 2023

As of 2023, following the European Union's directive, fathers are entitled to a 10-day paternity leave during the two months following their child's birth. Before, only a 5-day leave was available for fathers. The leave may be requested by the employee from the employer, who is obliged to grant it in up to two parts. For the first 5 days, fathers receive the full amount, and for the remaining days only 40% of the absence fee (the claimant's salary). As for the new parental leave, a total of 44 working days of parental leave is granted until the child reaches the age of 3. Parents are only entitled for the 44-day leave if they have been in employment for at least one year before the child was born. Its amount is 10% of the absence fee minus the amount of child benefit. **Although there are no official data or evaluations available on the use of the 10-day paternity and the 44-day parental leave, such policy changes are seen as positive examples for reducing the gender employment gap.** A recent survey conducted among three of Hungary's largest enterprises (Hungarian Telekom, Spar, and Volánbusz) revealed that over 90% of employees utilise the 10-day paternity leave. However, the 44-day parental leave option is rarely used by workers, due to the low amounts of the allowance (Hraskó, 2023). And the 10-day paternity leave is also considered very low compared to other Member States (Erős et al., 2022).

Sources: Erős et al., 2022, Hraskó, 2023; Art 131 of Act of LXXIV 2022 on certain laws of employment, Government Decree 535/2022 (XII.21.) on the use of paternity leave and reimbursement of the associated costs.

A greater involvement of fathers in childcare is also a key lever for increasing female labour force participation. Besides the provision of childcare, women are more likely to return to the labour market more quickly if fathers are more involved in childcare. In this context, measures to make parental leave more attractive for fathers can be noted in Slovakia and Poland.

In **Poland**, fathers are entitled to nine weeks of non-transferrable parental leave to share the childcare burden with mothers. Fathers' replacement rate is lower than mothers, however, at 72% compared to mothers' 81.5%. In **Slovakia**, a more equal distribution of childcare in households with young children to aid maternal return to work was supported by introducing "paternal leave". The option for fathers to take parental leave has been successfully introduced, while the trend of fathers using this option is constantly growing. The result is an earlier return of mothers to the labour market: Half of the mothers will work 33 months after the birth, but if the father has taken paternity leave, half of the mothers start work after 25 months (Dančíková, 2020). However, the policy has been shown to have an adverse effect if the father continues working while receiving the benefit. In this case, the mother actually stays home longer than if the father does not work throughout the leave.

The next category of measures relates to policies to improve access to flexible forms of work, such as working from home or teleworking for parents. This is reported in Czechia, Germany, Luxembourg, Lithuania, Poland and Slovakia.

In **Czechia**, the "Supporting forms of flexible employment (FLEXI)" project (2021-2023) aims to enhance labour market access for diverse groups by promoting work-life balance through flexible employment options, with renewed support under the Operational Programme Employment+ targeting employers to foster diverse workplaces. **Germany** has seen a significant rise in remote work, with 24.2% of employees working from home in 2022, up from 9.6% in 2019, aiding in work-family reconciliation, although not all workers benefit equally. **Luxembourg** introduced teleworking schemes post-COVID-19,

allowing companies to decide on remote work arrangements through mutual agreements, with variations for resident and cross-border workers. **Lithuania's** new Labour Code (2017) has expanded flexible work arrangements, including project-based and job-sharing contracts, enhancing work-life balance. **Slovakia** supports flexible work through the national project "Reconciliation of family and working life," providing financial incentives for employers to offer part-time and telework options. In **Poland**, legislation allows parents of young children to work from home and grants flexible hours to parents of children under eight, promoting family-friendly work policies.

In four Member States (Austria, Belgium, Germany and Romania), PES measures for parents have been reflected upon. In **Austria and Romania**, the outreach to mothers is limited in PES if they are not eligible for PES support.

In Germany, the Federal Employment Agency also reaches out to persons outside the labour force via career counselling, even though this is not their target group of employees. These activities include networking e.g. with chambers, associations, or external advice centres with the aim of motivating and supporting potential clients to re-enter the labour market (PES questionnaire Germany). Thus, career counselling might in principle also reach those persons outside the labour market who initially do not intend to work or to register at a PES. Also, according to the PES questionnaire, the representatives for equal opportunities for women and men in the labour market offers (also digital) information events for people who would like to return to the labour market after bringing up children or providing care. For networking purposes, locations are sought out that have a high overlap with people re-entering the labour market (multi-generation houses, district cafés, etc.).

The Flemish PES-VDAB is considering reaching out to young mothers outside the labour force through campaigns in the premises of 'Kind & Gezin' ('Child & Family Agency'). This agency of the Flemish government is best known to the public for its provision of preventive family support services, such as prenatal guidance, vaccinations and child development testing through infant welfare clinics and home visits. Since the vast majority of young mothers make use of these services, setting up sensitisation campaigns at the Child and Family Agency's clinics is a creative way to reach mothers who may otherwise not figure in any other database. The current initiative is in the conceptual stage and has not been implemented yet.

Several Member States reported measures involving fiscal incentives to support the employment of parents. In **Bulgaria**, child benefits play a crucial role in encouraging working parents, particularly with a tax deduction per child that promotes full-time employment. However, most family-related allowances are not tied to employment status, which may hinder efforts to boost female labour force participation. In Italy, employment incentives are significant, especially for women, youth and residents in underdeveloped areas, with recent legislative measures providing substantial hiring incentives and a temporary 50% reduction in social security contributions for working mothers returning from maternity leave. Hungary has implemented various fiscal policies to activate mothers, including tax relief for mothers under 30 and full income tax exemption for mothers with four or more children. Despite these measures, the employment rate of mothers with children under three remains one of the lowest in the EU, indicating that additional efforts may be needed to improve their labour market participation.

3.2.2 Policies on youth employment and policies for activating NEETs

The national reports highlight various initiatives aimed at addressing the issue of NEETs (young people Not in Education, Employment, or Training) in different regions,

particularly focusing on reducing youth inactivity. As already mentioned, given the in-depth coverage of such initiatives in other EU publications, this section focuses on latest developments and highlights some recent evaluation results of interest.

The primary goal of these programmes is to register young people outside the labour force with the PES, create personalised support plans, and provide counselling and professional guidance and other forms of support, as required.

Young people are seen as a key labour reserve also in the context of persisting labour and skills shortages but activating young people first and foremost entails keeping them in education and training to endow them with the skills and attitudes that will contribute to their longer-term labour market engagement. Key challenges to activate young people identified in the national reports include their late independence from parental households, low labour mobility, weak regional development, social integration issues for ethnic minorities, early school leaving, and unrealistic wage expectations among youth.

Table 7. Overview of policies aimed at activating young people and NEETs

Type of policy	Member States with examples of such policies
Measures within the framework of the Youth Guarantee	All Member States implement the Youth Guarantee. Some examples from BE, FR, HU, IT, LU are highlighted below, for illustration purposes.
Support programmes to activate young people	10 MS: BG, CY, DK, DE, EE, FI, IE, PL, RO, SI

Source: ECE country articles

First of all, **there is a focus on activating young people within the framework of the EU's Youth Guarantee, as done in all Member States and as exemplified in the experiences from Belgium, France, Hungary, Italy and Luxembourg.**

In **Belgium**, regional Public Employment Services (PES) focus on integrating NEET (Not in Education, Employment, or Training) youth into the labour market through initiatives aligned with the European 'Youth Guarantee' initiative (Penders I. & Vansteenkiste S. (2023)). The Flemish PES-VDAB proactively engages youth under 29, offering tailored services and partnerships, such as the Flip the Switch project for potential school dropouts. Brussels PES-Actiris employs outreach strategies to connect with NEET youth in disadvantaged areas, achieving a 60% success rate with its partners. Wallonia's FOREM offers the Coup de Boost programme, providing customised support to help NEET youth develop job-seeking skills and gain confidence.

France's Youth Guarantee, launched in 2013 and replaced by the Youth Engagement Contract in 2022, has shown positive employment outcomes, particularly for participants who remain engaged in the programme (Conseil d'orientation des politiques de jeunesse, 2022). The CEJ offers intensive support and activities for a broader youth demographic, while recent policies have significantly increased apprenticeship opportunities, although concerns about targeting disadvantaged youth remain.

Italy's Youth Guarantee aims to activate young people excluded from the labour market, driving reforms in the governance of active labour market policies. The Youth Guarantee Initiative (YEI) in Italy, managed by the Ministry of Labour and Social Policies, has supported around 1.5 million young people, primarily from southern Italy, through various measures such as training, apprenticeships and civil service, although it has faced criticism for not adequately reaching the most disadvantaged groups (ANPAL, 2023).

In **Hungary**, the EU-funded Youth Guarantee programmes have been implemented to improve labour market integration for NEETs, providing personalised support and financial assistance. However, challenges remain in effectively reaching the most vulnerable groups, with local employment offices facing capacity constraints and limited outreach efforts (Krekó et al. (2023)). Luxembourg's Youth Guarantee emphasises early support for job seekers.

In other Member States, a range of policies is reported to activate young people (highlighted in Bulgaria, Cyprus, Denmark, Germany, Estonia, Finland, Ireland, Poland, Romania). **Overall, these initiatives reflect a comprehensive approach to tackling youth unemployment and inactivity, emphasising the importance of tailored support and collaboration among various stakeholders.** While these initiatives show varying degrees of success, challenges remain in effectively reaching and supporting the most vulnerable youth populations. Overall, while there are positive trends in NEET engagement and increasing youth employment, the country reports highlight a need for enhanced focus on education and long-term outcomes to ensure sustainable success.

In **Bulgaria**, the Employment Agency's 2023 report highlights significant engagement with NEETs, with 47 000 young people registered and 128 000 receiving monthly counselling. The PES also implements specific projects like "Ready for Work" and "Starting Work," which aim to activate and employ NEETs through workshops, job fairs, and subsidised employment opportunities. Bulgaria's "Activation of Inactive Persons" programme targets NEETs through community service and mediation efforts, showing a general decline in inactivity among this group.

Cyprus is implementing outreach projects to engage NEETs, offering individualised counselling and action plans, with a focus on digital tracking systems and mobile units for better accessibility. The ALMA initiative in Cyprus aims to provide cross-border work experiences for disadvantaged NEETs, enhancing their employability.

A successful project has been highlighted in Estonia, see the box below.

Box 11: STEP programme, Estonia, since 2016 (outreach for young people with a criminal record), Estonia, since 2016

The programme, initiated in 2016 and expanded in 2022, aims to assist young individuals aged 14-29 with criminal backgrounds in securing employment or pursuing education across Estonia. Initially limited to young people aged 15-16 in Tallinn and Harjumaa, it now offers personalised support through individual counsellors who guide participants in accessing necessary services across Estonia. Funded by the Ministry of Justice and ESF+, the programme collaborates with the Unemployment Insurance Fund to facilitate labour market integration. Evaluations show a success rate of about 50% for participants completing the programme, with increasing referrals to additional services over the years, indicating effective cooperation with public services. Despite its cost-efficiency and positive outcomes, the programme has not met its participant targets, highlighting the need for enhanced outreach to better engage the intended demographic.

Sources: Programme website: <https://step.ee/> [Accessed 8 July 2024] , Salu, J., Aps, J., Akkermann, C. (2021), Civitta (2019)

Denmark, despite low youth unemployment rates, still has a significant number of NEETs, particularly among vulnerable groups, and employs a proactive approach to early activation and education, with a structured support system involving multiple

stakeholders to assist young people in transitioning to the labour market²². In Denmark, the FGU programme has shown success, with 70% of participants moving on to further education or employment, although dropout rates are a concern. This experience highlights the need for improved vocational education opportunities, especially for young immigrants and those with learning disabilities.

Ireland's Intreo services provide personalised support for young jobseekers, including job promotion events and recruitment subsidies. In **Germany**, policies emphasise education and training for NEET youth, with a focus on vulnerable groups, as NEET rates are notably higher among foreign nationals. The German PES aims to improve visibility and support for youth employment agencies. **Finland's** one-stop guidance centres (mentioned above) provide integrated services for NEET youth, conducting needs assessments and creating employment plans within two weeks. **Poland's** Voluntary Labour Corps (OHP) focuses on supporting youth in vulnerable situations through vocational training and job placement services.

Romania's National Strategy for Employment 2021-2027 aims to enhance youth participation in the economy, particularly NEETs, through improved partnerships and integrated labour market measures, achieving notable employment outcomes in 2023. **Slovenia's** PUM-O project has recognised results, as described in the box below.

Box 12: Project Learning for Young Adults (PUM-O), Slovenia, ongoing

The Project Learning for Young Adults (PUM-O) programme in Slovenia is designed for vulnerable young NEET adults aged 15-26 who are not engaged in employment, education, or training (NEET). It aims to enhance their employability and social inclusion through tailored support, focusing on reintegration into education, professional identity development, and labour market integration. The programme includes three main activities: elective projects that foster teamwork and confidence, individual project work for personal development through workshops, and interest activities promoting general knowledge and community engagement. Evaluations show positive outcomes, with participants reporting improvements in personal development, confidence and social skills, leading to 11% continuing their education and 14% securing employment. Additionally, 93% felt better job opportunities, and 88% reported increased motivation and self-esteem. The programme's flexibility and personalised approach are noted as key strengths, although specific outcomes for young migrants and refugees enrolled are not detailed.

Sources: Andragoški center RS, 2023; Deloitte, 2019.

3.3 Policies for activating older workers

A mix of policies to activate older people and maintain the older workers in employment has been highlighted in the Member States. This consists of financial incentives to older people and their employers, rises to the retirement age, specific ALMPs targeting older people and other policies (see table below). Subsequently, there is a range of incentives to keep people near and above retirement age in the labour force. These measures are, however, mostly focused on keeping older workers employed, and do not focus on the activation of older persons outside the labour force.

In the context of persisting labour and skills shortages, activating and keeping older workers employed for longer is an important part of the policy response to address such shortages.

²² See <https://eva.dk/ungdomsuddannelse/fgu>

Table 8. Overview of policies aimed at activating older workers

Type of policy	Member States with examples of such policies
Financial incentives to older workers / their employers	9 MS: AT, DE, FI, FR, HR, HU, LU, PL, SE
Increasing the statutory retirement age	6 MS: AT, DK, FI, FR, LT, RO
ALMPs targeted to older people	5 MS: DE, DK, EE, LV, SE
Other	Social care strategy: HR Collective bargaining agreements on supportive working conditions for older workers: DK

Source: ECE country articles

Firstly, in nine Member States, **financial incentives to work longer for older people and/or their employers have been reported** (in Austria, Germany, Finland, France, Croatia, Hungary, Luxembourg, Poland and Sweden).

For instance, the **Austrian** pension system encourages longer working lives by offering higher pensions for delayed retirement and penalising early retirement, with a 5.1% annual increase for those retiring between ages 65 and 68. The government also subsidises pension contributions for employees who work while receiving pensions. **Finland** is phasing out the "pension pipe" by 2030, allowing older unemployed individuals to extend their benefits and providing training rights. In place of the pension pipe, since 2023, dismissed people aged 55 and above are entitled to the "change security" which provides them with right to training and extended period for job search during the notice period. Similarly **in Sweden**, employment protection extends up to the age of 69 and there is an individual right both in the public and private sector to continue to work until this age.

Luxembourg has lifted restrictions for retirement over 65, while **Poland** offers wage subsidies for hiring older workers, though part-time work options for older workers are limited. Also in **Sweden**, in 2007 social contribution taxes were reduced from around 31% to 10% when the employee reaches the age of 65²³.

