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ISSUES PAPER FOR DISCUSSION WITH SOCIAL PARTNERS

KEY EMPLOYMENT AND SOCIAL CHALLENGES IN VIEW OF THE EUROPEAN SEMESTER 2022

This paper serves as a basis for discussion with the social partners in view of their input to the Annual Sustainable Growth Strategy (ASGS)¹ 2022, which the Commission will present in autumn 2021. Firstly, the document discusses the main economic, labour market and social developments in Europe in the aftermath of the COVID-19 crisis. It then provides a brief overview of the policy context in the 2021 European Semester, with particular reference to the Recovery and Resilience Facility. Next, it touches upon the role of social partners in promoting sustainable and inclusive growth. Finally, the note highlights some of the main challenges and opportunities for the recovery, in light of the key outcomes from the Porto Social Summit.

1. CONTEXT

1.1. Economic, labour market and social developments

After a challenging 2020, economic and social conditions have improved throughout the year. The COVID outbreak triggered a public health crisis with widespread effects on the economy, labour markets and society. The EU's GDP fell by 11% in the second quarter of 2020, and by 6% in 2020 overall. More recently, the improved health situation, the easing of containment measures and the roll-out of vaccination campaigns (together with buoyant global economic activity and trade) helped put the EU economies back in motion². According to the summer 2021 Commission forecast, GDP is expected to grow by 4.8% in 2021 and by 4.5% in 2022 in both the EU and the euro area. Still, uncertainty remains high, subject to the development of the pandemic going forward. Also, the pace of growth is expected to vary significantly across Member States, reflecting differences in the impact of the pandemic, economic structures and policy responses. This holds also

¹ The content of this note does not constitute the official position of the Commission, nor does it prejudice any position for the Annual Sustainable Growth Strategy of the 2022 European Semester exercise.

² As of 6 September 2021, 76.8% of adults (18+) have received at least one vaccine dose and 69.4% are fully vaccinated in the EU. Source: European Centre for Disease Prevention and Control.

at the regional level, with simulations³ showing that the impact of the COVID-19 crisis has been uneven within Member States (especially in Southern Europe), and the pace of the recovery is expected to be so too.

The swift policy response to the crisis has smoothed its impact on the labour markets, but some groups have been more strongly hit than others, and recovering to the pre-crisis situation will take time. The employment rate in the EU declined (by 1.3pp) to 71.9% in Q1-2021 from the previous year. At the same time, the unemployment rate increased (by 1.1pp) to a peak of 7.7% in Q1-2021 and then decreased again to 7.1% in June. Some groups have been more impacted than others (for instance the youth, people with a migrant background and those in a vulnerable situation – see Section 2). Nevertheless, the deterioration in labour market outcomes has been less severe than what the sharp decline in GDP would have implied, also thanks to the introduction or reinforcement of short-time work schemes and other job retention measures (to which EU funding, notably SURE and REACT-EU, contributed).⁴ While the recovery will sustain job creation, getting back to pre-crisis employment levels is not expected before 2022⁵ and changes in the structure of employment may also be triggered⁶ calling for appropriate policy interventions to accompany the necessary transitions.

The crisis strongly affected households' market incomes, but support measures helped mitigate their fall. While the median employment income is estimated to have decreased by 7.2 % in 2020, the disposable income of the working age population remained stable at EU level (Eurostat's flash estimates of income inequalities⁷). EUROMOD simulations suggest that on average low-income groups have faced relatively larger losses in market income, and that tax-benefit systems have protected in particular these lower-income households from losses during the pandemic, though to a different extent across Member States.⁸ Eurostat's flash estimates suggest that in 2020 the at-risk-of-poverty rate may have remained almost stable at EU level. However, there appear to be strong variations across Member States; in particular, increases in poverty risks are flagged for Spain, Croatia, Italy, Slovenia and Greece.

