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EXPLICIT CONTENT

YETRAIN'26 Employment and Social Affairs (EMPL) Study Guide

Table of Contents

1. **Welcoming Letters**
   - **1.1.** Letter from Secretariat
   - 1.2. Letter From Under Secretary-General
   - 1.3. Letter From Academic Assistants
2. **INTRODUCTION TO THE COMMITTEE**
   - **2.1.** Role of the European Parliament in EU Legislation
   - **2.2.** Function of EMPL as a Standing Committee
   - **2.3.** Democratic Oversight and Legislative Authority
3. **COMMITTEE PROCEDURES AND LEGISLATIVE PROCESS**
   - **3.1.** Parliamentary Groups vs. Member State Directives
   - **3.2.** Structural Role of Ministers and MEPs in Social Dialogue
4. **THE COST OF LIVING CRISIS AND LABOUR MARKET IMPACT**
   - **4.1.** Economic Inflation and Wage Stagnation in the EU
   - **4.2.** Escalating Housing and Energy Costs
5. **ENSURING FAIR WORKING CONDITIONS**
   - **5.1.** Combatting Unfair Labor Practices and Precarious Contracts
   - **5.2.** Adequate Minimum Wages Framework Across the EU
   - **5.3.** Enforcement of Health, Safety, and Working Hours Standards
6. **PROVIDING BETTER JOB OPPORTUNITIES**
   - **6.1.** Labor Mobility and Protection of Cross-Border Workers
   - **6.2.** Vocational Training and Upskilling Initiatives
   - **6.3.** Youth Employment Strategies and Quality Apprenticeships
7. **STRENGTHENING SOCIAL FAIRNESS AND PROTECTION**
8. **POLITICAL GROUPS AND MEMBER STATE POSITIONS**
   - **8.1.** European People's Party (EPP)
   - **8.2.** Progressive Alliance of Socialists and Democrats (S&D)
   - **8.3.** Renew Europe
9. **PAST EFFORTS AND EXISTING LEGAL FRAMEWORKS**
   - **9.1.** EU Directive on Adequate Minimum Wages
   - **9.2.** European Social Fund Plus (ESF+)
   - **9.3.** European Pillar of Social Rights Action Plan
10. **Points to be Addressed in the Regulation**
11. **Bibliography and Referances**

1. Welcoming Letters

1.1. Letter From Secretariat

The Most Esteemed Participants of YETRAIN'26,

As the Secretary General of YETRAIN'26, I would like to welcome you all to the 1st edition of Ye Model United Nations Train Conference. It is an honor and pleasure to be able to present to you all what we have been preparing for months. Me, our excellent academic team and the wonderful organisation team have worked really hard to give you the best mun experience of your entire life.

We want to foster diplomatic deliberations and foster constructive solutions that will affect the nations for one and all. As a delegate your YETRAIN'26 journey begins here with our study guide that our committee secretariat worked really hard for. Your participation in this conference will improve your diplomatic debating skills and find solutions to global matters. Also apart from all the academic gains you will have a wonderful time with the chance of socializing with other people who share the same passion with you.
I hope that every participant has an exquisite time in YETRAIN'26 I can’t wait to see you all!

Doruk Sapmaz
Secretary General of YETRAIN'26

1.2. Letter From Under Secretary-General

Dear Members of the Parliament,

With the utmost honor, I welcome you to YETRAIN'26. As the Under Secretary-General of the Committee on Employment and Social Affairs (EMPL), I would like to extend a warm welcome to this highly esteemed committee.

Prior to the proceedings, I would like to extend my sincerest thanks to the Secretary-General for his long hours and commitment that helped make this conference happen; to thank YETRAIN'26 for supporting the establishment of committees that require intensive academic preparation and an organized structure. On this note, I would like to pass on my gratitude to our Secretary-General, *Doruk SAPMAZ*, who stood up for the creation of specialized committees to be present in Model United Nations conferences, as well as to provide an environment for productive, policy-oriented debate.