Available evaluation evidence shows that such financial incentives can work. **Croatia's** flexible retirement model permits pensioners to work part-time without losing benefits, leading to a significant increase in employed pensioners (see also the box below).

Box 13: Introduction of flexible retirement model in Croatia, since 2014

The flexible retirement model, introduced in Croatia in 2014, allows full-time pensioners to work up to four hours daily without losing pension benefits. Initially available to old-age pensioners, this right was expanded in 2019 to include early retirement pensioners and certain military and police personnel, and in 2021 to family pension beneficiaries. The number of pensioners utilising this model has grown significantly, from 3 474 in 2017 to 26 593 in 2023, representing 2.17% of total pension beneficiaries. Employment rates for those aged 55-59 rose from 47.6% to 65.8%, while rates for those aged 65-74 increased slightly. Despite these positive trends, some studies criticise the model for encouraging early retirement, increasing financial strain on the pension system, and creating unequal benefits, particularly favouring highly educated individuals.

²³ 66 years old from 2023.

Additionally, the expected active years in the labour market have increased, indicating a relative success in extending working life, but concerns remain regarding the model's distributional effects and potential financial burdens.

Sources: *Croatian Pension Insurance Fund and LFS statistics*²⁴, Vukorepa, 2023.

Hungary exempts employed pensioners from social security contributions, resulting in a notable rise in their workforce participation (Bakó and Lakatos (2022)). **Sweden's** pension system, established in the early 2000s, promotes a flexible retirement age and combines work with pension benefits, contributing to increased employment rates among older workers (Anxo et al., 2019). In contrast, **Germany's** Flexi-pension reform, effective since 2017, aimed to increase labour market participation among older workers, but its impact has been limited (BMAS 2022c), although recent changes have lifted the income limits for early retirees.

Secondly, many Member States are implementing **reforms to raise retirement ages and promote longer workforce participation**, particularly among older women. In six Member States, measures to lift the retirement age have been highlighted (in Austria, Denmark, Finland, France, Lithuania and Romania).

In Austria, the retirement age for men is 65, while for women it will gradually increase from 60 to 65 by 2033, starting in 2024. Denmark is raising its retirement age from 60 to 62 for the VERP and to 67 for the public old age pension by 2027, with further adjustments based on life expectancy. Finland's 2017 pension reform raised the retirement age to 65 for the 1962 cohort and led to an increase in employment rates among older workers, although disability pension claims also rose. France has raised its retirement age to 64, and Lithuania aims to equalise the retirement age for men and women at 65 by 2026, with gradual increases since 2011. Romania's recent pension reform set the retirement age at 65 for both genders, allowing voluntary work until age 70 to encourage active aging.

Available evidence shows that such measures are effective, also in terms of increasing the employment rate of older workers. Specifically, in Finland, as a consequence of the reform to raise the retirement age, the employment rate of the age group 61-62 increased by 10% and of those over 63 by almost 20% (Nivalainen & Ilmakunnas 2023). Understandably, also the number of disability pension recipients increased. Overall, the pension reform has been considered a success which has brought several thousands of older employees not only to the labour market but actually in the employment.

Third type of measures relates to **ALMPs targeting specifically older workers** (in Germany, Denmark, Estonia, Latvia, Poland and Sweden). In **Denmark**, the Ministry of Employment initiated several programmes, including the Senior Think Tank established in May 2018, which proposed 20 recommendations in November 2019 to enhance the working conditions for older employees. Additionally, the Ministry supports the formation of local and regional networks for unemployed older workers. **Estonia's** Employment Programme 2024-2029 offers labour market services to retirees seeking employment, including training and support for qualifications and entrepreneurship. Meanwhile, **Latvia's** Public Employment Service provides lifelong education training for individuals at risk of unemployment through a voucher scheme, aimed at improving

²⁴ <https://www.mirovinsko.hr/UserDocsImages/statistika/statisticke-informacije/2024/2/Statisticke-informacije-HZMO-a-2-2024-ozujak-2024.pdf?vel=14485893>

their skills and market competitiveness. An interesting example of project targeting older workers is highlighted in **Poland**.

Box 14: Project supporting the employment of older people, Poland (Pracada seniorów), ongoing

The project is run by Centrum Pracy Seniorek i Seniorów Gdańskiego Urzędu Pracy, a centre for professional, social and cultural activation of mature residents of Gdańsk. The project is aimed at persons over retirement age. Participants meet with experienced career advisors to review their education, professional experience, training, interests, skills, personal characteristics, and physical capabilities. The advisors help in creating application documents and preparing for recruitment interviews. They also search for job offers suitable for the candidates, aiming to meet clients' preferences. In case of a successful match, the participant may be referenced for a course chosen in agreement with their career advisor and future employer. Moreover, the project's website is also informative for potential clients. It contains job offers, information on (free) workshops and courses as well as other events. This project is a well-rounded initiative that encompasses many aspects of job search for seniors. It takes the participants' needs into account first and foremost, e.g. the preference to work part-time. Also, establishing a centre dedicated to the older population is helpful in view of the ageism that the participants may be worried about encountering elsewhere.

Sources: <https://www.pracadaseniorow.pl/>

Available evidence shows that such measures are effective. The Participation Opportunities Act in **Germany** effectively engaged older workers through a combination of wage subsidies for employers and necessary on-the-job coaching and training (Achatz et al 2024). In **Sweden**, part of the observed decrease of elderly persons outside the labour force is also related to the ALMPs targeted towards older people (aged 55+) conducted by the PES (Anxo et al 2019).

Finally, a social care strategy to support the activity of older people was reported in **Croatia** to focus on the quality of services, the spread of services in communities, and awareness-raising. In Denmark, in the collective agreements since 1990s, the so-called 'social chapters' have been included in most agreements, which cover almost 90% of wage-earners across the national labour market. These chapters recommend improving the employment and introducing better working conditions (with respect to the working time, wage, etc.) for persons with work impairments, including older workers.

3.3.1 Policies for activating people with disabilities and long-term sickness

A range of policies to activate people with disabilities, long-term sick individuals and people with health problems has been highlighted in the Member States. As a forthcoming ECE Review has been devoted to the topic of policies for people with disabilities (PWD), the analysis below focused on the most recent policies and developments to activate people with disabilities. This consists of major new policy initiatives and new evidence on the effectiveness of existing policies (see table below). In the context of persisting labour and skills shortages, people with disabilities and suffering from long-term sickness are seen as an important part of the labour reserve whose activation could contribute to addressing shortages, on top of the inclusion benefits that such activation brings.

Table 9. Overview of latest policies aimed at activating people with disabilities

Type of policy	Member States with examples of such policies
Major new initiatives / pilots	4 MS: AT, DE, IE, LV; lack of progress – PL
New evidence on the effectiveness of activation policies for PWD	2 MS: FI, SE

Source: ECE country articles

Austria, Germany, Ireland and Latvia have recently launched new initiatives aiming to provide a more holistic approach to activate people with disabilities. In contrast, a lack of progress with supporting policies has been reported in Poland. In Poland, a draft act implementing the Convention on the Rights of Persons with Disabilities was prepared in 2023 dealing with the issues presented above, among others (Biuro Pełnomocnika Rządu do Spraw Osób Niepełnosprawnych, 2023). However, so far there has been no follow-up in the legislative process.

In **Austria**, since January 2024, the automatic assessment of incapacity for work for young people up to the age of 25 who have doubts about their ability to work has been abolished. These people now have equal access to the labour market, are registered and supported by the AMS and can take advantage of appropriate services.²⁵

From 2016 to 2023, **Germany** introduced new measures to increase labour market participation of persons with disabilities. In 2016, the government agreed on the Federal Inclusion Act (*Bundesteilhabegesetz*), that became fully enforced in 2023. In general, the law entitles integration assistance (*Eingliederungshilfe*) beneficiaries with disabilities to keep a higher share of their work income and capital, and foresees more counselling offered to people with disabilities and employers. The act also strengthens the cooperation between Jobcentres and other agencies responsible for vocational rehabilitation.

In **Ireland**, following a comprehensive review of the Reasonable Accommodation Fund and Disability Awareness Support Scheme, the Department of Social Protection has introduced a new Work and Access scheme which provides employment supports for people with disabilities and employers. This scheme takes into account recommendations from the review based on stakeholder feedback as part of the public consultation process. The review which was published in August 2023 also draws on research and best practice from other countries.

Intreo now operates a “roadmap” for early engagement, recommended in the Comprehensive Employment Strategy for People with Disabilities 2015-2024 (Government of Ireland, 2015) and subsequently endorsed in Pathways to Work 2021-2025. Initially introduced on a pilot basis in 2022, targeting young people with disabilities, this process of early engagement follows a number of principles, including voluntary and early engagement and personal progression planning. In addition, Intreo works with other service providers (e.g. Education and Training Boards, which organise further education and training) and employers to try to make engagement with persons with disabilities as seamless as possible. This includes the offer of financial incentives for employers that hire persons with disabilities, through disability awareness training or through supports.

²⁵ See https://www.parlament.gv.at/aktuelles/pk/jahr_2023/pk1405

In its initial pilot period, between July 2022 and June 2023, Intreo's early engagement service contacted just over 10 000 young people in receipt of disability benefits, offering the opportunity to avail of employment support services. Of these, almost 60% agreed to take a follow-up phone call to discuss available employment supports, 1 400 people expressed an interest in engaging with the service immediately, and 850 people (to date) have been referred to a specialist service, to further education or training, to job vacancies or to suitable public employment schemes or work placement programmes (Labour Market Advisory Council, 2023). For details on a PES programme focussing on young PWD, see the box below.

Box 15: The Ability Programme, Ireland, 2018-2021

The Ability Programme in Ireland ran from July 2018 until August 2021. In total, it provided funding of up to EUR 16 million over its three-year period, with support co-financed by the DSP and the European Social Fund (ESF). The target group for the Ability Programme was young people with disabilities between the ages of 15-29, engaged with via local, regional and national projects provided by 27 service providers across Ireland.

The final evaluation of the Ability Programme, conducted by Quality Matters in 2021, revealed that nearly 1 950 participants had enrolled by February 2021. Key outcomes included a 74% improvement in participants' soft skills, with notable increases in confidence (71%), motivation (70%), and independence (55%). Additionally, 32% progressed to education or training, 42% earned qualifications, 25% found paid employment, and 15% took on voluntary roles. The programme also fostered effective engagement between service providers, employers, and education providers, leading to innovative regional practices. Employers reported a significant shift in attitudes, with 88% more likely to hire individuals with disabilities and 96% gaining a better understanding of workplace diversity benefits. Overall, the evaluation concluded that the Ability Programme achieved positive outputs and results, aligning with best practices and receiving recognition from various organisations.

Sources: Quality Matters (2021), National Disability Authority (2020, 2021, 2023), Dagg (2022a).

A major policy update has taken place in 2024 as the Latvian authorities have formulated and adopted a plan for supporting PWD (detailed in the box below). Although this plan covers a broader area than integration into the labour market, it will certainly serve as a roadmap for improving opportunities for persons with disabilities in Latvia (Republic of Latvia, 2024).

Box 16: Policy update - Persons with disabilities, Latvia, 2024

On May 21, 2024, the Cabinet of Ministers approved the "[Plan for Promotion of Equal Opportunities for Persons with Disabilities 2024-2027](#)," which outlines five key initiatives aimed at enhancing the lives of individuals with disabilities. These initiatives include: revising the disability determination system for both children and adults to improve assessments and communication; enhancing cross-sectoral support services to aid integration into society; promoting inclusive employment by increasing job opportunities and support for individuals with disabilities; improving accessibility to environments, information, and services to facilitate their participation in public processes; and raising public awareness to challenge stereotypes and foster discussions about disability issues. The plan acknowledges the growing presence of persons with disabilities in various professional fields and notes a general improvement in employment conditions for risk

groups in Latvia, although it remains unclear whether this is due to a decrease in overall unemployment or targeted efforts to support these individuals.

New evidence on the effectiveness of activation policies for people with disabilities has become available in Finland and Sweden.

In Finland, the Ministry of Economic Affairs and Employment launched a modeling project in 2020. The central idea was to develop an impact-based employment model to promote the employment of people with partial work ability in Finland. This model systematically aims to evaluate the effectiveness and outcomes of employment measures. The project also aimed to create criteria for identifying service needs and customer segmentation for people with partial work ability, as well as to develop the information system of the PES to enable the calculation of employment probability. The project was piloted in initiatives aimed at improving the employment of people with partial work ability with good results, and it has been planned for expansion to cover the entire clientele of the PES (Keyriläinen & Lappalainen 2023).

In Sweden, the latest evaluation evidence sheds positive light on the measures for people with disabilities. The three major Active Labour Market Policy Programmes (ALMP), namely the wage subsidies (WS), sheltered work with a public employer, and sheltered work at the state-owned company Samhall, have significant positive effects on participants' subsequent income and employment in the short and medium term. These ALMP programmes targeted towards PwDs with reduced work capacity appear to fulfil their objective of providing employment and earnings opportunities for persons with disabilities. In addition, since the effects on disposable income also are positive, the increase in labour earnings is not cancelled out by a decrease in social security transfers (the disability benefits). In other words, there are positive economic incentives at the individual level to participate in the programmes. However, the results of evaluation in Sweden of wage subsidies and sheltered work programmes indicate a substantial locking-in effect, implying a low transition rate from subsidised to unsubsidised jobs in the regular labour market (NAO, Riksrevisionen 2023).

Even though the number of recipients of disability insurance/pensions (DI) have decreased significantly since the turn of the century, around 210 000 persons were still receiving DI benefits in 2022. Already in January 2009, Sweden implemented a reform giving disability insurance recipients the possibility to work while receiving benefits under so called special rules of continuous deduction. The reform implied that those who were eligible could work (or study) without their recipient status being questioned. It also stipulated that the income below a specified threshold would not lead to a reduction in benefits, while having income above this threshold would reduce benefits by 50%. The evaluation of the impact of the Swedish continuous deduction programme suggests that the financial incentives provided by the programme do not induce eligible DI recipients to significantly increase their labour supply (Andersson, 2018). However, all Swedish evaluation studies show a positive impact on subsequent labour earnings and disposable income after completion of the ALMP programmes. This suggests that the Swedish Disability Insurance and other transfers targeted toward PwDs do not seem to constitute a disincentive to (re)-enter and remain in the labour market (see Anxo, 2023).

3.3.2 Policies for activating migrants

A mix of policies to activate the migrants has been highlighted in the Member States. This consists of targeted ALMPs specifically for migrants, policies addressing immigrant women and measures related to the recognition of qualifications (see table below).

Several country reports highlighted experiences of how tapping the potential of migrants is seen as an important solution to persisting labour and skills shortages and where policies integrating migrants are designed with addressing shortages in mind (as exemplified in the experiences of Germany, Poland or Sweden below).

Table 10. Overview of policies aimed at activating migrants

Type of policy	Member States with examples of such policies
Targeted ALMPs (mostly by PES)	7 MS: BE, BG, DE, EE, FI, PL, SE
ALMPs targeted towards women	3 MS: BE, DE, FI
Measures to activate migrants by recognising their qualifications	2 MS: DE, ES

Source: ECE country articles

Firstly, a number of ALMPs targeting specifically newly arrived migrants have been highlighted in Belgium, Bulgaria, Germany, Estonia, Finland, Poland and Sweden.