Going forward, it will be crucial to ensure an inclusive and sustainable recovery following the COVID shock, while setting the path towards successful and fair green and digital transitions over the longer term. EU leaders at the Porto Social Summit have reiterated the central role of the European Pillar of Social Rights in steering towards an ever stronger social Europe and upward social convergence in the EU. This is all the more important in light of the differentiated impact of the crisis across Member States, regions and population groups, as well as in view of ensuring that everyone can see opportunities in the digital and green transformations ahead. The new EU headline targets by 2030, welcomed by the June European Council, will set the course for employment and social policy coordination in the Semester. Also, the Recovery and

³ Employment and Social Developments in Europe, Annual Review 2021 (Chapter 3), based on the RHOMOLO model.

⁴ A lower participation in the labour market, related *inter alia* to confinement measures, has also smoothed the increase in the unemployment rate.

⁵ Employment and Social Developments in Europe, Annual Review 2021 (p. 27), based on European Commission Spring 2021 forecast.

⁶ The digital and the green transitions may also have been significantly accelerated in the context of the COVID crisis.

⁷ [https://ec.europa.eu/eurostat/statistics-](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Early_estimates_of_income_inequalities_during_the_2020_pandemic)

[explained/index.php?title=Early estimates of income inequalities during the 2020 pandemic](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Early_estimates_of_income_inequalities_during_the_2020_pandemic)

⁸ See Chapter 2, Section 5, in Employment and Social Developments in Europe, Annual Review 2021.

Resilience Facility, integrated with the Semester governance, is providing key additional EU funding that will significantly contribute to the implementation of the Social Pillar, complementing more traditional cohesion policy funding such as the ESF+.⁹

1.2. The 2021 European Semester and the Recovery and Resilience Facility

The 2020-21 European Semester was marked by the policy response to the COVID-19 crisis, and in particular the launch of the new Recovery and Resilience Facility (RRF). The Semester cycle was initiated as usual by the adoption of the Annual Sustainable Growth Strategy (ASGS), which this year also announced some temporary adaptations in Semester governance in view of the RRF.¹⁰ The ASGS confirmed an economic strategy based on four key dimensions: (i) environmental sustainability and the green transition, (ii) productivity and the digital transition, (iii) fairness and (iv) macroeconomic stability. This strategic approach aimed to guide the EU and Member States' policy response, notably in relation to the design and implementation of multi-annual reform and investment agendas under the RRF.

The 2021 Council recommendation on the economic policy of the euro area¹¹ identified key policy priorities for euro area members.¹² The recommendation called for ensuring supportive fiscal policies as far as the health emergency persisted, and to phase out support measures only when conditions allowed, while mitigating the social and labour market impact of the crisis. It was recommended to pursue reforms that strengthen the coverage, adequacy, and sustainability of health and social protection systems. In line with the Commission Recommendation for Effective Active Support to Employment (EASE) Euro area members were asked to ensure effective active labour market policies and support to job transitions (including skills), notably towards the green and digital economy, to foster fair working conditions and address labour market segmentation. The recommendation called for ensuring the effective involvement of social partners in policy making, and strengthening social dialogue and collective bargaining.

The Joint Employment Report 2021 (JER), adopted by the Council in March, analysed the impact of the pandemic on the EU labour markets and social protection systems and identified key priority areas for policy action. For the first time, the report included a forward-looking dimension by systematically proposing, in line with the Employment Guidelines, concrete action for Member States to address the identified challenges. Member States were invited, among others, to: keep short-time work schemes and other job preservation measures in place as long as necessary, introduce support for the reallocation of labour; enhance labour market support as well as

⁹ The ongoing negotiations in view of the elaboration and approval of the ESF+ programmes already indicate the commitment of the concerned Managing Authorities in fine tuning all the instruments now available to maximise their effect in achieving the goals of the Social Pillar, providing complementarity of programming between the RRF and the ESF+ and further aligning the ESF+ to the Semester policy priorities.