It is with pleasure that I invite you to the Committee on Employment and Social Affairs (EMPL) during YETRAIN'26. I also would like to thank our Academic Assistants, *Ezel Alem and İlter Kağan Halli*, for all their help and support, in particular for their work on the drafting of our study guide.

Through our focus agenda, we will address critical socio-economic challenges, focusing on the cost of living crisis and its labor market impact, ensuring fair working conditions, providing better job opportunities, and strengthening social fairness and protection across the European Union. As you see, the study guide is quite lengthy, but do not be afraid: it is a tome in itself. There will be no need to do a large amount of research before the simulation, and I hope that everyone is ready to enter the chairs with an aspiration to bring forth the most interesting policies. The academic team of this committee has built up a framework that will support you in your aim of bringing forth the most fascinating policies possible.

My Most Genuine Regards,

Kerem Veysel DÜZGÜN
Under Secretary-General of the Committee on Employment and Social Affairs (EMPL)
keremveyselduzgun@gmail.com

1.3. Letter From Academic Assistants

Lovely Participants,

I welcome you all to YETRAIN'26 as an Academic Assistant of the Employment and Social Affairs (EMPL) Committee. I am Ezel Alem and I cannot wait for you until the day we are going to meet.

I would like to thank the Executive Team for all of their efforts upon YETRAIN'26, especially Doruk, and wish them to have no problematic, peaceful and incredible two days during the conference days. I would also like to thank my Under Secretary General, *Kerem,* and my Academic Assistant, *İlter*, for being with me and seeing me suitable for this committee. Their value is not able to be measured with words. Establishing something with you will always be the most inspiring part of our work, love you guys.

Do not delay reading Study Guide as you are able to comprehend it completely and study on committee. We have a high belief upon you're able to eventuate this committee with all success.

Warm Regards,

Ezel ALEM
Academic Assistant of the Committee on Employment and Social Affairs (EMPL)
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Dear Members of the Parliament,

Firstly I sincerely welcome you all to YETRAIN'26.My name is İlter Kağan Halli and it is my honour to serve as the Academic Assistant of the Employment and Social Affairs Committee.

Before anything I would like to extend my gratitude towards the Executive Team, the Academic Team and the Organizational Team for their hard work and efforts towards making this prestigious conference possible. I would like to express my appreciation to the Secretariat of this conference -Beren and Doruk- for extending us the privilege to establish this committee. I would also like to sincerely thank my Under-Secretary General, *Kerem Veysel DÜZGÜN*, and my Co Academic Assistant, *Ezel Alem*, for their efforts towards the preparation of this committee and for always being by my side

If you have any questions regarding the committee,please do not hesitate to contact me.I would be more than happy to assist you in any way possible.

Best Regards,

İlter Kağan HALLİ
Academic Assistant of the Employment and Social Affairs Committee of the European Parliament

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2. Introduction to the Committee

2.1. Role of the European Parliament in EU Legislation

The European Parliament has a vital role in EU decision-making as a co-legislator together with the Council. The vast majority of European laws are adopted jointly by the Parliament and the Council, following a proposal by the European Commission. The procedure is known as the Ordinary Legislative Procedure or Co-Decision. In some cases, the European treaties provide for special legislative procedures, such as Consultation and Consent, where Parliament does not stand on an equal footing with the Council as in the ordinary legislative procedure.

Parliament's work on a legislative text starts when it receives a proposal from the Commission, which is the institution that initiates legislation. The proposal is referred to a committee and a Member of the European Parliament is assigned to draw up a report. This Member is known as the Rapporteur. When the legislation tackles broad issues, co-rapporteurs from different committees may be appointed. After debates between representatives of political groups and consultations in search of compromise, the parliamentary committee votes on the draft report and, possibly, amends it. When the text has been revised and adopted in plenary, Parliament has adopted its position.

In order to summarize; the legislative proposal gets appropriate from the European Commission in order to take in assessment it in the European Parliament and Council of the EU. Members deliberate and investigate upon the efficiency of the proposal for the EU; therefore, the Council and Parliament endeavor upon compromising the above text. The Proposal turns into EU Law if the Council and Parliament compromises. However, there are so complicated processes that delegates are going to have a knowledge upon later including Amendments and Committee Votes.