Here, several successful experiences have been reported in Belgium, Bulgaria, Estonia and Germany with activation policies for Ukrainian refugees.

The Flemish region of **Belgium** requires Ukrainian displaced individuals to register with the VDAB to improve their employment opportunities. This initiative, along with various support measures, has made Flanders a leading region in Western and Northern Europe for the employment of Ukrainians. **Bulgaria's** PES Solidarity project (2022-2023) aims to integrate Ukrainian refugees into the labour market through the Public Employment Service (PES). The Bulgarian initiative includes a holistic approach with wage and insurance subsidies, rent assistance, mentoring, and employer incentives, contributing to its success. **Germany's** Job-Turbo programme focuses on integrating Ukrainian refugees into the labour market, targeting individuals with fewer employment barriers compared to unrecognised asylum seekers. **Estonia's** PES has successfully activated Ukrainian refugees, with employment rates of 55% for women and 61% for men aged 20-64 as of March 2024. This indicates effective communication and registration of Ukrainian refugees with the PES in Estonia for employment assistance.

Secondly, Belgium, Poland and Sweden have reported policies aimed at all newly arrived migrants. In **Belgium**, Flanders and Brussels require newly arrived immigrants to register with the Public Employment Service (PES) within two months of starting their civic integration process, as part of a significant overhaul of the Flemish civic integration programme initiated in March 2022. **Finland's** Act on the Promotion of Immigrant Integration, effective since 2011, includes an integration plan developed collaboratively by municipalities or PES offices and immigrants, focusing on language training and integration courses for employment readiness. The integration plan in Finland is available for three years and has led to the establishment of immigrant skills centres that provide guidance towards education and the labour market, with positive evaluations reported in the Government Report (2021).

Poland is preparing a draft Act on Foreigners' Access to the Labour Market, which will include integration programmes and specialised PES support points for foreigners, including Polish language learning assistance. In Sweden, newly arrived migrants are initially classified as 'inactive'. The Establishment programme, launched in early 2010, provides financial support for participation in programmes conducted by the PES, resulting in positive impacts on employment rates and labour earnings (see Box below).

Box 17: Impacts of the Establishment Programme for newly arriving migrants, Sweden, ongoing

The Programme mandates newly arrived migrants (NAM) to meet with a case officer from the Public Employment Service (PES) to evaluate their socio-economic status and develop a personalised action plan, which includes assessing their education, work experience, and need for further training. Participants are required to attend municipal adult education, Swedish for Immigrants (SFI) courses, and civic orientation, with additional options for vocational training and job search assistance. The number of participants has varied, peaking at 72 000 in 2017, with 62% attending SFI courses in 2023. Research by Andersson Jonna et al. (2017) indicates that the establishment reform positively impacted employment probabilities, with participants showing a 1.8% higher employment rate in the second year and 2.7% in the third year, alongside a 5.7% and 7.5% increase in employment rates, respectively. Furthermore, those employed after the reform earned 20.4% and 22.4% more in the second and third years, respectively, suggesting that while employment rates increased slightly, participants worked more days and hours. The reform also enhanced participation in labour market training, with unemployment levels in the local area influencing integration success, and it benefitted both men and women equally.

Sources: Andersson Jonna et.al (2017).

Thirdly, Belgium, Germany and Finland reported positive experiences of activation measures, mostly by PES, targeting immigrant women.

In **Belgium**, the regional Public Employment Services (PES) do not specifically target immigrant women outside the labour force, but those receiving social assistance, long-term sickness benefits, or who are social tenants with young children are likely to be registered with the PES. In **Germany**, female refugees encounter multiple employment barriers that hinder their labour market activation, prompting the Federal Employment Agency to implement initiatives like the Fem.OS Plus pilot project to enhance their participation through social media outreach. Research indicates that female refugees often have prior employment in regulated sectors requiring specific skills, unlike their male counterparts who typically engage in more transferable jobs. Additionally, female refugees tend to spend more time with their families, which limits their social interactions and integration opportunities. In **Finland**, efforts are underway to integrate immigrant women into employment services, allowing spouses of immigrants and family members of those granted international protection to participate in integration programmes. The Finnish government emphasises the importance of initial assessments, counselling and flexible integration plans, particularly for women with childcare responsibilities, to facilitate their access to training and employment opportunities.

Finally, Germany and Spain have taken measures to speed up the recognition of immigrant qualifications, thus facilitating their activation.

The [Skilled Immigration Act](#) in **Germany**, effective from March 2020, has significantly reduced employment barriers for foreign workers, allowing them to work in any profession for which they are qualified and enter vocational training if they possess a

relevant school leaving certificate. As of November 2023,²⁶ holders of recognised qualifications can access qualified employment in non-regulated professions, and the EU Blue Card requirements have been made more accessible by lowering salary thresholds and easing entry for IT specialists. Starting March 2024, foreign workers with two years of experience and a job offer can work in non-regulated occupations without formal qualification recognition. In **Spain**, the reform RD 889/2022, enacted in October 2022²⁷, aims to expedite the recognition of foreign university degrees, reducing processing time from up to two years to an average of four months through the digitalisation. This reform has led to a 40% increase in the speed of degree acknowledgment in 2023, addressing a backlog of applications. Until the reform, the time taken for the degree recognition could range from nine months to two years. Following a European Commission recommendation in November 2023, further measures have been implemented to enhance this process²⁸.

3.4 Local approaches to activation

Positive experiences with local level solutions led by municipalities to activate persons outside the labour force have been reported in Finland, Lithuania, Netherlands and Sweden. Here, local solutions are designed with the aim of addressing local labour and skills shortages, as exemplified below in the experiences of Finland and the Netherlands.

In Finland, the municipal experiments for the long-term unemployed aimed to transfer employment services and their associated resources and decision-making powers from the state to municipalities. These were implemented from 2013 to 2019, with the belief that local authorities could better manage resources and integrate services across various sectors. The initial results of these experiments were positive, leading to an expansion of trials from 2021 to 2024, which focused on improving access to the labour market for long-term unemployed individuals and those in vulnerable positions. These trials emphasised a client-centric approach by integrating employment, education and social and health services, allowing municipalities to tailor services to local needs. However, an evaluation (Aho et al. 2024) revealed that the employment impacts did not meet the set targets, partly due to challenges such as the transfer of social and health services to wellbeing service counties, the introduction of a new labour service model, administrative friction, and external factors like the pandemic and the war in Ukraine. Despite these setbacks, the future of municipality-led services holds potential for enhancing the effectiveness of employment services.

In the Netherlands, the approach to reintegrating persons outside the labour force into the labour market varies by municipality and often targets specific groups within persons outside the labour force, as labour shortages have increased. With shortages increasing, particularly post-COVID-19, municipalities are shifting their focus from persons in unemployment, to those with greater barriers to employment. A 2022 review (Bureau Bartels B.V, 2022) identified that the labour market has untapped opportunities for activating persons outside the labour force, necessitating a customised approach involving municipalities, employers and the individuals themselves. The review categorised actions taken by municipalities into six

²⁶ See <https://www.kofa.de/service/news/detailseite/news/bundestag-beschliesst-fachkraefteeinwanderungsgesetz>; before, they needed a school leaving certificate issued by a German school abroad or a school leaving certificate which would have entitled them to attend a university in Germany.

²⁷ See the Royal Decree RD 889/2022, of 18 October, establishing the conditions and procedures for acknowledgement of university studies in foreign educational systems.

²⁸ See the [Resolution of 21 February of the General Secretariat of Universities](#).

main areas: 1) developing trajectories to address personal issues hindering employment, such as the 'Careful Route' in Zeeland; 2) creating programmes to enhance work readiness, exemplified by 'Intensive Guidance Towards Employment' in Groningen; 3) organising practical training to build essential employment skills, like the 'Start Job' initiative in Zoetermeer; 4) providing free education for in-demand skills, as seen in 'Opportunity Rich Education' in Groningen; 5) implementing 'job carving' to adapt existing roles for those distanced from the labour market, notably in Heerlen; and 6) offering job coaching to support the transition from inactivity to employment. Additionally, various other activities, such as information markets and employer speed dating events, are also being conducted to facilitate this reintegration process.

In Lithuania, the country's municipalities implement programmes to increase employment. Almost all municipalities (57 out of 60) implement case management methods in employment enhancement programmes. Persons registered with the Public Employment Service, who have the status of a person preparing for the labour market, are provided with the opportunity to receive comprehensive assistance in the municipality, which, together with local social partners, applies complex measures to solve problems related to the employment of persons. Services are characterised by continuity, flexibility and individual approach.

Supporting jobless individuals receiving social assistance in achieving self-sufficiency is a key responsibility of local authorities in Sweden, which finance these benefits. Under the Social Services Act, municipalities can require recipients to actively search for jobs or participate in municipal labour market policy measures. As of 2023, 278 out of 290 municipalities had implemented such requirements, with approximately 86 500 individuals engaged in municipal activation labour market programmes. A significant portion of these participants had long-term unemployment histories, with over 60% being low-educated. The total annual cost for these municipal ALMPs was around SEK 6 billion (circa EUR 522.8 million), employing about 5 600 staff. Various measures include job matching, skills enhancement, internships, and temporary municipal employment schemes. However, there is limited data on the effectiveness of these initiatives, with few evaluations conducted. A notable exception is a study of a temporary public employment scheme in Stockholm (see Mörk et al. (2021)). It indicated success in increasing employment and reducing social welfare dependency, although some negative effects were noted for specific programme participants. Overall, while the programmes aim to enhance employability, the outcomes and impacts of these initiatives remain inadequately assessed.

3.5 Lifelong learning policies for activation

A mix of policies to use training and lifelong learning initiatives as an activation tool has been highlighted in the Member States. This consists of major new policy initiatives and new evidence on the effectiveness of existing policies (see table below). Overall, the country reports identify a concerted effort across these Member States to improve the skills of individuals outside the labour force, addressing their skills gaps and improving their employability and improving their adaptation to changing labour market needs. Training is also seen as an important part of the policy responses to persisting labour and skills shortages. Improving the skills of such persons is intended to help address labour and skills shortages. In this respect, the experience of France (see box 18 further below) offers interesting insights into using training policies for persons outside the labour force in order to address labour and skills shortages.

Table 11. Overview of training and lifelong learning policies

Type of policy	Member States with examples of such policies
Specific training programmes for persons outside the labour force	6 MS: BE, DE, ES, FR, RO, PT

Source: ECE country articles

Various training and employment initiatives have been highlighted across several Member States. There is also a focus on using the labour market training and addressing challenges such as climate change, skilled labour shortages and enhancing employability.

To start with, a number of Member States are **implementing specific training programmes, often run via the PES, aimed at persons outside the labour force, persons in unemployment and/or jobseekers. Poland** currently lacks upskilling funding for persons outside the labour force, highlighting a gap in support for this demographic group.

Belgium shows a high participation rate in training among people in unemployment, with a focus on bridging educational gaps. **Germany's** continuous training participation is lower among persons outside the labour force, but new laws aim to enhance their training access. Some programmes have been introduced that are targeted towards increasing continuous training participation of persons outside the labour force. Recently, the Training and Further Education Act (*Gesetz zur Stärkung der Aus- und Weiterbildungsförderung*) introduced elements of the training guarantee in 2024 and additional measures that are, however, rather targeted at employees. With the education voucher system (*Bildungsgutschein*) of the Federal Employment Agency, an unemployed person or a worker threatened by unemployment can get financial support for continuous training costs in order to obtain a formal qualification (including a school degree). Some ALMP, such as the Federal Employment Agency programme *Zukunftsstarter*, supports continuous training of low-skilled unemployed persons and employees without a vocational qualification if they have been working in a semi-skilled or unskilled job for at least four years and are no longer working in the job they were trained for as well as people returning to work or re-entering the labour market.

Spain emphasises mixed employment and training programmes to improve the employability. Mixed employment and training programmes aim to qualify the participants through mixed public employment-training initiatives that meet market needs. In particular, experiential employment and training programmes are temporary projects with a duration of between 6 and 18 months, aimed at improving the employability of unemployed participants by providing qualifications alternating with professional practice. The programme is promoted by the PES and the projects implemented by (local) public or not-for-profit organisations, which may address them to priority groups. A specific example of such mixed programme is provided in the Box below.

Box 18: TándEM-Youth Employment, Spain, since 2021

The TándEM projects, funded by Component 23 of the RRP with an initial budget of EUR 98 million, aim to support 3 480 young jobseekers aged 16-29 without qualifications from 2021 to 2025. The programme combines training and employment experiences, inspired by traditional public workshop schools, to enhance participants' skills and employability while addressing labour market needs in areas related to cultural and natural heritage. Implemented by national and regional public entities, each project lasts 12-18 months, featuring a training phase followed by a mixed training-employment phase. Participants receive guidance, entrepreneurial training and economic support during training, with a subsidised labour contract for the employment phase. As of May 2024, 2 385 young people (68% of the target) have participated, with a labour market insertion rate of nearly 50% for those who completed the programme by February 2024.

Sources: Order TES/1153/2021, of 24 October, establishing the basis for public subsidies for the TándEM programme of mixed training and employment, in the framework of the PRTR; <https://planderecuperacion.gob.es/noticias/conoce-Programa-TandEM-insercion-laboral-jovenes-desempleados-prtr>

France has reformed its training system to increase training participation and reduce inequalities, particularly for low-qualified individuals, also with the explicit aim to address labour and skills shortages. Specific programmes targeted at persons in unemployment and/or persons outside the labour force have also been implemented. The most recent one is the Competence Investment Plan (*Plan d'Investissement dans les Compétences*, PIC, see also the box below), which was launched in 2018, when unemployment started to decrease, and recruitment difficulties began to rise. **The PIC covered the years 2019-22, with a budget of EUR 15 billion. Concerning the goal to increase training participation for low-qualified unemployed and disadvantaged youth, the results are mixed.** Over five years, 1.5 million people with a low level of education have been trained, including 450 000 low-educated young people. Training rates for people with lower levels of education have increased: 10.7% of low-qualified unemployed registered in 2021 have entered a training programme within 12 months (14% of low qualified youth), which can be compared to access rates for the same population in 2017 (8.9% and 11.3% for youth). The participation of people with low levels of education in certified training has also increased (3.9% unemployed registered in 2021, against 2.8% for the same population in 2017), but the gap remains important for higher education levels.

Box 19: The competence investment plan (PIC), France, 2019-2022

The competence investment plan (*Plan d'Investissement dans les Compétences*, PIC), which was launched in 2018, provided employment-oriented training to the long-term unemployed and those outside the labour force. The Plan covered the years 2019-22, with a budget of EUR 15 billion. Its ambitions were threefold: first, to train 1 million low-qualified unemployed and 1 million disadvantaged youth; second, to respond to the needs of employers in occupations affected by skills shortages; third, to contribute to the development of new skills in the context of ecological and digital transitions. Three main intervention axes were defined: to improve the analysis of competence needs in order to target training policies more efficiently; to finance new training and guidance programmes towards stable employment; to promote innovation and experimentation in the field of training. Implementation combined national and regional measures, which were presented in 2019 in specific regional pacts.

Evaluation of the PIC is still preliminary as data are not yet available for all regional and national programmes. First results are mixed. Training rates for individuals with lower levels of education have increased, but the gap remains significant for higher education levels. Efforts to reduce barriers to training participation (financial barriers, lack of information, etc.) and towards specific targets (like NEETs) seem quite effective, although there have been some difficulties in implementation, as many institutions are involved at different territorial levels, raising coordination issues.