¹⁰ Its adoption was anticipated to September in order to provide timely guidance on the implementation of the RRF, and explain the necessary temporary adjustments to the Semester governance. As announced in the ASGS, non-fiscal country-specific recommendations for instance would not be presented in 2021 for Member States submitting a recovery and resilience plan, due to the comprehensive and forward-looking nature of these plans.

¹¹ Approved by the Council in March 2021 and formally adopted in July.

¹² In the special 2020-21 Semester cycle, these priorities have also provided guidance in relation to the recovery and resilience plans of euro area members.

re- and up-skilling opportunities, invest in Public Employment Services, promote collective bargaining and social dialogue, invest in adequate and sustainable social protection systems for all, invest in quality and accessibility of early childhood education and care, healthcare systems and long-term care services, and ease access to quality and affordable housing, social housing or housing assistance. The JER also called for making good use of EU funding in order to support swift policy action in the relevant domains.

In June 2021 the Commission proposed a carry-over of the Employment Guidelines, highlighting their continued relevance also in view of the outcomes of the Porto Social Summit. The latest version of the Guidelines, adopted by the Council in October 2020, integrates guidance aimed at mitigating the impact of the crisis, and achieving socially just green and digital transitions. In view of their continued relevance, the Commission proposed to carry over the Guidelines, while bringing in key elements of the Social Pillar Action Plan and the outcomes of the Porto Social Summit, and notably the new 2030 EU headline targets on employment, skills and poverty reduction.

In preparing their recovery and resilience plans, Member States were required to effectively address relevant policy challenges identified in the European Semester. Member States were encouraged to submit their recovery and resilience plans (RRPs) in a single integrated document with their National Reform Programme (NRP). The multi-annual national reform and investment agendas set out in the national plans are expected to address relevant country-specific challenges and be aligned with the EU priorities.¹³ In particular, the green and digital transitions, growth potential, job creation, economic and social resilience and social and territorial cohesion receive particular attention in line with the remit of the Facility. The RRP are required to effectively contribute to address all or a significant subset of challenges identified in the relevant CSRs issued to the Member States in 2019-20.

An intensive dialogue between the Commission services and the national authorities has taken place around the national recovery and resilience plans. These discussions were crucial to achieve a shared understanding of the challenges to be addressed through the plans, in line with the legal requirements in the RRF Regulation, and help Member States prepare their plans under a tight timeline. Along the process, the Commission has invited Member States to engage in a dialogue with social partners and other relevant stakeholders.

About half of the Member States¹⁴ submitted their RRP to the Commission by 30 April¹⁵; overall 25 RRP were submitted by the end of July.¹⁶ The Commission has so far endorsed 18 of those RRP (in order of endorsement: ES, PT, DK, EL, LU, AT, SK, LV, DE, IT, BE, FR, SI, LT, CY, HR, CZ, IE). 16 of these plans were adopted by the Council by the end of August and two additional plans (CZ and IE) have been endorsed by the Council at the beginning of September.

The recovery and resilience plans endorsed so far present a strong employment, skills and social dimension. In this way, the Facility will effectively contribute to the implementation of the European Pillar of Social Rights, as laid down in the Regulation. The Commission will report on social expenditure, including on children and the youth,

¹³ The Commission also strongly encouraged Member States to include measures in their national plans related to the seven European flagships in the ASGS 2021, including on reskilling and upskilling.

¹⁴ These are: AT, BE, DK, DE, EL, ES, FR, IT, LV, LU, PT, SI and SK.

¹⁵ Indicated in the RRF Regulation as the expected submission date “*as a rule*”.

¹⁶ The above plus CZ, EE, IE, HR, HU, CY, LT, MT, PL, RO, FI and SE.

under the Facility. The national plans include, inter alia, reforms and investments that aim to:

- Strengthen the effectiveness of active labour market policies and the capacity of public employment services, in line with the Commission Recommendation on EASE, in order to support quality job creation and smooth labour market transitions;
- Improve access to inclusive quality education and training to ensure that all workers can thrive in a fast-changing labour market and fully benefit from the green and digital transitions;
- Enhance the social resilience of our economies, by investing in national health care and social protection systems, as well as by improving access to services for all, including early childhood education and care, housing, and long-term care.