2.2. Function of EMPL as a Standing Committee

The Committee on Employment and Social Affairs (EMPL) is responsible for ensuring the employment policy and all aspects of social policy including working conditions, social security, social inclusion and social protection of the employees'. Therefore, EMPL is also dependable in order for ensuring workers' rights, health and safety measures at the workplace, the European Social Fund, vocational training policy; including professional qualifications, independent movement of workers and pensioners, social dialogues, all forms of discrimination at the workplaces and in the labour market except those based on sexual activities. EMPL has relations with the European Centre for the Development of Vocational Training (CEDEFOP), the European Foundation for the Improvement of Living and Working

Conditions, the European Training Foundation and the European Agency for Safety and Health at Work; as well as relations with other relevant Union Bodies and International Organizations.

2.3. Democratic Oversight and Legislative Authority

In parliamentary democracies, parliaments are invested with powers of oversight and scrutiny in order to hold the executive to account. The European Parliament (EP) has a crucial scrutiny role in the EU legal and political framework and this function of the Parliament enhances the democratic legitimacy of the EU as a whole; therefore, it helps to increase the transparency and accountability of the European Commission. Parliament's oversight and scrutiny powers, along with its legislative powers, have increased over time.

The European Parliament, as the only directly elected EU institution, is mandated to carry out democratic oversight and political scrutiny of the executive, including the European Commission, on behalf of EU citizens. The EU Treaties lay down many of the Parliament's oversight and scrutiny prerogatives. The EP holds five main functions, namely legislative and budgetary functions, a function of political control, a consultative function and a function regarding the election of the Commission President.

3. Committee Procedures and Legislative Process

3.1. Parliamentary Groups vs. Member State Directives

Members of the European Parliament sit in a political setting unlike regular national assemblies. With no national delegations to speak of, Members of the European Parliament (MEPs) cluster around political groups based on ideology: the European People's Party, the Progressive Alliance of Socialists and Democrats, and Renew Europe. Parliamentary groups have a say in the establishment of the legislative strategy of the Committee on Employment and Social Affairs. They nominate the rapporteur, draw up compromise amendments and help create voting majorities. However, this type of political system is going to be in constant conflict with the legislatorial mechanism of the directives elaborated by the European Union. Legislation by directives is

situated in the secondary legislation of the European Union, under article 288 of the Tratado de Funcionamento de la Union Europe, directives are binding as to the result to be achieved upon each Member State to which they are addressed, but they leave to the national authorities the choice of form and methods. They require implementation by a deadline, usually two years.

These two aspects create, within employment policy, conflicting priorities between European legislators and national governments. The parliamentary groups seek to develop minimum, uniform and high-quality social protection across Member States and union-wide standards to prevent social dumping and protect the most vulnerable. It was a matter of national competencies and social models as well as of economic competitiveness for Member States, who require more room for maneuver in the transposition process. A recurring problem in committee debates is the tension between the political group visions and the reality of national implementation. The struggle over Directive 2022/2041 on Adequate Minimum Wages exemplifies this division. Progressive political groups in Parliament attempted to lock in obligatory statutory schemes to guarantee consumers' purchasing power across the Union. Member States with well-developed collective bargaining systems such as Denmark and Sweden adamantly opposed too rigid federal standards. For instance, these countries negotiate minimum wages without statutory guidance. Denmark challenged the directive in the ECJ to protect its system.

They also create difficult processes for legal enforcement. For example, if a Member State does not correctly transpose a directive within the set time period, the European Commission can bring proceedings for infringement. The Court of Justice of the European Union can then fine the failing government heavily and as the doctrine of direct effect states can allow individuals to refer to certain provisions of a directive that has not been transposed in national courts. This environment forces the committee delegates to negotiate between legislative political desire and legal feasibility. Although Members of European Parliament are motivated to extend social rights, states are concerned with the political realities of implementation. The delegations must accept that the current consensus among Members of the European Parliament may represent the first step in drafting law for the European community.