Sources: Comité scientifique de l'évaluation du Plan d'investissement dans les compétences (2024).

Romania's National Strategy for Employment emphasises continuous vocational training, online learning access and support for low-qualified adults, particularly in green skills. Low-qualified adults will be encouraged to participate in up-skilling programmes, including through apprenticeships. Also, the retraining and specialisation programmes are to be oriented to support the green transition. In 2023, 106 555 persons have graduated from courses provided by authorised training providers in the field of green and digital skills. In addition, 1 558 low-qualified persons have graduated from free training programmes provided by PES and 7 861 low-qualified persons have graduated from training programmes provided by authorised providers.²⁹

Portugal's IEFPP promotes Certified Modular Training for persons outside the labour force, while the UpSkill programme collaborates with IT firms to provide targeted training.

3.6 Tax and benefit policies for activation

A mix of policies using benefit and labour cost-related incentives for persons outside the labour force to take up employment as an activation tool has been highlighted in the Member States. This consists of both supply side measures to provide incentives for the benefit recipients to work and the demand side incentives to lower the wage costs when hiring persons outside the labour force (see Table below). Overall, the country reports identify a concerted effort across these Member States to reach persons outside the labour force through a combination of supply and demand side measures. Whilst their purpose is not explicitly to address persisting labour and skills shortages, the measures discussed below can be expected to offer part of the solutions towards addressing shortages by activating new groups in the labour force.

Table 12. Overview of activation policies relating to benefits, social security and fiscal incentives to work

Type of policy	Specific policies	Member States with examples of such policies
Supply side	Incentives to work	1 MS: IT
	Incentives for the social assistance benefits to work	4 MS: CZ, EE, FR, RO
	Incentives for part-time workers	3 MS: BE, CZ, ES

²⁹ Report for monitoring and evaluating the implementation of the National Strategy for Employment 2021-2027

Demand side	Incentives for employers to hire persons outside the labour force /persons in unemployment (reductions in wage costs, hiring subsidies)	7 MS: BE, CZ, DE, HU, LV, PL
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Source: ECE country articles

3.6.1 Supply side measures

To start with, the policies from the supply side perspective relate to measures taken to **incentivise the labour market entry and for the part timers to increase the number of hours worked.**

In terms of financial incentives for persons outside the labour force, experiences were reported in Italy. Here, the incentives included joint approaches between the PES and social policy specialists, individual integration plans, additional financial incentives and fewer sanctions. In Italy, the measure of Citizenship Income has been discontinued and replaced by two measures for much narrower target groups. Its evaluation (Ministry of Labour, 2024) showed that the measure significantly increased participation in new measures and facilitated the development of an important infrastructure for managing applications and providing services to beneficiaries (no effects on activation rates were measured).

The Citizenship Income in **Italy** was a subsidy programme active from January 2019 to January 2024, aimed at providing financial support to individuals not covered by employment services, particularly in southern regions. It combined economic assistance with pathways for employment and social reintegration, requiring recipients to engage in employment or social inclusion agreements. Over its duration, 2.4 million households received support, totalling over EUR 34 billion, and it facilitated the transition of over 2 million working-age individuals to public employment services, with nearly 300 000 finding jobs while on benefits. However, the programme faced criticism for challenges in activating beneficiaries, leading to its abolition in 2023 and introduction of two more limited schemes.

The second type of supply side measures reported relates to the incentives for the recipients of social assistance to take up employment, reported in Estonia, France and Romania, while Czechia reported a lack of such incentives. The national experiences of using such incentives are mixed, with extensive evaluation evidence from France pointing to their mixed effects and possible attribution issues.

A negative experience in this respect is highlighted in **Czechia. The country's current benefits system suffers from insufficient targeting of support to vulnerable groups, administrative complexity, and inactivity trap through the lack of motivation for legal work.** The current benefit reduction setup (the living allowance and housing allowance) for increased household income results in a marginal income gain of only 0.21 CZK for every 1 CZK earned, due to high taxation on low-income employment (average tax rate around 35%) (Prokop, Škvrňák, and Galan, 2024). This low marginal benefit discourages households from increasing their income and incentivises income concealment and illegal (undeclared) work. Additionally, the free lunch programme by MoL is only available to children in material need, covering less than 2% of children, which is significantly lower than the number at risk of educational failure or financial restrictions on education (19%). Households in material need lose this benefit if their income increases, further motivating them to conceal their income. Finally, state social support benefits are calculated from pre-deduction income, leaving

insolvent individuals with minimal net income increase, discouraging legal work and increasing state social support expenditures.

In Estonia, individuals receiving the minimum income allowance, known as the subsistence benefit, are required to actively seek work and register with the Unemployment Insurance Fund (UIF) to qualify for the benefit. In 2021, only 39% of these recipients were registered with the UIF. The most commonly utilised labour market services by this group included career services, training and debt counselling. Local municipalities administer the subsistence benefit, and social workers are responsible for verifying compliance with activation requirements, with the authority to suspend or stop payments if these are not met. However, a 2022 study (Melesk et al. 2022) indicated that such decisions were made only about 100 times a year, reflecting a cautious approach by social workers due to the lack of specific guidelines for determining when to halt benefit payments.

In France, minimum income allowances have been reformed since the 2000s to avoid unemployment and inactivity traps while promoting in-work benefits. The introduction of the Revenu de Solidarité Active (RSA) in 2009 included a basic allowance and an activity component for low-wage workers, which was later merged with the Prime pour l'Emploi tax credit in 2016 to create the activity premium (prime d'activité, PA). This benefit, reformed in 2019, is calculated based on household composition and labour income, aiming to enhance work incentives and reduce in-work poverty. Evaluations of these in-work benefits reveal mixed results; while the RSA positively impacted single mothers' employment, it had limited or negative effects on married women's labour supply. The recent PA reform showed a slight increase in employment rates for couples, but its causal impact remains uncertain due to potential confounding factors. Overall, the effectiveness of French in-work benefits on employment is assessed as limited, particularly for married women, with notable exceptions for single mothers.

In Romania, one of the most important elements of the social assistance system - the minimum inclusion income – is conditioned by the activation of the beneficiaries. The minimum inclusion income includes two components: support for inclusion (designed to combat poverty and social exclusion) and support for families with children (designed to combat child poverty and to support participation in education). The minimum inclusion income is conditional on the registration of the beneficiaries with PES and by their availability to participate in active labour market measures and to take jobs proposed by PES.

A final type of supply side measures related to measures activating part-time workers are identified in Belgium, Czechia and Spain, involving deductions for them from social security contributions, an additional bonus to the salary and ability to combine the benefits with part-time work.

In Belgium, the Flemish Government has added to the federal layer of labour supply boosting measures an additional bonus, the so-called job bonus, using its fiscal competency awarded under the Sixth State Reform of 2014. The job bonus is awarded to employees earning less than EUR 2 900 gross per month (to become EUR 3 100). Part-time employees receive a job bonus proportional to their part-time performance. The job bonus can amount to EUR 600 per year (to increase to EUR 700). Unlike the federal measure, the Flemish job bonus is awarded on the basis of the earnings during the previous fiscal year. It thus arrives with a sizeable delay, probably limiting its labour incentive effect. Also, employees need to register their bank account before they can receive the job bonus, potentially limiting effective take up.

In Czechia, recent social insurance discount for part-time work has aimed to incentivise employers to create more job positions suitable for groups with specific needs. From February 2023, employers have benefited from a 5% discount on social insurance contributions for part-time work, targeting vulnerable groups like those over 55, students under 21, recently retrained individuals, disabled individuals, and parents of young children. By the end of 2023, this discount helped over 85 000 employees monthly, creating 22 600 new part-time positions. Additionally, a draft amendment proposes replacing permanent pension increases for working pensioners with a one-off bonus and a 100% pension insurance premium discount, initially reducing revenue by CZK 4.5 billion (EUR 180 million) annually but expected to lower long-term pension expenditures and extend workforce participation among pensioners.

In Spain, the recent reform also improves the compatibility of the benefit with full- or part-time employment for 180 days, through a new Complement for Supporting Employment (*Complemento de Apoyo al Empleo*, CAE) equal to up to 80% of the Public Indicator of Income for Multiple Purposes (IPREM³⁰) with a gradual reduction over the 180 days until it amounts to 40% of IPREM (less if part-time work). While this compatibility was already allowed in some autonomous communities³¹, this reform extends it to the whole country. It is to note that this CAE does not compute as income for the purposes of eligibility of the subsidy, to avoid the disincentive to work that such a practice could create.

3.6.2 Demand side measures

From the demand side perspective, seven Member States reported measures to provide employers to hire persons outside the labour force or in unemployment (in Belgium, Czechia, Germany, Hungary, Latvia and Poland). Most typical measure is the reduction or exemption from social security contributions upon hiring a person from the target group. Evaluations available from Belgium and Germany show contrasting results. In Belgium, the evaluations considered such measures **have limited to very limited cost-effectiveness**, due to large deadweight, substitution and displacement costs. In contrast in Germany, the evaluation found positive effects in terms of activating the groups particularly distant from the labour market.

In Belgium, demand-side subsidies primarily target specific workforce segments, including people in long-term unemployment, with disabilities and older workers. A notable initiative is the exemption from employer social security contributions for first hires, aimed at encouraging start-up employment. The 2016 tax shift gradually reduced employer social security contributions from 34.79% to 26.69%. Following the sixth constitutional reform, the authority to implement targeted reductions in social security contributions was transferred to regional governments, leading to some reductions being managed at the regional level, such as those for older workers and disadvantaged youth in Flanders. However, Flanders has been reducing these subsidies due to improved labour market conditions. Studies (Baert et al 2020) indicate that these measures often have limited cost-effectiveness, with significant deadweight and displacement costs, particularly for broader initiatives like the first hire contribution reduction, which has been criticised for not significantly increasing actual hires. More targeted measures are deemed more effective but face challenges with lower participation rates and potential stigma for workers involved in such programmes.

³⁰ IPREM is the Public Indicator of Income for Multiple Purposes, equal to EUR 600 in 2024 monthly.

³¹ Such as, for example, in the Basque Country, Catalonia or Castilla y León.

In Germany, the Participation Opportunities Act (in force since 2019) aims to address the problem of the continuing unemployment by introducing two funding instruments that focus on subsidising wages for companies that are willing to employ (long-term) unemployed and persons outside the labour force that are particularly hard to place. Both policies turned out to be effective in activating people in unemployment that are far from labour market integration. Achatz et al. (2024) recently evaluated both programmes which were introduced in January 2019. For more information, please see the box below.

Box 20: Participation Opportunities Act, January 2019 – ongoing, Germany (incentives for employers), Germany, January 2019 – ongoing

The [Participation Opportunities Act](#) consists of two ALMP: The programme Integration of the long-term unemployed provides wage subsidies for employing persons who have been unemployed for more than two years by offering them at least a two-years employment contract. Employers may get a wage subsidy of 75% for the first year and 50% for the second year. On-the-job coaching and training measures (if necessary) are financed by the Federal Employment Agency. From January 2019 (introduction of the instrument) until March 2024, the entries into the programme amounted to 32 700 (Federal Employment Agency 2024).

Achatz et al. (2024) discuss the effectiveness of a support instrument aimed at helping individuals distant from the labour market, noting that it has successfully benefited this group without any observed negative side effects. The programme, known as Participation in the Labour Market, offers a digressive wage subsidy to employers who hire long-term unemployed adults (25 and older) receiving means-tested minimum income for over six years. Since its introduction in January 2019, approximately 89 500 individuals have entered the programme, which also includes on-the-job coaching and training funded by the Federal Employment Agency. The initiative has positively impacted beneficiaries' social participation and well-being, although it has been noted that women, those without vocational qualifications, and non-German citizens are underrepresented among participants. Overall, the authors express optimism about the programme's long-term support for recipients transitioning into the labour market.

Sources: Achatz et al. (2024), Federal Employment Agency 2024.

In Hungary, severely disadvantaged workers may apply for a hiring subsidy for six months after finding a job. The amount is equal to 30% of the minimum wage (gross EUR 202 in 2024) per month. In addition, employers are also eligible for a subsidy: during the first four months of the employment relationship PES reimburses half of the employee's salary, up to a maximum of 150% of the minimum wage (gross EUR 1009) per month.

In Latvia, people who have reached retirement age and persons with disabilities who have active employment have rights to pay lower social contributions. At the same time, they can require a pension recalculation on a rolling yearly basis, once per year. According to the current legal framework, the net tax rate advantage for retired persons is about 4 percentage points. A similar reduced rate applies to persons with disabilities, 9.76% and 21.94% respectively. In this case, the net reduction in the rate is about 2 percentage points. This, however, represents a very small incentive for both employers and employees. Reduced tax rates are reviewed and adjusted according to proposals formulated in cooperation between the Ministry of Welfare and Ministry of Finance. According to the experts interviewed for this country

article, this is a positive practice, however, the 2-4 percentage point difference compared to the standard social security contribution rates does not represent a sufficient tax incentive for the groups under consideration.

In Poland, there are some exemptions in social security contributions for employers hiring workers from underemployed populations. Employers are exempt from paying contributions to the Labour Fund and the Solidarity Fund for hiring from the underprivileged groups, e.g. workers with disabilities, workers taking care of persons with disabilities, workers five years from reaching retirement age, and exempted for 36 months for workers returning from parental leave. It should be noted, however, that these exempt contributions add to 2.5% of the contribution base, with 17.9% of the contribution base still left to be paid by the employer. There are also various forms of wage subsidies, but they usually target persons recommended for a job by the local PES.

4 Conclusions

This report started by examining rates of persons outside the labour force in the EU and found that in 2023, the EU-27 rate of those aged 15-64 outside the labour force was 25%, representing a decrease from 30% in 2010. The **rate of those aged 15-64 outside the labour force** is higher than the rate for the population aged 20-64, as many young people are still in education.

According to Labour Force Survey data, persons outside the labour force can be segmented into those who indicate they do not want to work and those who wish to work but are either not actively looking for employment or are not available.

Between 2010 and 2023, a decrease in rates of persons outside the labour force related to those who do not want to work can be observed in the EU, with variations between individual Member States. Overall, for the EU, there was a decrease in the long-term unemployment rate, while the part-time employment rate increased. Thus, it can be concluded that declines in long-term unemployment and rates of persons outside the labour force were in part associated with an increase in part-time employment. But full-time employment also increased.

When examining rates of persons outside the labour force by age, gender and education level, the following implications arise, for further policy action on NEETs, older individuals, women and the low and middle skilled:

- High inactivity among young people can be due to young people still being in education but can be problematic in the case of young people not in education, training or employment (NEET), and this calls for policy action.
- Some Member States show high rates of older people outside the labour force. This is an important finding for policies as the share of older people is expected to increase in the medium and long term. High rates of older people outside the labour force point to the need to increase incentives, employment conditions and improve activation policies for older individuals.
- In most Member States, the rates of women outside the labour force are far higher than the rates of men outside the labour force, pointing to gender stereotypes and lack of access to affordable and quality childcare and elderly care.
- Another finding with important policy implications is that while rates of people outside the labour force among the highly educated (ISCED 5-8) are low in all Member States, rates of persons outside the labour force are particularly high among the low (ISCED 0-2) and medium-level educated (ISCED 3-4) working-age population in several Member States.