1.3. The role of social dialogue and involvement of social partners

Promoting social dialogue and creating the right conditions for using its full potential are common goals of the EU. The Treaties explicitly recognise the role of social partners in policy- and law-making, in full respect of their autonomy and the diversity of national industrial relations. Effective social dialogue is a prerequisite for the good functioning of the European social market economy, ensuring better and more sustainable policy outcomes. Importantly, high-quality and effective social dialogue and social partners' involvement strengthens ownership of the policy measures put forward. These principles are embedded in the European Pillar of Social Rights, as well as in the Employment Guidelines.

During the pandemic, social partners have supported the design and implementation of emergency measures in the Member States, with the aim to protect European businesses and workers. At the EU level, social partners developed guidelines on organisational health and safety and highlighted urgently needed policy measures. At the national level, they contributed to the design and implementation of policies aimed at reducing the socio-economic impact of the pandemic.¹⁷ Across the EU, more than half of all active labour market policies and income protection measures enacted since the COVID outbreak were either agreed by or negotiated with social partners. There were nonetheless major country differences in this regard. According to the analysis in the 2021 Employment and Social Developments in Europe annual review, in Member States with weaker traditions of social dialogue, the speed at which policy measures had to be decided and administered resulted in a non-substantial involvement of social partners. In Member States where, on the contrary, the role of social partners is traditionally strong, this involvement was guaranteed.

Social partners play a key role in supporting the adaptation of economies and labour markets to structural change, including in relation to the green and digital transitions. For instance, the framework agreement on tele-work concluded by cross-industry EU social partners already in 2002 has become a key reference in the pandemic. Currently, social partners at the EU and the national level are engaging in exchanges on key aspects of the digital and green transitions, including digital skills, modalities of connecting and disconnecting, artificial intelligence, human dignity and surveillance, opportunities and challenges of moving towards a climate-neutral economy by 2050.

¹⁷ Employment and Social Developments in Europe 2021.

A systematic involvement of social partners in the European Semester, both at the EU and the national level, is key for an informed and shared identification of challenges and formulation of policy solutions. The Commission regularly consults European and national social partners at key moments in the Semester process. In this context, the Commission seeks the social partners' views on key challenges, among others ahead of the publication of the Annual Sustainable Growth Strategy (ASGS) at the outset of the cycle.¹⁸ Consultations also take place at key moments ahead of the production of Country Reports and Country-Specific Recommendations. Furthermore, in the Semester context, Country Reports provide information on the situation of social dialogue and the involvement of social partners in policy-making in Member States. Country-specific recommendations have been addressed in the past to countries that displayed challenges with regard to social dialogue and social partners' involvement. Starting from 2016, the Employment Committee (EMCO) has undertaken several multilateral surveillance reviews on the involvement of social partners in EU Member States.¹⁹

The Commission has invited Member States to engage actively with social partners in the preparation and implementation of their Recovery and Resilience Plans. The Regulation establishing the Recovery and Resilience Facility requires Member States to include in their national plans a summary of the consultation process, conducted in accordance with the national legal framework, with relevant stakeholders, including social partners, for the preparation and, where available, the implementation of the national plans and to indicate how their input is reflected in the plans. The Commission's Guidance on the RRP provided more detail by asking Member States to describe in their summary of the consultations the scope, type, modalities and timing of the outreach efforts. At the 14 June EPSCO, both the Presidency and the Commission stressed the importance of involving social partners in the RRP.

2. KEY CHALLENGES AND OPPORTUNITIES IN THE EMPLOYMENT AND SOCIAL DOMAINS

During the pandemic, employment has declined particularly strongly in activities that rely on close contact, are not tele-workable and/or are not considered as critical. Sectors where physical distancing is not possible have been hit more strongly and persistently. At the trough, employment in high-contact affected sectors (such as wholesale and retail trade; transports; accommodation and food services; arts and household activities) had shrunk by more than 20%. Importantly, these are also sectors that account for a large share of low-wage workers.