3.2. Structural Role of Ministers and MEPs in Social Dialogue

Social dialogue is a constitutionally embedded element of European social policy, which is explicitly inscribed in Articles 151-155 of the Treaty on the Functioning of the European Union (TFEU). These articles extend both mandated consultation and active participation to social partners, composed of European trade unions (ETUC) and employer organizations (Business Europe and SMEunited). Social dialogue occurs at both bipartite and tripartite levels, thus establishing a co-existing governance system based on non-elected, market actors who have a direct role in legislation. The structures place the national minister and MEP on a different constitutional, legislative, and political level.

National ministers come into contact with social dialogue mainly in EPSCO; the Council comprising employment, social policy, health and consumer affairs, consisting of ministers responsible for those respective policy areas in the Member States. These ministers are members of the governments of the respective Member States and have the authority of direct decision-makers; they participate as co-legislators with the European Parliament in the co-decision process. Apart from the other policy fields regulated by the co-decision procedure, Article 153 TFEU identifies the legislative competence of the European Union and the Member States jointly with regard to the following employment areas: working conditions, social security, protection of workers and for the integration of those outside the labor force. In those areas they are likely to scrutinize the social dialogue resulting from the combined perceptions of national sovereignty and economic competitiveness.

Ministers have a 'two-layer' organisational role in European social dialogue: For agreements between social partners - Within the Council, ministers evaluate social partners' agreements. Management and labour may jointly request that an agreement between cross-industry or sectoral social partners be implemented by a Council Decision (Article 155(2) TFEU) - a decision establishing European law and automatically acquiring EU legal status - which converts an autonomous industrial agreement into European law. In the evaluation, ministers can directly

approve or disapprove the text; they cannot amend it. For domestic industrial relations, the main institutional point of connection between the European level and the internal industrial relations system of a MS.

One option is to delegate implementation of European social directives to social partners by way of national collective agreements rather than state legislation. This maintains the existing industrial relations mode, like the Nordic model of collective bargaining, while ensuring European legal implementation. In addition, national ministers have social dialogue through institutionalized tripartite consultations: The Tripartite Social Summit for Growth and Employment, organized under Article 152 TFEU, provides an annual (and one–day) formal platform for regular meetings, attended by the President of the European Council, the President of the European Commission, Council Presidency (which rotates during the year), national labor ministers and the main social partners. The summit offers a forum for debates on macroeconomic policy, employment guidelines, and social reforms across the EU, with ministers providing insights to European social reforms, within the context of the country's fiscal policies, labor market, and economic interests.

By comparison, MEPs function in a structurally different way in the Committee on Employment and Social Affairs (EMPL). Clearly and legitimately accountable to their national electorates, MEPs are strongly positioned as the democratic force of social governance in Europe. Whereas the social partners have an economic mandate, and ministers an executive one, MEPs have a transnational political mandate, with structural functions in social dialogue of legislation, agenda-setting, civil participation and debate. The relationship between MEPs and autonomous social partners is therefore arguably a site of potential structural friction. First, in Article 154 TFEU, before submitting any legislative proposal relating to social policy, the European Commission is obliged to consult social partners in a two-stage process. The first stage is that of consulting management and labor to gauge the potential direction of EU action.

Second, the commission can consult these management and labor groups as to the particular content of its proposal. At this second stage, social partners can notify the Commission of their desire to engage in autonomous negotiations under Article 155 TFEU (in effect, formally interrupting the normal legislative process for up to nine months). In these auto-negotiation periods, the EMPL Committee and MEPs are artificially structured out of the drafting process. Parliament cannot intervene, table amendments or formally be involved in unions/employers negotiations. This highlights an institutional tension between social partner autonomy on the one

hand, and the Parliament's (internal) powers of co-decision and amendment, on the other. Where social partners do agree and a Council Decision is requested for implementation, the Council acts on the Commission's proposal, with Parliament simply being informed of the decision.