There is a variety of reasons for inactivity, which calls for policies and measures that address specific obstacles. Aside from participation in education and training which is a valid reason for inactivity, the main reasons for economic inactivity that require policy attention include:

- Caring for children and adults with disabilities, where the share of women outside the labour force because of care responsibilities is substantially higher than for men in all Member States. Childcare as a main reason for women for not participating in the labour market or for working only part-time is also acknowledged.
- Own disability and illness is another important reason for inactivity, and several employment barriers can be identified in that respect, as reported in several

Member States. They can include lack of education, lower productivity due to disability and discrimination both in the education system and when applying for work in the open labour market, lack of suitable job offers, inaccessible workplaces, insufficient vocational training programmes tailored to individuals with disabilities, among other barriers.

- Discouragement can also be a reason for being outside the labour force, when individuals think there is no employment available for them.
- The design of unemployment and minimum income (social assistance) benefit schemes in terms of duration, eligibility and activation requirements so that they do not adversely impact activity also needs attention.
- Pension policies, in particular options for early retirement and reforms that allow exiting the labour force at a younger age, are also a clear driver for inactivity in several Member States. In addition, employer reluctance to hire older workers is reported in many Member States.
- Drivers of inactivity also relate to social norms (for example gender stereotypes which can be more or less present in different social groups), limited social capital or institutional knowledge, and labour market discrimination. Some population groups, such as Roma, can also be overrepresented among persons outside the labour force with disadvantage stemming from lack of education and skills, lack of access to work opportunities or employer discrimination.
- Poor working conditions, low wages and the prevalence of the informal sector have also been named as reasons for some individuals to remain outside the labour force.
- Lastly but importantly, the risk of being out of the labour market may be being transmitted from one generation to another.

Section 3 of this report analysed recent policy changes, reforms and initiatives implemented by Member States to tackle high rates of persons outside the labour force and to boost labour market participation among underrepresented groups, and this analysis revealed a diverse range of strategies and tools employed across different countries. Many Member States use a mix of policy instruments, such as active labour market policies (including support from Public Employment Services), flexible or customised work arrangements (like teleworking), coordination with social benefits (addressing potential inactivity traps, conditionality and incentives for re-entering the labour market, as well as combining income support measures), and relevant support services (including housing, childcare, tax, pension policies and lifelong learning).

Policies to activate persons outside the labour force are driven by different main objectives: to improve social inclusion (for those with severe employment barriers), reduce expenditure on welfare benefits (means-tested minimum income, disability benefits, pensions), increase gender equality, or increase labour force potential (mainly for those who, in principle, have relatively good employability).

In what concerns the PES, historically, persons outside the labour force have not been a primary focus of activation strategies by the PES, unless they register with the PES. However, due to demographic shifts, labour shortages, and significant changes in labour markets, this focus is evolving, with the PES increasingly reaching out to persons outside the labour force to tap into this potential workforce. The activation of specific groups within persons outside the labour force largely depends on national policy priorities, often targeting underrepresented groups in the labour market. PES activation measures typically

require outreach, especially when the participation of persons outside the labour force is voluntary.

In recent decades, PES support for persons outside the labour force has shifted towards more intensive and personalised assistance, particularly for long-term unemployed and disadvantaged groups. Evaluation evidence indicates that PES outreach efforts towards persons outside the labour force are more successful when they are easily accessible, tailored to the needs of specific groups, and supported by adequate PES resources and staffing. Collaborating with stakeholders who are closer to persons outside the labour force is also crucial for effective outreach.

A significant policy focus is on approaches aimed at specific groups of persons outside the labour force, such as parents, young people, older workers, people with disabilities, long-term sick individuals and migrants.

For parents, the primary policy lever to encourage workforce participation is the availability of affordable and accessible childcare, with several Member States reporting positive outcomes in this area. Some Member States are also adjusting parental and paternity leave policies to promote the participation of fathers, although evidence on their effectiveness is mixed. There is limited evidence regarding the success of measures to enhance access to flexible work arrangements, such as teleworking for parents, as well as fiscal incentives. Measures seeking to overcome gender stereotypes early on would be essential as well, although their positive impact on labour force participation takes time.

For young people, the priority is to keep them in education and training to ensure that they obtain the foundations for a long-term labour market engagement. Several programmes are designed to register young persons outside the labour force with the PES, develop personalised support plans, and offer counselling and professional guidance. These initiatives reflect a comprehensive strategy to address youth unemployment and inactivity, highlighting the importance of tailored support and collaboration among various stakeholders. While these efforts show varying levels of success, challenges persist in effectively reaching and assisting the most vulnerable youth populations. Overall, despite positive trends in engaging NEETs and increasing youth employment, country reports emphasise the need for a stronger focus on education and long-term outcomes to ensure sustainable success.

For older individuals, the combination of measures includes financial incentives for both workers and employers, increases in the retirement age, specific active labour market policies targeting older individuals, and other related policies. There are various incentives aimed at retaining individuals near or above retirement age in the workforce, but they mainly focus on keeping older workers employed rather than activating those outside the labour force. Many Member States are enacting reforms to raise retirement ages and encourage longer workforce participation, particularly among older women, with evidence indicating the effectiveness of such measures. There is also evidence on the effectiveness of ALMPs targeting older workers.

New evidence regarding the effectiveness of activation policies for individuals with disabilities has emerged in several Member States, demonstrating positive impacts on subsequent labour earnings and disposable income after completing active labour market programmes. Successful experiences have also been reported in activating Ukrainian refugees, as well as immigrant women, highlighting the importance of initial assessments, counselling and flexible integration plans for migrants.

Positive outcomes have been noted from local-level initiatives led by municipalities to engage persons outside the labour force, emphasising a client-centred approach that integrates employment, education and social and health services, allowing municipalities to customise services to local needs.

In terms of lifelong learning policies, national reports indicate a concerted effort among Member States to enhance the skills of persons outside the labour force, addressing skills gaps and improving employability while adapting to changing labour market demands. Evaluation results regarding the impacts of these initiatives are mixed.

A combination of policies utilising benefit and labour cost-related incentives to encourage persons outside the labour force to seek employment has been highlighted in Member States. This includes both supply-side measures to incentivise benefit recipients to work and demand-side incentives to reduce wage costs when hiring persons outside the labour force. Overall, national reports indicate a collective effort among Member States to engage persons outside the labour force through a blend of supply and demand-side measures, although experiences with these incentives vary, suggesting mixed effects and potential attribution challenges.

Based on the findings and recommendations contained in selected country articles, **the following recommendations emerge that may be of relevance to a number of Member State governments and national PES³²** to prevent inactivity from burdening individuals and from hindering economic growth.

Member State governments may consider the following recommendations for policy:

- While acknowledging that people in unemployment may come first when it comes to promoting access to a job, bringing persons outside the labour force closer to the labour market should become an explicit objective of employment policies.
- The drivers of inactivity of different sub-groups within persons outside the labour force vary, and thus require different policy approaches. The different needs of different groups of people outside the labour force such as young people, the low-skilled, women, migrants and persons with disabilities or other vulnerabilities should be analysed and specific strategies designed and implemented to address them.
- For those closer to the labour market, providing further support for part-time and flexible working arrangements, especially for parents and older workers; improving the accessibility, flexibility and quality of childcare services; introducing more flexibility in pension systems to allow gradual retirement and reducing early retirement incentives; can be effective. For older people, preventive actions and policies to improve work sustainability to avoid disability and work-related illness at the end of the career should be emphasised.
- More generally, improving job quality should be a priority to improve the attractiveness and sustainability of work. Improving working conditions can prevent inactivity in the future since the employed are more likely to have a longer health span.

³² Drawing on recommendations put forward in the country articles for Czechia, France, Germany, Italy, Hungary, Spain, the Netherlands, Sweden.

- Further integration of social protection and employment policies is needed, as well as improved coordination and collaboration between stakeholders, including national and regional PES, social services, health and housing services and NGOs.
- The provision of comprehensive and intensive support for persons outside the labour force should be enhanced to effectively address their barriers to the labour market.
- Emphasising lifelong learning and a learning culture for social and labour market activation, should continue.
- Lastly, the unused potential labour force due to part-time work can be substantial in some Member States and there, future efforts should focus on researching and increasing the level of participation among part-time workers.

The PES may consider strengthening the following building blocks to support persons outside the labour force to re-enter the labour market in the context of labour and skills shortages:

- **increasing PES capacity devoted to bringing persons outside the labour force closer to the labour market** since comprehensive and intensive support for persons outside the labour force has been found to work best to help them overcome their barriers to employment. Intensive support from PES case officers during the whole job matching process, from job search to hiring interviews to support in the workplace should be emphasised.
- **developing and implementing longer-term strategies** accounting for skills needs in response to automation, digitalisation, the green transition and new forms of work. Those who need training should be oriented towards these activities, and training content of good quality should be as much of a policy goal as increasing participation in training;
- **developing and implementing different outreach strategies for different sub-groups according to their needs and distance from the labour market**, in cooperation with NGOs and other service providers.
- **refining ALMPs to address the needs of those furthest from the labour market based on comprehensive, individualised and intensive support** and addressing aspects such as gender-based biases, the care gap and multiple disadvantages (e.g. migrant women).
- **maintaining robust ALMP monitoring and evaluation mechanisms** to assess the impact of ALMPs and employment initiatives on diverse sub-groups, increase the transparency of evaluation results and use evaluation results to inform policy adjustments and ensure that services remain responsive to evolving labour market needs and challenges.
- **further improving cooperation with NGOs and other public services** in meeting the varying needs of vulnerable people;
- cooperating with adult training providers to **ensure access to training in basic literacy, numeracy and digital skills** for those who need them;
- developing and implementing targeted services and measures to tackle **employer discrimination against specific groups**.

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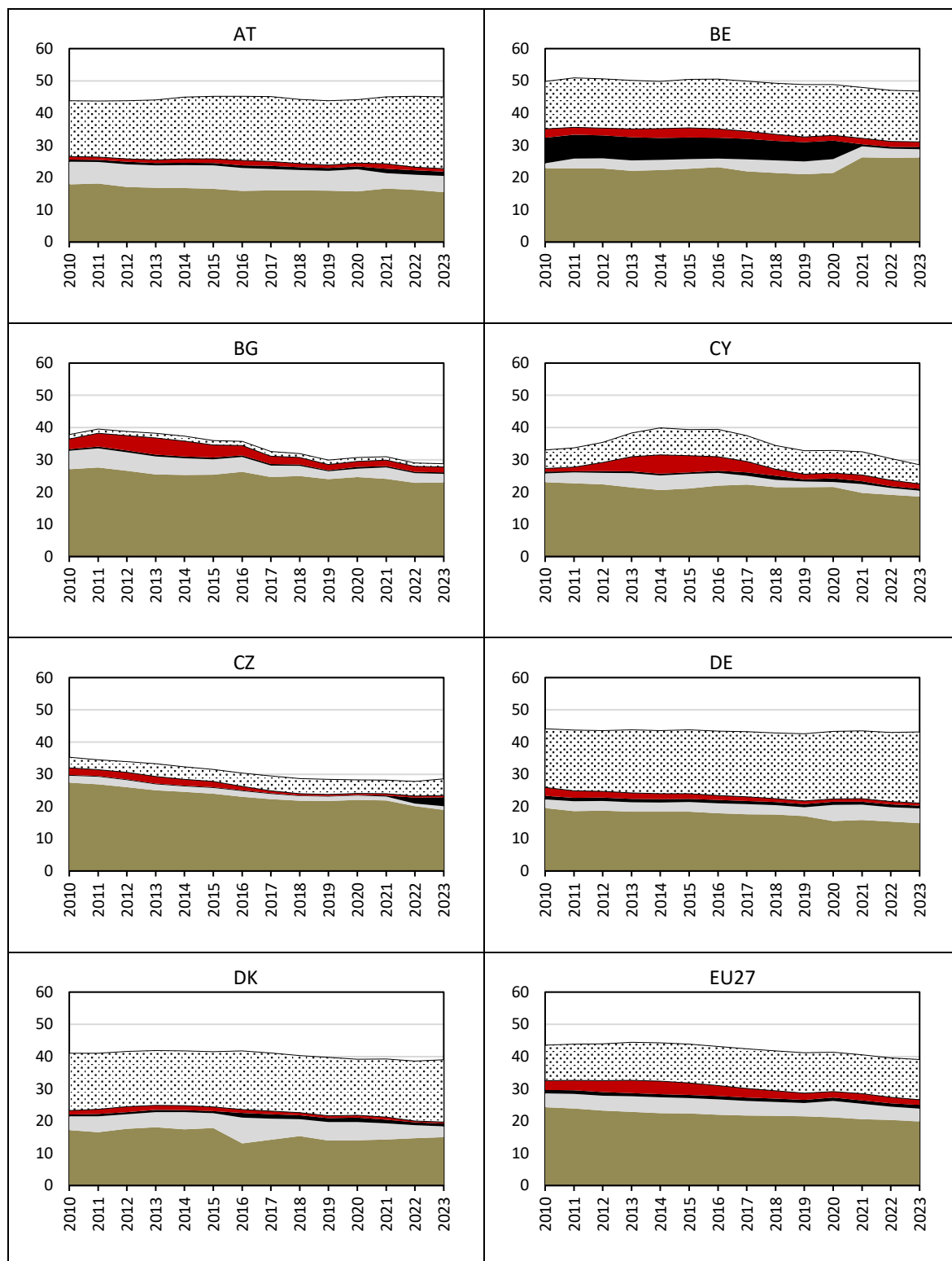
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6 Annexes

Figure A1 Development of economic inactivity, long-term unemployment and part-time employment in each Member State during the period 2010-2023

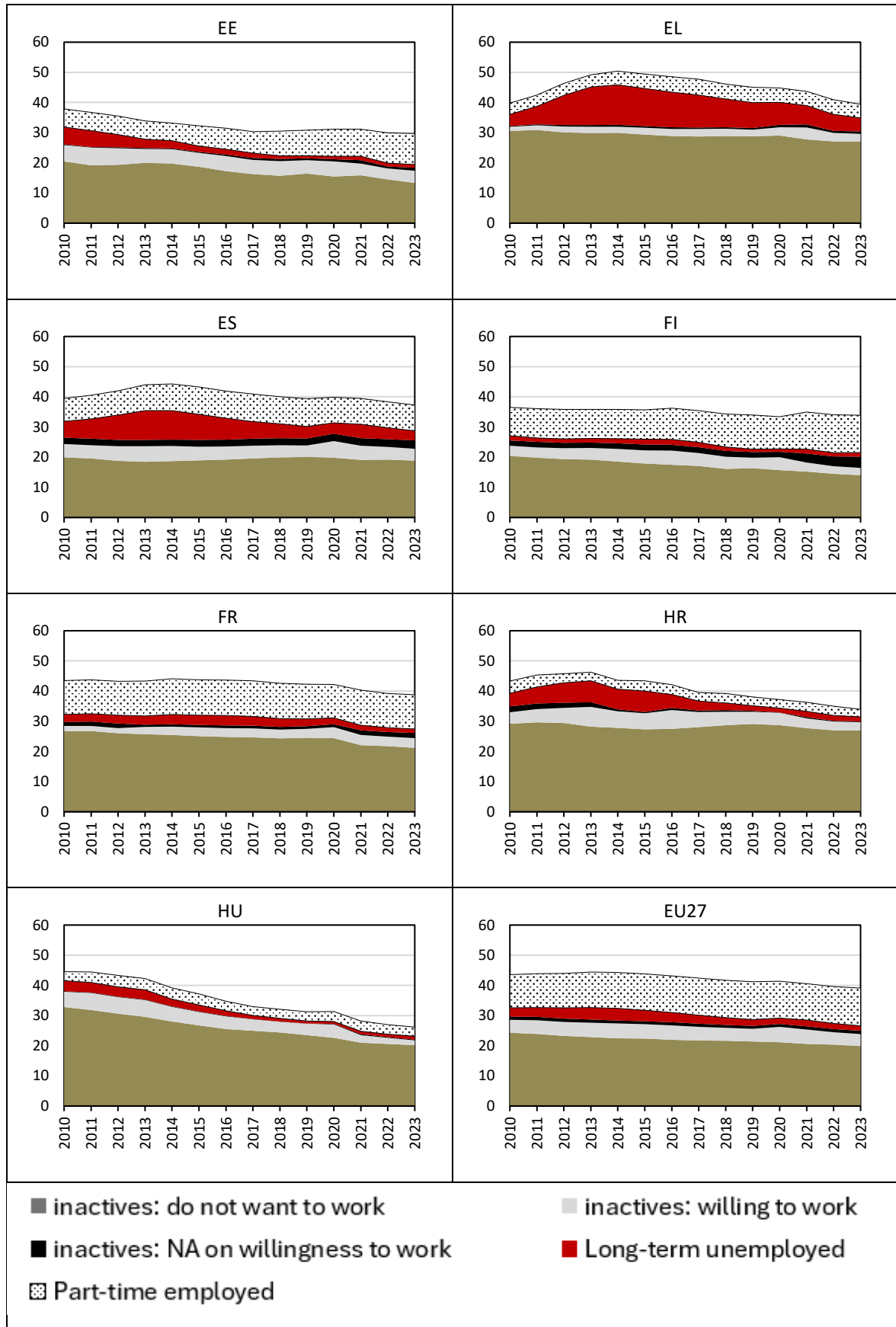


■ inactives: do not want to work	■ inactives: willing to work
■ inactives: NA on willingness to work	■ Long-term unemployed
▣ Part-time employed	

Note: The term "inactives" is used above for persons outside the labour force.