The sudden significant increase in telework²⁰ has shown both the potential and the pitfalls of remote working. During the health emergency, teleworking has proven important for many firms to ensure business continuity and safeguard the health of their employees. In normal circumstances, it also allows reduced commuting time, greater flexibility and work-life balance opportunities for employees, and greater productivity and efficiency for firms. Telework has nonetheless also blurred existing lines between

¹⁸ Unfortunately in 2021 this was not possible due to the anticipation of the ASGS in order to provide urgent guidance on the RRF.

¹⁹ The next one is provisionally scheduled for 16 November 2021.

²⁰ The ILO definition of telework includes: (i) the use of information and communications technologies (ICTs) and (ii) performing work from outside the employer's premises.

work and private life, implying in certain cases higher work intensity and difficulties ensuring collective representation and participation in workplace decision-making. Digital technologies scale up the use of telework and support a better matching between employers and employees, while presenting challenges for certain groups, notably the low-skilled and the elderly, to fully participate in the labour market and society. This may in turn increase the risks of digital divides and labour market and social exclusion. The Commission is preparing initiatives related to health and safety at work in the context of digitalisation of workplaces in close cooperation with social partners, in line with the newly adopted Communication on an EU strategic framework on health and safety at work 2021-2027²¹.

As the economy recovers, not all jobs are likely to be reinstated, and support to job transitions is expected to become particularly important. For some companies, the pandemic will have represented only a transitory shock. For others, it may lead to profound changes in business models, partly triggered by a shift in consumer behaviour (for instance, a wider use of e-commerce platforms) and firms' organisation and work practices (including the push to more sustainable production methods). In this perspective, a large number of tasks may become redundant, requiring restructuring in terms of working methods and labour input, with a greater need for policy-makers to support job transitions.

A rapid reallocation of labour may contribute to efficiency gains, boosting productivity and wages. Yet, workers that are displaced will be less employable if their skills are not easily transferrable to other occupations or growing sectors, pointing at the crucial role of appropriately designed active labour market policies and upskilling and reskilling measures, targeted to the needs of the affected workers. The low skilled and older workers risk being particularly affected by these developments. In this context it will be key to accompany job transitions along the lines of the Commission Recommendation on EASE, which points to the importance of targeted hiring incentives and entrepreneurial support, upskilling and reskilling opportunities, and enhanced support by employment services. Engagement of social partners and other stakeholders in designing these measures is crucial. For example, comprehensive skills strategies for the different economic sectors (including effective skills intelligence and forecasting) will need to rely on the cooperation among social partners, companies, education and training institutions, public employment services and other relevant stakeholders, in line with the European Skills Agenda and the logic underlying the Pact for Skills.

Given the uneven impact of the crisis on different groups of workers, ensuring the inclusiveness of the labour market recovery with appropriately designed and personalised active labour market policies is particularly important. Young people have been disproportionately affected by job losses. Those in transition from the education system to the labour market tended to face greater difficulties in finding first jobs, with the total number of recent job starters declining in 2020 (6.5 million on

²¹ As part of this Communication (COM 2021/323), the Commission announced it will modernise the OSH legislative framework related to digitalisation by reviewing the Workplaces Directive and the Display Screen Equipment Directive by 2023. It will also launch an "EU-OSHA healthy workplaces campaign" 2023-2025 on creating a safe and healthy digital future covering psychosocial and ergonomic risks in particular. Moreover, in cooperation with Member States and social partners, the Commission will prepare a non-legislative EU-level initiative related to mental health at work that assesses emerging issues related to workers' mental health and puts forward guidance for action before the end of 2022, and will ensure appropriate follow-up to the European Parliament Resolution on the right to disconnect.

average per quarter, compared to an average of about 7.5 million people in previous years). Workers in non-standard employment have been hit hard, particularly those on fixed-term contracts, in Member States with relatively large shares of temporary employment. These employees are often weakly covered by income replacement benefits, though many governments aimed at reducing or closing these gaps with emergency measures. Also, migrants on average experienced larger employment losses than the native population. All this raises concerns that the pandemic may have scarring effects on the most affected population groups, unless effective active labour market policies are set in place that foster a swift labour market (re-)integration. Moreover, the particularly strong impact of the crisis on the youth underlines the importance of a timely and effective implementation of the Youth Employment Support package.