But if social partners refuse to open negotiations or if no agreement can be reached as a result of their negotiations, the standard Ordinary Legislative Procedure applies. It is here that the MEPs of the EMPL Committee once again become the dominant legislators. They will receive the Commission proposal, appoint their rapporteur, present amendments, hold hearings with interested parties, and negotiate a compromise text between the political groups. In the EMPL Committee MEPs frequently invite social partners, ETUC, Business Europe, national trade unions and civil society groups to committee hearings to scrutinize the positions of social partners, test the legislative feasibility of policies and insure that they meet the concerns of society at large beyond the narrow interests of organized labor and business. The MEPs also carry out structural control if social partner agreements are transposed to directives apart from the Article 155 Council Decision. In the event of the Commission drawing up a directive following consultation of social partners, MEPs representing the EMPL committee are strongly defending worker rights, gender equality and non-discrimination as well as good working conditions. The progressive political groups in EMPL tend to call for a broader scope of minimum standards brought forward by the business and the more conservative and liberal political groups often back flexibility and lower administrative burden for SMEs.

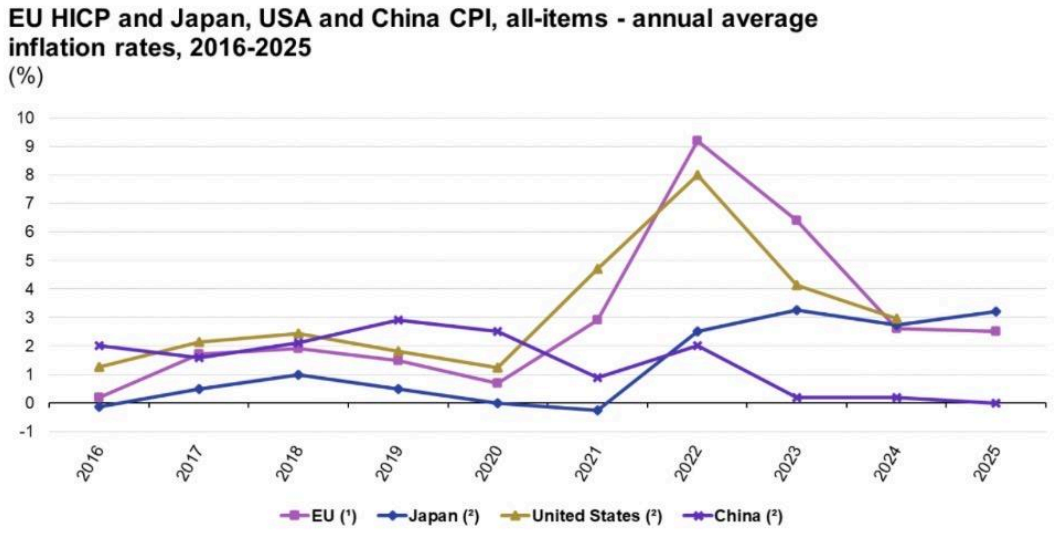
The structural co-operation between MEPs, ministers and social partners illustrates the multi-layered structure of EU decision-making; For example, social partners tend to create market-level consensus via bipartite negotiation, given their expert knowledge of industries and labor issues. National ministers defend national legal traditions, keep decision making fiscally viable, secure national economic models, and carry out decisions through their own national systems. They also guarantee democratic legitimacy, call for transparency, express more general political values and facilitate progressive social harmonisation between all Member States. This institutional equilibrium might therefore cushion the development of European labour legislation into either a free for all of uncoordinated national policies or an overly integrated legislative instrument. It is here that the EMPL Committee represents the battleground where these powercentres clash and negotiate to forge social justice within the EU.