Source: Eurostat, own calculations. Breaks in time series: AT, CY: 2014, 2021; BE: 2011, 2014, 2017, 2021; BG: 2010, 2011, 2014, 2021, 2022; CZ: 2011, 2014, 2021, 2022; DE: 2010, 2011, 2012, 2014, 2020, 2021; DK: 2014, 2016, 2017, 2021, 2023; EU27: 2014, 2022.

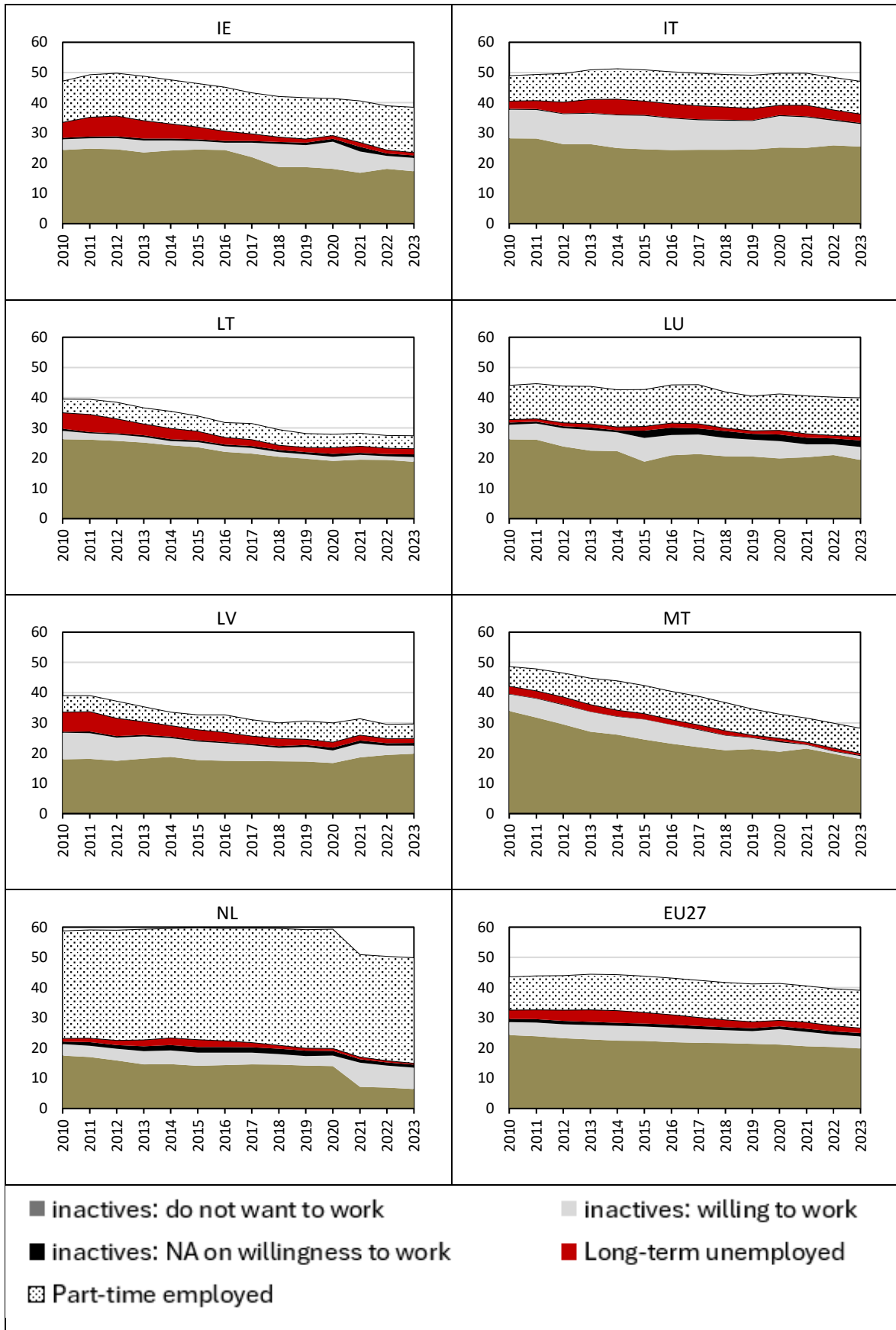
Continuation of Figure A1



Hidden potential - People outside the labour force in the context of labour and skills shortages in the EU – Synthesis Report

Source: Eurostat, own calculations. Breaks in time series: EE, EL, FI, HU: 2014, 2021; ES: 2014, 2021, 2022, 2023; FR: 2013, 2014, 2021, 2022, 2023; HR: 2010, 2014, 2021, 2023; EU27: 2014, 2022. ES, FR: definition differs in 2021.

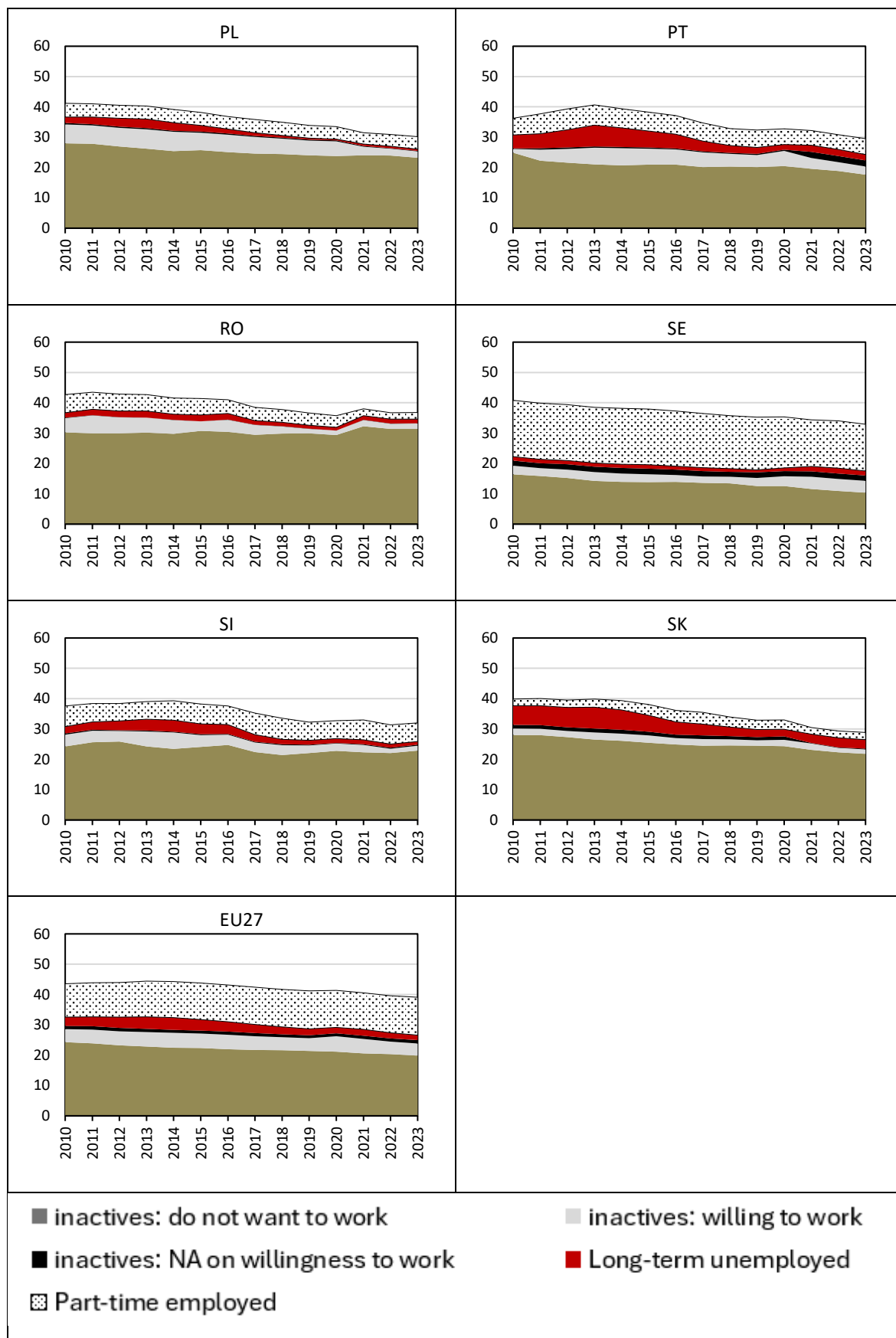
Continuation of Figure A1



Hidden potential - People outside the labour force in the context of labour and skills shortages in the EU – Synthesis Report

Source: Eurostat, own calculations. Breaks in time series: IE: 2014, 2017, 2021; IT: 2014, 2018, 2021; LT: 2014, 2021; LU: 2014, 2015, 2021; LV: 2014, 2021; MT: 2011, 2014, 2021; NL: 2013, 2014, 2019, 2021; EU27: 2014, 2022. MT: Long-term unemployment unreliable in 2023.

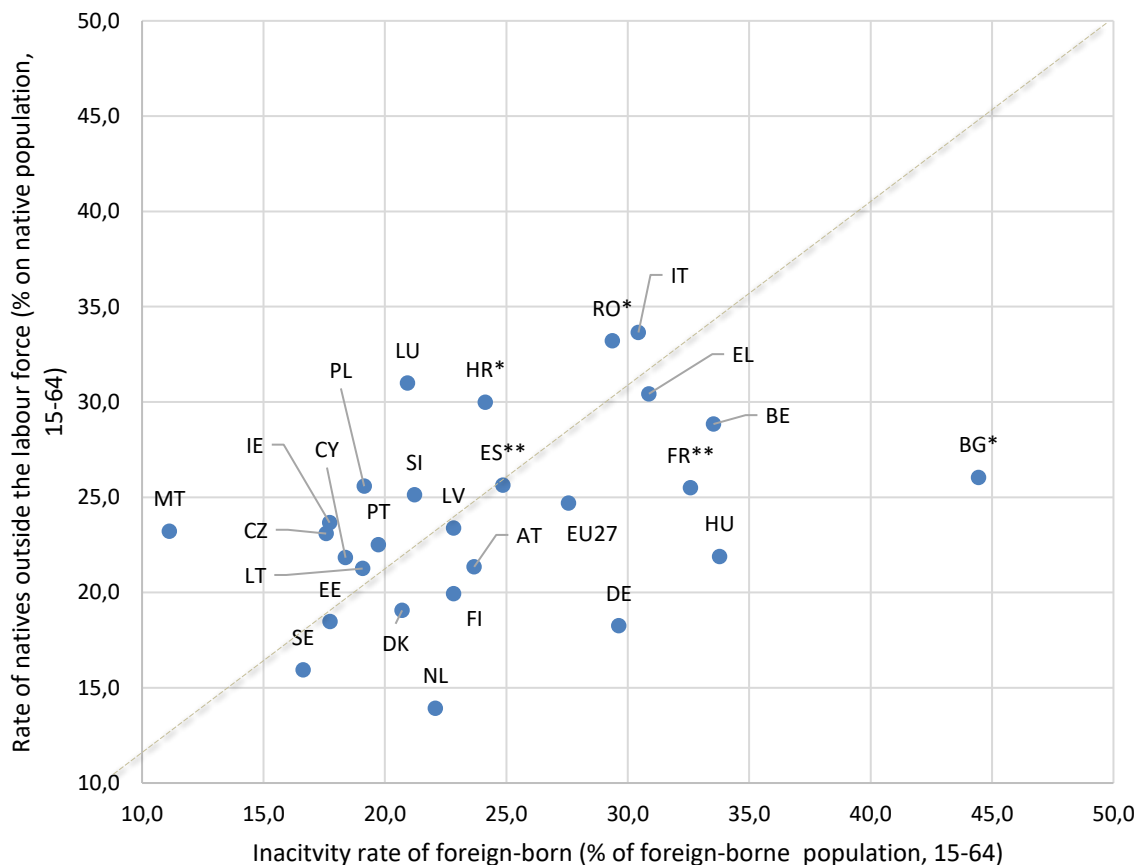
Continuation of Figure A1



Hidden potential - People outside the labour force in the context of labour and skills shortages in the EU – Synthesis Report

Source: Eurostat, own calculations. Breaks in time series: PL: 2010, 2014, 2019, 2021; PT: 2011, 2014, 2021; RO: 2010, 2014, 2021; SE: 2014, 2018, 2021; SI: 2014, 2021, 2023; SK: 2011, 2014, 2021; EU27: 2014, 2022.

Figure A2 Rates of people outside the labour force: Foreign-born and native-born population, aged 15-64, 2023



Source: Eurostat, own calculations.

Notes:

* data for the rate of people outside the labour force of non-nationals unreliable

** definitions differ

SK is not shown as no data for the rate of people outside the labour force of non-nationals is available (due to unreliable data).