The pandemic further highlighted certain long-standing challenges related to gender equality. While evidence does not show an overall negative impact on female employment rates compared to men, women experienced a steeper fall in working hours than men. Some sectors characterised by high female employment (e.g. accommodation and food service activities) were strongly impacted by the lockdowns. At the same time, women are over-represented in certain occupations deemed as critical, such as frontline health workers. Single women with children experienced larger employment losses than those without²². More generally, women continued to take on the largest share of caring responsibilities, and faced greater challenges in balancing work and private life. This points among others at the need for stronger childcare and long-term care provision going forward.

Rising inflation and labour shortages contribute to resuming wage growth. While being stable overall in 2020, compensation per employee in the EU expanded at a rate close to its pre-pandemic average in the first quarter of 2021. In the second quarter, the euro area negotiated wages grew by 1.7%²³. While this moderate wage growth may incorporate the lagged effects of the COVID-19 recession, further increases may occur in response to both higher expected price inflation and emerging labour shortages (according to the Commission Summer Economic Forecast, wage growth has held up better in the sectors where such shortages were reported). It is too early to say whether these increases will be temporary or prolonged, depending on the structural changes that the pandemic may entail.

While tax and benefit systems managed to contain increases in income poverty risks during the crisis, pre-existing inequalities in opportunities and living conditions have been brought to the fore and further stressed. Workers that had relatively low wages prior to the crisis generally suffered most from cuts in employment or self-employment income. Tax and benefit systems contained or even offset the regressive impact that the COVID-19 crisis had on market incomes. Still, even where they were shielded from income loss, low-income households often lacked key resources that help cope with the challenges of social distancing. Income-poor households were more likely to live in poor or overcrowded housing conditions, which made confinement more challenging. They also had lower access to the digital environment, including for telework, home schooling or other services that relied on digital means, pointing at the key challenge of ensuring access to digital education and training and to digital infrastructure to all.

²² “Labour Market and Wage developments in Europe”, 2021, forthcoming.

²³ Data not available for the EU.

The pandemic has accelerated ongoing trends in digitalisation, including by boosting work via platforms. Digital technologies bring new ways to learn, work and fulfil ambitions. On the labour market, they create new employment opportunities and contribute to a better matching between employers and employees. However, they may also entail risks to existing jobs, in particular for those in activities that are routine-intensive and for the less educated. In parallel to the reallocation of labour towards occupations requiring digital skills, there may be a reallocation to those linked to the gig economy. Platform work remains a small phenomenon overall²⁴; still the demand for online labour has been rapidly growing during the pandemic.²⁵ In a few Member States noteworthy increases have been reported in the number of people (mostly young) providing services through platforms²⁶. The sectors most interested by this rise are food and parcels deliveries, as well as online tasks that can be performed remotely (e.g. microwork). These trends need policy action to manage related transformations, notably as concerns legal status, working conditions and access to social protection. After launching a consultation on platform work among social partners in February 2021, the Commission plans to adopt an initiative on this matter in autumn.