4. The Cost of Living Crisis and Labour Market Impact

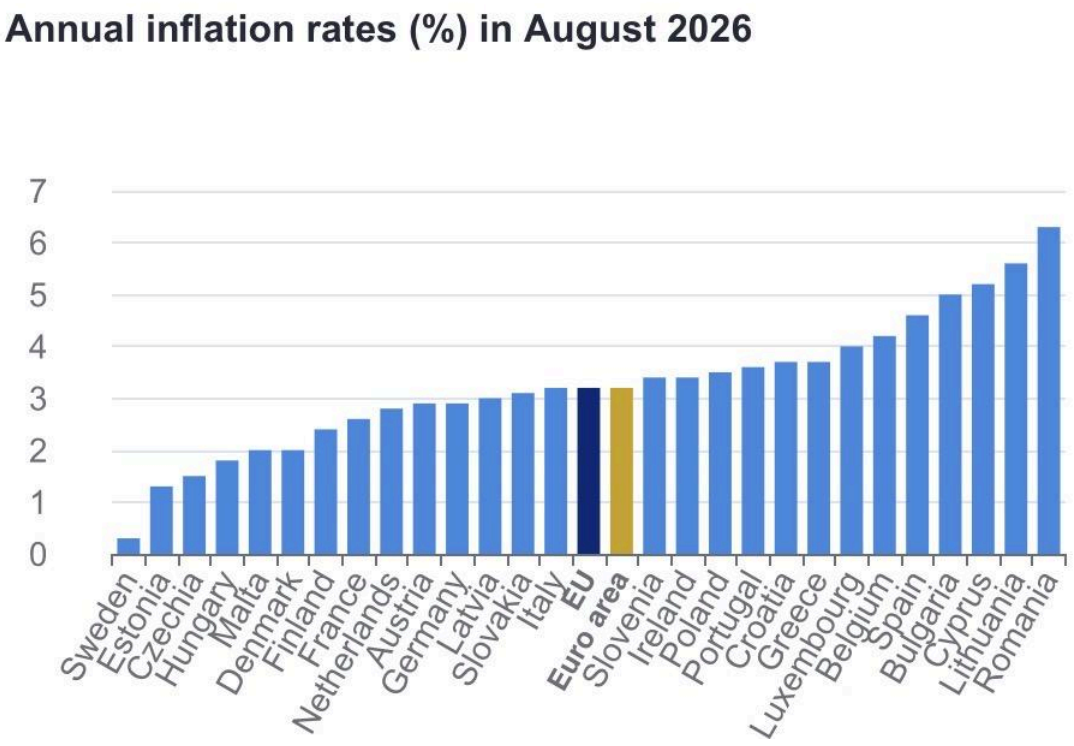
4.1. Economic Inflation and Wage Stagnation in the EU

European countries, known as the EU Zone or Euro Area, have been in an impact of inflation as most of the countries alongside the world commenced with the economic disadvantages and not managing the epidemic process properly since the COVID-19 epidemic. Inflation is a visible thing in the citizens throughout the enhancement of the cost of living, basic needings including food and clothes; even health and education. We're able to say the decrease of the purchasing power of folk in order to sum up the basic meaning of inflation. With the quarantine, people commenced to stay at home and economic actions hesitated yet the online shopping went on an increase owing to the fact that people can receive their needs via their mobile phones handily. And with these advances, not online commerce workplaces such as shopping centers started to go into overdrive.

Over the last decade, EU inflation began at a low of 0.2% in 2016. From there the average annual inflation rate increased in 2017 (1.7%), and 2018 (1.9%). The rate subsequently decreased to 1.5% in 2019 and significantly dropped to 0.7% in 2020 under the impact of the COVID-19 measures. It rose sharply to 2.9% in 2021, reaching a historical high of 9.2% in 2022. This rate decreased in 2023, but remained above the 2021 level at 6.4%. In 2024 the annual rate decreased to 2.6% and in 2025 again to 2.5%. The overall change in the HICP in the EU during the period 2016-2025 was 33.0%, or an annual average of 3.3%. Comparative consumer price developments for several of the largest world economies has been demonstrated in the image that has been put forth. Price changes in Japan were generally lower than in the EU, whereas they were generally higher in the United States and China in the period 2016-2020. During the period 2016-2025, consumer prices rose by an annual average of 1.5% in Japan and 1.4% in China. Data for the United States was not available for 2025.



The Euro Area's annual inflation rate was 3.2% in August 2026, up from 2.9% in July. Compared with the rates of 2025, the rate was 2.0%. European Union annual inflation was 3.2% in August 2026, up from 3.0% in July. A year earlier, the rate was 2.4%, regarding to the rates published by Eurostat, the statistical office of the European Union. The lowest annual rates were registered in Sweden (0.3%), Estonia(1.3%) and Czechia (1.5%). The highest annual rates were recorded in Romania (6.3%), Lithuania (5.6%) and Cyprus (5.2%). Compared with July 2026, annual inflation fell in six Member States, remained stable in one and rose in twenty.