Table A1. Selected detailed findings on the characteristics of people outside the labour force and the hidden potential in EU Member States

MS	Findings on the characteristics of people outside the labour force and the hidden potential
AT	<p>The hidden reserve in Austria is essentially made up of five groups of people (Angel et al., 2023): People under the age of 30 in vocational training or school education; retired people who are willing to work; people with the prospect of returning to their previous job; women with caring responsibilities for children under the age of 15, and people who are not looking for work for other reasons. Migrants from the first generation of immigration make up more than half of the occupation in each of the last groups. In addition, people with at most a compulsory school leaving certificate are overrepresented in all groups of the unutilised labour force potential (Angel et al., 2023).</p>
BE	<p>Belgium's labour reserve is especially evident among low-skilled people, older active age people (including early retirees) and people with a migration background.</p> <p>The percentage of young people aged 15 to 29 who do not work and who are not in education or training (NEET) was estimated based on LFS data at 9.6% in 2023.</p> <p>Women with lower levels of educational attainment represent a vast labour reserve, especially those with a migrant background (including second and third generation).</p> <p>Those on social assistance make up 8.5% of people outside the labour force. Foreign-born people are heavily overrepresented.</p> <p>The number of long-term sick workers has virtually doubled to about 10% of the workforce.</p> <p>Homemakers and those not actively looking for work constitute the largest untapped pool of potential labour. The persistence of low female labour participation, especially among the low-skilled can hardly be explained by lack of childcare offers.</p> <p>The fiscal bonus for sole breadwinner households makes it less attractive for second earners to work.</p>
CY	<p>People with disabilities are among those with higher risks of being outside the labour market. Also the NEETs in Cyprus are a major source of concern. In Cyprus, a significant portion of the male labour force is underemployed or working part-time.</p>
CZ	<p>Inactivity is more prevalent among the core and older age cohorts, those without tertiary education, and residents of small towns and rural areas. Rates of people outside the labour force are twice as high for females compared to males and have increased over the last decade, particularly in small towns and rural areas. For the marginalised Roma population, economic inactivity remains high, as many do not actively seek employment despite being registered as job seekers. Women in the Roma community face even higher unemployment rates.</p>
BG	<p>Women in general and rural population have a higher probability of being outside the labour force. Other specific groups include retired women (since women can retire earlier) and people with disabilities.</p>

DE	<p>The NEET rate is higher for women than for men and considerably higher for non-nationals when compared to youth with German citizenship.</p> <p>The biggest group among persons outside the labour force were women with low and medium education levels, followed by men with low education levels.</p> <p>While the total number of persons outside the labour force has been decreasing over the last years, the number of those with foreign nationality rose for both women and men. The part-time employment rate in the third quarter of 2023 reached a record high of 39.2% of total employment. However, according to data published by DESTATIS in 2022, only around 5.7% of part-time workers would prefer to work full-time (5.2% of women, 7.4% of men ³³).</p> <p>In 2023, persons with a migration background³⁴ of working age were around 1.6 times more likely to be outside the labour force when compared to the population without immigration experience. Among persons outside the labour force without German citizenship of working age (15-64), the main group are women from non-EU countries, followed by men from non-EU countries</p>
DK	<p>A report from 2022 (Arbejderbevægelsens Erhvervsråd 2022b) takes a general look at the large group of persons at the margin of the labour market and applies cluster analysis to identify six different sub-groups³⁵: The largest cluster consists of primarily Danish people who, objectively speaking, are among the strongest on the edge of the labour market. The second largest cluster consists of young men of Danish origin having frequent mental health diagnoses. The group is also overrepresented in the crime statistics and has more often than others been in residential care during childhood. The third largest cluster is particularly characterised by poor physical health. Immigrant women are clearly overrepresented in the group. The remaining three clusters typically consist of persons with different physical or mental illnesses.</p>
EL	<p>The inactivity gap between Greece and the EU can mostly be attributed to women aged 25-54, followed by older persons of both sexes, and to a much lesser extent by the young (often young men of foreign origin, who make up, however, a small proportion of the workforce). In the 25–54 age group, inactivity is predominantly driven by women who do not participate in the labour market mostly because of family commitments. Among women outside the labour force, approximately 40% (mostly belonging to earlier cohorts) have never worked, making them rather poor candidates for activation. Unlike elsewhere in the EU, NEET rates in Greece are higher for university graduates than for those with only secondary education or below. The main reason for this is the mismatch between the skills acquired at universities and those required by firms.³⁶</p>

³³ This is significantly lower than the EU-27 average of 19.7% - see https://www.destatis.de/Europa/DE/Thema/Bevoelkerung-Arbeit-Soziales/Arbeitsmarkt/Qualitaet-der-Arbeit/_dimension-3/08_unfreiwillig-teilzeit.html?nn=411168

³⁴ A person has a migration background if they themselves or at least one of their parents do not have German citizenship by birth. For more information, please see: https://www.destatis.de/EN/Press/2023/04/PE23_158_125.html

³⁵ More specifically the report looks at around 82 000 persons, which receive several different social benefits apart from unemployment benefits and therefore are not included in the unemployment statistics. Persons outside the labour force without benefits are therefore not included.

³⁶ See Papalexatou and Matsaganis (2023).

ES	People outside the labour force are mainly students, persons devoted to care and family responsibilities, persons with disabilities and early retirees. A significant share of the 7.6 million people outside the labour force is of foreign origin (22% of all people outside the labour force).
FI	The potential of labour supply is quantitatively the greatest among those that work part-time, the ageing population, immigrants and the 'hidden unemployed' and, to a lesser extent, among those who have disabilities or whose unemployment has been very prolonged. The low level of education is not a main characteristic since the less educated have already retired to a significant extent. Health issues are an increasing problem. There are problems especially with the integration of immigrants, young people (there is a comparatively high NEET rate) and the partially disabled into the labour market. People with a very low income are a distinct, but smaller group of people outside the labour force.
FR	In France, mainly young people and older people have high rates of inactivity. The share of NEETs is growing with age: it is very low for 15- and 16-year-olds because of compulsory education (less than 3%) and rises between 17 and 24 (up to 19%), and then stabilises until 29. Between 24 and 29, almost one youth out of five is NEET. The situation of NEETs in France appears quite heterogeneous. Two-thirds of NEET women aged 25 to 29 are mothers, a proportion which is two times higher than for women in employment or in education and training.
HU	The majority of the labour reserve have multiple disadvantages (for more details see section 2.4). The largest subgroup is pensioners and people with a health impairment taking up around 41% of the reserve. Most of them are aged over 55, receive a permanent (and in some cases adequate) benefit, and are low educated and/or face additional barriers (such as living in a rural settlement, being an immigrant, Roma, lives in a high unemployment microregion (LAU1 region ³⁷), or non-employed for over two years).
IE	<p>Population sub-groups in Ireland with rates of people outside the labour force that are higher than the overall national average include females, persons aged 15-24 years, persons aged 55-64 years, persons with a primary/lower secondary education or less, and persons with disabilities. Overlap between sub-groups reveals some notable features within people outside the labour force (based on Eurostat data for 2023 and CSO Census data for 2022), including that:</p> <p>67% of females with primary/lower secondary education or less are inactive, as are 30% of females with upper/post-secondary education;</p> <p>19% of females aged 25-54 years are inactive, as are 38% of females in the 55-64 age group;</p> <p>76% of those aged 15-24 with primary/lower secondary education or less are inactive;</p> <p>29% of those aged 55-64 years with an upper/post-secondary education, and 23% of the age group 55-64 years with a tertiary education, are inactive;</p> <p>65% of females with disabilities are inactive, as are 58% of persons with disabilities aged 15-24 years, 30% of persons with disabilities aged 25-54 years, and 52% of persons with disabilities aged 55-64 years.</p>

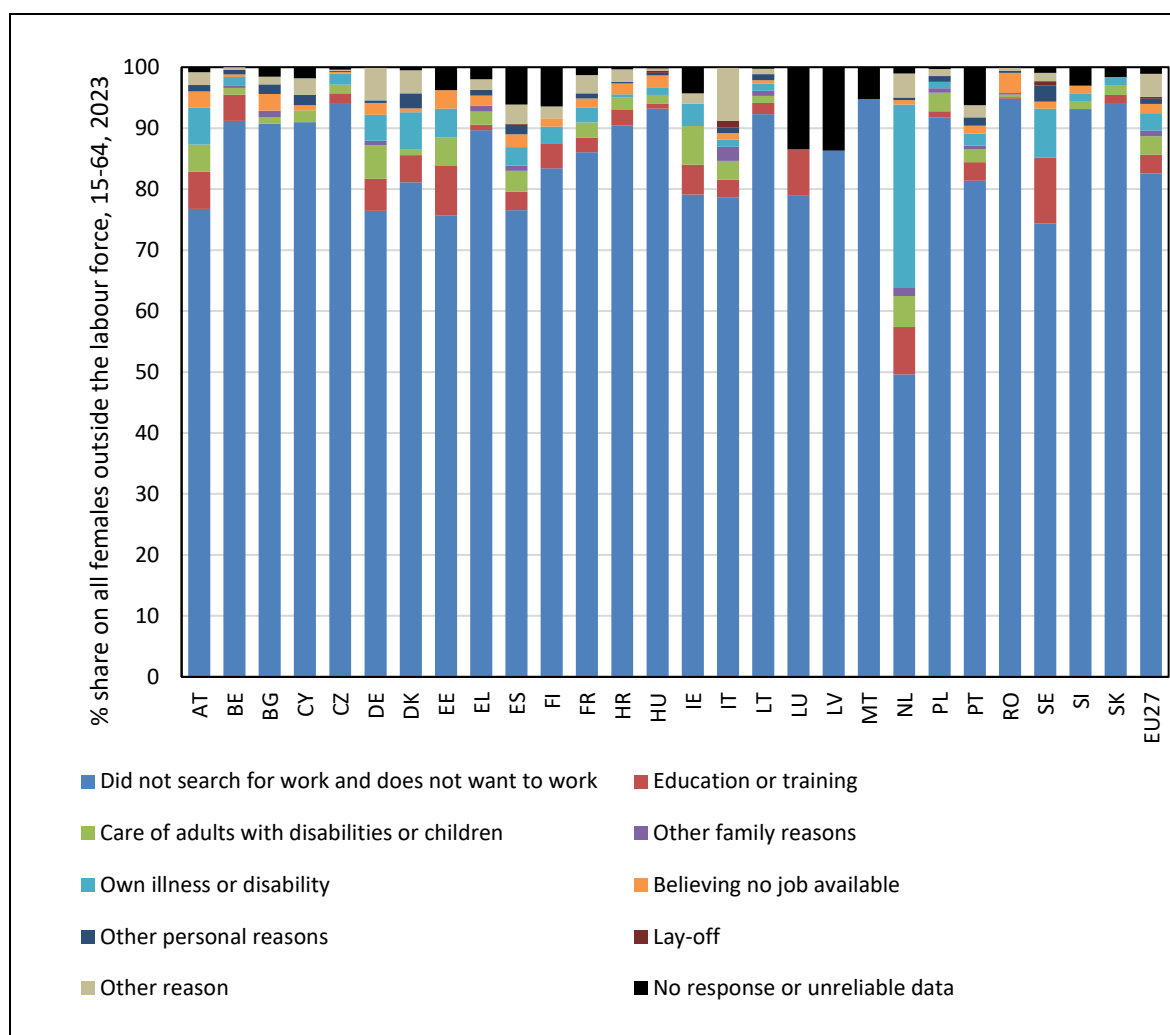
³⁷ LAU 1 regions (earlier NUTS 4 regions) are below the three NUTS level. There are 174 LAU 1 regions in Hungary (járás).

IT	The high share of people outside the labour force is especially driven by the low female participation. Also, young people show significantly higher rates of people outside the labour force. This is closely connected with the high share of NEETs in Italy. These numbers belie a strong geographical disparity, with northern regions displaying rates of people outside the labour forces more in line with the EU average (for men). Southern regions are also characterised by lower education and skills levels, and lower quality of employment offer. However, the share of women outside the labour force is not as unequally distributed across the national territory.
LT	Rates of people outside the labour force are influenced by demographic factors, economic conditions, unemployment, high regional disparities, gender inequalities and family responsibilities, and labour market mismatch and insufficient alignment of skills with market demands.
LU	Young NEETs are considered in the country article the most vulnerable and mobile group, moving back and forth between PES registration and spells of inactivity.
NL	The largest share of inactive among the population of 15-75-year-olds is formed by retired workers. The second most common reason for inactivity is disabilities. For people who are neither of these, nor studying or financially independent, there are various reasons for inactivity. These reasons are broadly categorised as personal problems, often a multitude of mental health problems, addiction and debts, or other similar factors.
PL	Inactivity remains a challenge among certain groups in Poland including persons with disabilities, older individuals, migrant women, and those with caregiving responsibilities. People with disabilities, especially if combined with low levels of education, have particularly high levels of inactivity, compared to the EU average. While prime-age individuals participate in the labour market more often in Poland than in the EU-27, young and older persons are less active in Poland. The gap in labour force participation rates is substantial among women aged 55-64 due to their lower retirement age. The inflow of Ukrainian refugees to Poland after the Russian invasion in 2022 is likely to be the reason for the increase in the rates of people outside the labour force of foreign-born women between 2021 and 2023.
PT	Sickness and incapacity is a main characteristic of inactivity in Portugal. There are systematic predictors of inactivity, even when taking into account multiple factors at the same time, as shown through a novel econometric analysis of the microdata of the Labour Force Survey over the period 2015-2024. Key results include: women are found to have a significantly increased probability of being inactive. When more control variables are taken into account, in particular schooling, the gender inactivity gap increases. There is a pronounced U-shaped pattern between inactivity and age. Inactivity drops nearly continuously with schooling levels. Immigrants are found to have a greater probability of inactivity compared to Portuguese individuals. Individuals in the Azores region are more likely to be inactive.
RO	Inactivity of women is very high, in particular in rural areas. Also, low-educated women are more likely to be inactive than low-educated men and also older women are often inactive. Early school leaving and the NEET rate among young people is high. One in six inactive young people who would like to work remain outside the labour market due to family responsibilities or other personal reasons. Having severe activity limitations is highly conducive for inactivity.

SE	In Sweden, labour force participation is overall high. In this context, those who are outside the labour force are mostly long-term sick, have disabilities that prevent them from working, have retired early due to illness, or are pensioners. The share of persons outside the labour force is significantly higher among the low-skilled/low educated workers and among female migrants. Compared to southern European Member States, the number of female homemakers in Sweden is low.
SI	People outside the labour force includes individuals who are not part of the active workforce or unemployed. Research in Slovenia has focused on young people who are NEETs and recipients of social assistance benefit.