The green transition represents a unique opportunity to relaunch the EU economy in a sustainable and resilient manner, while ensuring a fair and just transition to climate neutrality by 2050, the Union’s climate target enshrined by the European Climate Law. With the right accompanying policies in place, the transition towards climate neutrality could create up to one million additional jobs by 2030, though impacts are expected to vary across occupations, sectors and regions²⁷. Jobs will be created mostly in the middle-skill group and can thereby help to mitigate labour market polarisation trends. However, there are workers who will lose jobs (notably in energy intensive sectors) and, even more, who will be subject to changing tasks and skill requirements. At the same time, energy poverty alone affects up to 34 million people in the EU today. Thus, a socially fair green transition requires significant accompanying policy measures, including employment and social policies, as well as investment and reforms. The “Fit for 55” package adopted on 14 July 2021 put forward a set of legislative proposals to meet EU climate ambitions while addressing their social impacts.

The Commission proposed to establish a new Social Climate Fund, worth EUR 72.2 billion²⁸ for the period 2025-2032, by using in principle 25% of the additional revenues from the Emission Trading System (ETS) extension to the buildings and road transport sectors. The proposal is to add national contributions of at least 50%, so the Fund would mobilise EUR 144.4 billion in favour of a socially fair transition. The fund would enable Member States to provide direct income support to vulnerable low and middle-income households, transport users, and micro-enterprises as well as to support green investments, including into energy efficiency and renovations of buildings, clean heating and cooling, integrate renewable energy, and access to zero- and low- emission mobility.²⁹ As a follow-up to the Fit for 55 package, the Commission will come forward

²⁴ Only 1.4% of working-age people in the 16 countries surveyed in the 2018 COLLEEM II survey had platform work as their main source of income.

²⁵ Labour Project at the Oxford Internet Institute and “Labour Market and Wage developments in Europe”, 2021, forthcoming.

²⁶ European Centre of Expertise (ECE) in the field of labour law, employment and labour market policies (2021), *Thematic Review 2021 on Platform work*, Synthesis report.

²⁷ Social and distributional aspects Factsheets, 14 July 2021.

²⁸ In current prices.

²⁹ Social fairness is also taken into account in the design of other legislative proposals that are part of the Fit for 55 package. For instance, the Energy Taxation Directive offers possibilities for exempting

by the end of the year with a proposal for a Council Recommendation providing further guidance to Member States as how to address the employment and social aspects of a just transition to climate neutrality.

Going forward, the need to raise employment rates will become even more pressing in light of population ageing, also in view to ensuring the fiscal sustainability and adequacy of social protection. The EU-27's working-age population has been shrinking for a decade and is projected to fall by 18% by 2070.³⁰ Dependency ratios are projected to increase substantially in coming years. This puts pressure on European labour markets and welfare systems, increasing risks of labour shortages and slow-downs in productivity growth, while endangering the adequacy and fiscal sustainability of social protection. In this perspective, it will be crucial to ensure higher labour market participation, facilitate skills development and lifelong learning, foster the labour market integration of migrants, promote transformation in workplaces, and encourage active ageing. The Green Paper on Ageing of January 2021 aims to launch a broad policy debate on how to anticipate and respond to the challenges and opportunities that this will bring, in a life-cycle perspective.

3. KEY ISSUES FOR DISCUSSION

Issues for debate:

- *Do you agree with the policy challenges identified in the note? What are the key reforms and investments that would usefully address these challenges and contribute to the implementation of the European Pillar of Social Rights?*
- *How do you see the role of social partners in contributing to the successful design and implementation of national reform and investment agendas? Are there any best practices or significant obstacles you want to share?*

Additional issues for discussion:

- *Which key changes in the post-COVID labour markets and world of work call for most urgent policy attention at this stage?*
- *What are the key factors that in your view define “quality jobs” and what policy interventions are needed to ensure that the occupation that is created in the context of the recovery is of sufficient quality?*
- *What priority actions would you see to support the youth in accessing and remaining in the labour market and avoid scarring effect following the COVID-19 pandemic?*
- *Which policy measures can ensure that the green and the digital transitions bring opportunities for all workers?*

vulnerable households from higher energy taxes. The Energy Efficiency Directive proposal includes a specific obligation for Member States to achieve energy savings among energy poor and vulnerable households.

³⁰ European Commission (2020), *Report on the impact of demographic change*, COM/2020/241 final.