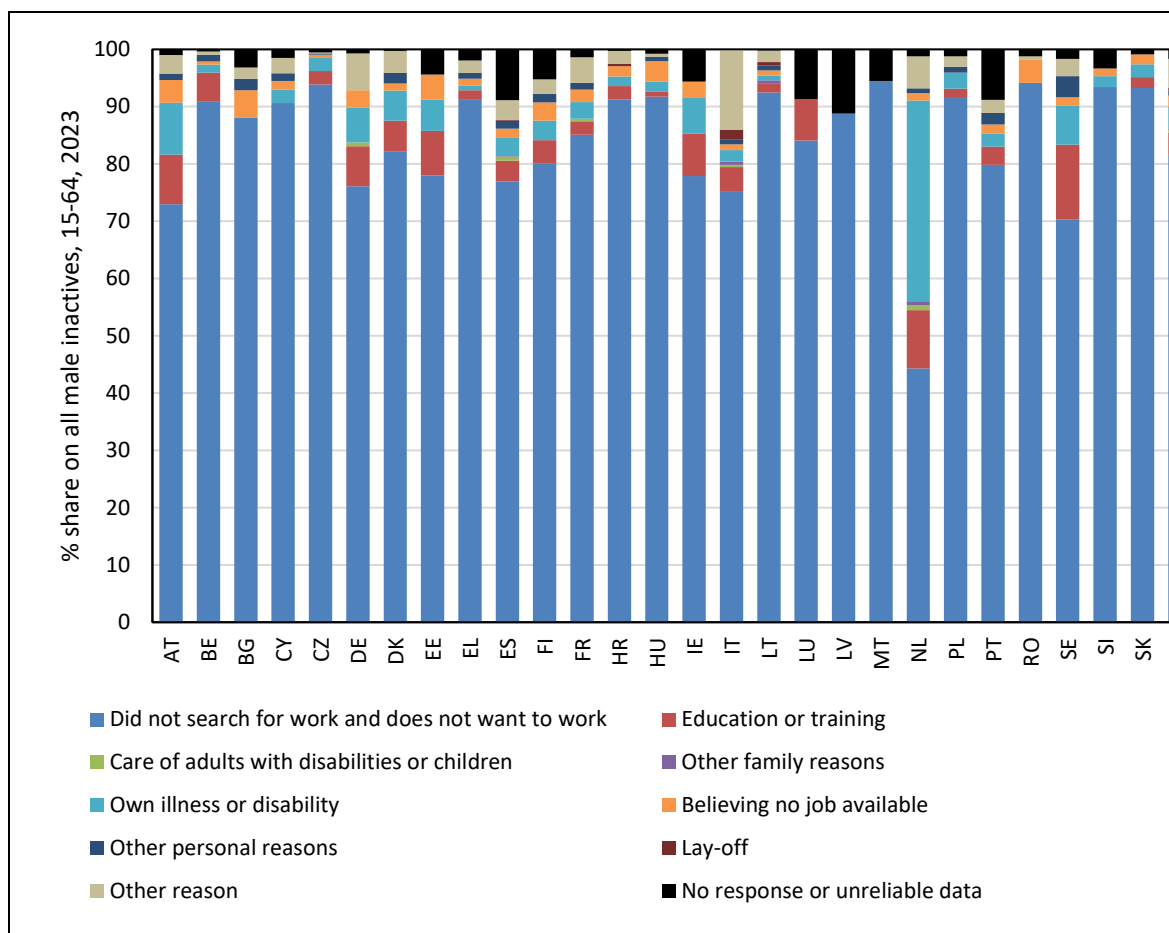
Source: ECE country articles

Figure A3 Reasons for inactivity, women (% on females outside the labour force, 15-64), 2023



Source: Eurostat, own calculations.

Figure A 4 Reasons for inactivity, men (% on males outside the labour force, 15-64), 2023



Source: Eurostat, own calculations.

Annex: Summary of responses to a survey of Public Employment Services (PES)

This brief report summarises the responses provided by national PES of the EU Member States and Iceland in May-July 2024, to a survey launched alongside the ECE thematic review '**Hidden potential - Persons outside the labour force in the context of labour and skills shortages in the EU**'. The 24 PES responses provided, came from Iceland and 21 EU Member States (including the three Belgian PES, Actiris, Forem and VDAB). There were no responses from 6 Member States (Czechia, Hungary, Italy, Luxembourg, Romania and Slovakia).

In response to the question on whether the PES have a mandate to support persons outside the labour force³⁸:

- **11 PES indicated that they have a mandate to support persons outside the labour force**, and this support is related to specific groups. These are: Austria, Belgium ACTIRIS, Belgium FOREM, Denmark, Estonia, Greece, France, Ireland, Iceland, Lithuania and Spain.
- **17 PES indicated that they have a mandate to support persons outside the labour force, but it is not related to specific groups**. These are: Belgium VDAB, Bulgaria, Germany, the Netherlands and Poland.
- **8 PES indicated that they do not have a mandate** to support persons outside the labour force. These are: Croatia, Cyprus, Finland, Latvia, Malta, Portugal, Slovenia and Sweden.

The Public Employment Service (PES) is an important stakeholder for collecting data and analysing data on inactivity, in particular administrative data. Having said this, detailed analysis of administrative data may be restricted to those registering with the PES. 12 out of 24 PES replied that they are not systematically involved in collecting and analysing data on persons outside the labour force (see the following table). This should be seen in the context of the fact that in some Member States, there is no obligation to be registered at the PES if not receiving a benefit paid by the PES.

³⁸ The original phrasing of the questions in the PES questionnaire referred to the 'economically inactive population', this term has been replaced with 'persons outside the labour force' in the present report, as per the [ILO resolution concerning statistics on work, employment and labour underutilisation](#)

Table A2. PES activities to collect and analyse data on persons outside the labour force

Does your PES systematically collect data analysis on:	Groups of persons outside the labour force (e.g. women returners, discouraged workers, near retirement, persons with disabilities or health issues, migrants etc.)?	The share of persons outside the labour force registered with PES?	The proportion of persons outside the labour force among customers?	Recent trends of persons on sub-groups outside the labour force (including flow analysis)?	The barriers faced by persons outside the labour force?
AT	Yes	No	No	no	yes
BE Actiris	Yes	No	No	no	yes
BE Forem	Yes	Yes	Yes	no	no
BE VDAB	Yes	No	Yes	yes	yes
BG	No	No	No	no	yes
CY	No	No	No	no	no
DE	No	No	No	no	yes
DK	Yes	Yes	Yes	yes	yes
EE	No	No	No	no	no
EL	Yes	No	No	no	yes
ES	Yes	No	No	yes	yes
FI	Yes	Yes	Yes	yes	yes
FR	Yes	Yes	Yes	yes	yes
HR	No	No	No	no	yes
IE	Yes	No	Yes	yes	yes
IS	No	No	No	no	no
LT	Yes	Yes	Yes	yes	no
LV	No	No	No	no	yes
MT	Yes	No	No	no	yes
NL	No	Yes	Yes	yes	no
PL	No	No	No	yes	yes
PT	No	No	Yes	no	no
SE	No	No	No	no	no
SI	No	No	No	yes	Yes
	Yes: 12	Yes: 6	Yes: 9	Yes: 10	Yes: 16
TOTAL	No: 12	No: 18	No: 15	No: 14	No: 8

Source: Responses to the PES survey, May-July 2024

Note: The table includes Iceland (IS) which is not part of the EU-27; No responses available for CZ, HU, IT, LU, RO, SK

In addition:

- **6** PES indicated that they have data on how many of those registered with the PES are exempted from looking for a job (e.g., those close to retirement or others). These are: Belgium FOREM, Denmark, Finland, France, Ireland and Slovenia.
- **18** PES indicated that they do not have data on how many of those registered with the PES are exempted from looking for a job. These are: Austria, Belgium ACTIRIS, Belgium VDAB, Bulgaria, Croatia, Cyprus, Estonia, Germany, Greece, Iceland, Latvia, Lithuania, Malta, the Netherlands, Poland, Portugal, Spain and Sweden.

The majority of PES (15 out of 24 responses) indicated that reaching out to groups of persons outside the labour force not registered with the PES is not part of their strategies or key activities. These include: Belgium ACTIRIS, Belgium FOREM, Bulgaria, Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, the Netherlands, Poland, Portugal, Slovenia, Spain and Sweden. The remaining 9 PES indicated that reaching out to groups of persons outside the labour force not registered with the PES **is part of their strategies** or key activities. These include: Austria, Belgium VDAB, Croatia, Cyprus, Germany, Greece, France, Ireland, and Malta.

20 PES indicated that they follow coordinated approaches with other governmental or non-governmental bodies, such as social services to reach out to groups of persons outside the labour force. These are: Austria, Belgium ACTIRIS, Belgium FOREM, Belgium VDAB, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Greece, Iceland, Ireland, Latvia, Lithuania, Malta, the Netherlands, Poland, Portugal and Slovenia. Only 4 PES (Croatia, Denmark, Spain and Sweden) indicated that there is no such coordinated approach in their Member State.

In relation to PES initiatives for outreach to persons outside the labour force:

- **12 PES indicated that they have targeted measures for specific subgroups in their outreach initiatives.** These are: Austria, Belgium-ACTIRIS, Belgium- VDAB, Bulgaria, Cyprus, Estonia, Finland, Germany, Ireland, Latvia, Malta and Slovenia.
- **5 PES indicated that they have general measures** for outreach initiatives targeting persons outside the labour force (Belgium-FOREM, France, Lithuania, Portugal and Spain).
- **7 PES indicated that they have no measures for outreach initiatives** targeting persons outside the labour force (Croatia, Denmark, Greece, Iceland, the Netherlands, Poland and Sweden).

In relation to focus on specific target groups over the past five years:

- **The vast majority of PES (22 out of 24 responses) indicated an increased focus on specific target groups** (such as NEETs, migrants, persons with disabilities, women, persons with health issues, minimum income beneficiaries, discouraged workers, older workers, or others) in the past five years. These include: Austria, Belgium ACTIRIS, Belgium FOREM, Belgium VDAB, Bulgaria, Croatia, Cyprus, Denmark, Estonia, Finland, France, Greece, Iceland, Ireland, Latvia, Lithuania, Malta, Poland, Portugal, Slovenia, Spain and Sweden.
- **Only 2 PES (Germany and the Netherlands)** indicated that there has not been a focus on specific target groups in the last five years.

The following table highlights the sub-groups of persons outside the labour force that national PES target for outreach.

Table A3. *Sub-groups that national PES target for outreach*

Sub-group of persons Member States where PES have outreach activities outside the labour force	
Young people / NEETs	13 PES: AT, BE (Actiris), BE (Forem), BE (VDAB – young people at risk of dropping out - potential NEETs), BG, CY, EE, EL, ES, FI, HR, MT, SI
Women	4 PES: AT, BE (Forem), HR (women over 50), MT
Older people	5 PES: BE (Forem), BG, EE, FI, IE
Social benefit recipients	4 PES: AT, BE (VDAB – social tenants, people on living wages, those on income replacement allowances), IE, PT
Sickness benefit recipients	2 PES: BE (BE-Actiris), BE (VDAB)
Migrants	9 PES: BE (all three PES), CY, ES, HR, MT, PT, SI
Refugees	4 PES: AT, EE, IE, PT
People with disabilities or long-term illness	11 PES: AT, BE (Actiris), BE (Forem), BG, CY, EE, ES, FR, HR, IE, MT
Long-term unemployed	3 PES: ES, HR, PT
Traveller and Roma communities	3 PES: BG, IE, HR
Other	BE (VDAB) - persons outside the labour force without rights to benefits BE (VDAB) - Those under the supervision of the judicial authorities DE - women and men with caring responsibilities IE - Lone parents MT - individuals with history of substance abuse PT - low-skilled, discouraged workers

Source: Responses by national PES to the PES survey of May-July 2024.

Note: No PES responses available for CZ, HU, IT, LU, RO, SK; No outreach by the PES in LT (done by NGOs, the social partners etc.), NL (done by municipalities), PL, SE, LV.

In terms of new partnerships/collaborations developed to support those furthest from the labour market:

- **The majority (19 PES out of 24) indicated that new partnerships or collaborations have been developed** to support those furthest from the labour market. These include: Belgium ACTIRIS, Belgium FOREM, Belgium VDAB, Bulgaria, Croatia, Cyprus, Denmark, Estonia, Finland, France, Greece, Ireland, Iceland, Latvia, Lithuania, Malta, Portugal, Slovenia and Spain.
- The remaining 5 PES indicated that no new partnerships or collaborations have been developed to support those furthest from the labour market. These include: Austria, Germany, the Netherlands, Poland and Sweden.

14 PES responded that they had designed and implemented measures for persons outside the labour force with the objective of combatting labour and skills shortages in mind. These are: Belgium FOREM, Belgium VDAB, Croatia, Cyprus, Estonia, Finland, France, Greece, Ireland, Lithuania, Poland, Latvia, Malta and Spain. For example, in Spain, the investment projects under the Recovery and Resilience Plan which include training have been designed based on the training needs identified to address labour and skills shortages. Another 10 PES (Austria, Belgium-ACTIRIS, Bulgaria, Denmark, Germany, Iceland, the Netherlands, Portugal, Slovenia and Sweden) responded that this was not the case. 6 PES did not respond (Czechia, Hungary, Italy, Luxembourg, Romania, Slovakia).

20 PES indicated that conditionality (e.g., sanctions) plays a role in the activation of registered PES clients. These include: Austria, Belgium FOREM, Belgium VDAB, Croatia, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Lithuania, Malta, Poland, Portugal, Slovenia, Spain and Sweden. The remaining 4 PES (Belgium ACTIRIS, Bulgaria, Latvia and the Netherlands) indicated that conditionality does not play a role in activation.

16 PES indicated that they have tools or measures which specifically direct long-term unemployed or clients outside the labour force towards jobs where there are labour shortages. These include: Austria, Belgium ACTIRIS, Belgium FOREM, Belgium VDAB, Bulgaria, Germany, Finland, France, Greece, Ireland, Lithuania, Malta, Poland, Portugal, Slovenia and Sweden. 8 PES indicated that they do not have such tools or measures (Croatia, Cyprus, Denmark, Estonia, Iceland, Netherlands, Latvia and Spain).

Some Member States are developing or testing new measures to activate persons outside the labour force in the context of skills and labour shortages. For example, **PES in Austria and Belgium-Flanders** are developing service offer tailored to new needs such as language training for non-native speakers. In **Denmark**, the PES currently provides funding and support for project where the municipalities work to get more young people with mental health disorders and psychological distress into jobs or education through the Individual Placement and Support (IPS) method. The IPS method is also found to be very effective in **Finland** where which is currently used in the social sector, but so far it has not been included in the selection of the PES. In **Lithuania**, psychological counselling and debt management was launched for persons preparing for the job market. Also, since 2023, all companies in the country can receive subsidies for adapting workplaces and environments for persons with disabilities (until then, only social enterprises could use state support for adapting workplaces). **Croatia** has tested a voucher scheme for adult education, implemented since 2022 by CES, to help persons outside the labour force, unemployed and employed persons to acquire micro-credentials, partial and full qualifications in programmes related to digital, green and other skills in demand on the labour market. The voucher programmes give special attention to including vulnerable groups such as LTUs, NEETs and persons outside the labour force while eligible foreign workers can also use vouchers to learn Croatian as a foreign language. **Ireland** established an interdepartmental group earlier in 2024 (comprising members from the Department of Social Protection, Department of Further and Higher Education, and SOLAS within the framework of the PTW strategy to examine the barriers to employment, education and training for priority groups.

Employer oriented measures are mentioned by several PES as approaches considered most effective (Belgium, Denmark, Estonia and Ireland) in encouraging persons to enter, or re-enter, the labour market in the context of addressing skills and labour shortages.

Other approaches considered effective, as reported by PES responding to the PES survey included:

- Free training and support (BE-VDAB).
- Incentives that can be cumulated with unemployment benefit, for jobseekers (e.g.: the Federal Government has created a bonus for long-term jobseekers who take up a job in a shortage occupation, or in another Region) (BE-VDAB).
- Work-focussed counselling with active listening and exploring; providing feedback; help with problem solving and removing barriers to work; action planning and providing information; and practicing employment interviews (EE).
- Encouraging employment or self-employment and gaining work experience (HR).

Examples of measures found less effective, reported by PES responding to the PES survey included:

- **Croatia** has found that after participating in Public Works, persons are rarely involved in other ALMP measures and remain outside the labour force.

Lithuania noted that language learning alone, without additional integration support, did not sufficiently help migrants to enter the labour market, as they lacked the contextual and cultural support needed in the work environment.

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