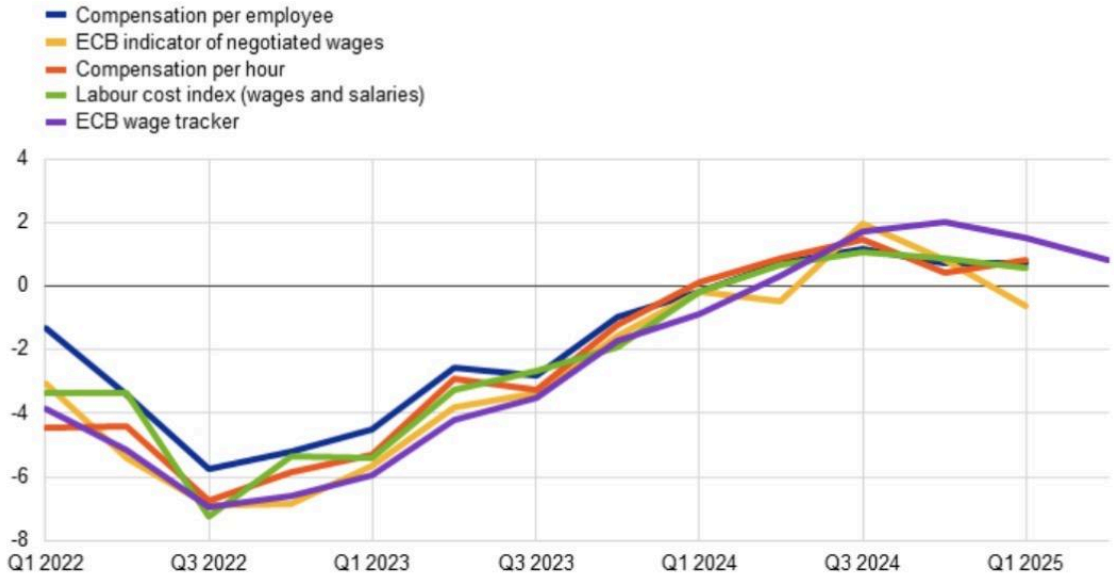


Especially in the 2022-2023 period, inflation outnumbered the salary increases; on the other hand, energy, food and accommodation costs increased dramatically and as a consequence, nominal wages regressed obviously. It causes citizens to receive less service with the same salary resulting in decrease of the consumption power. The deceleration of the consumption repressed the economic development through repressing demands of companies.

In order to clarify the meaning of the nominal wage, evaluate the salary is not affected by the inflation rate of a person in terms of money. For instance, if an employee earns €20 per hour, this represents

their nominal wage which does not regard whether that employee can afford their needs, affected by the current inflation rate, or increase the purchasing power or not. The cause beyond why we call it 'nominal' is, it is not the same thing as the amount of the salary and its purchasing power. An employee's salary may be €2,000 per month in 2025 and it increases to €2,500 per month in 2026, the nominal wage growth will be clarified as 25%. However, there is a concept named 'real wage' which is related to the inflation rate. Compared with the nominal wage, it is related to the power of purchasing and we can ask a basic question upon comprehending the difference between the nominal wage and real wage; 'Can this employee purchase the same things as their former salary?'or 'How much can this employee purchase with their salary?'. In order to formulate it, *Real Wage Growth≈ Nominal Wage Growth-Inflation Rate*. For instance, if nominal wage growth increases 8% and the inflation rate has increased 5%, with the formula; *8%-5%≈3%*, that means real wage increases approximately 3% and the employee's purchasing power has increased. Yet the nominal wage growth increases 5% and inflation rate increases 10%, *5%-10%≈-5%*, meaning the employee's purchasing power has decreased despite the increase of their salary.

Real wages in the euro area have largely recovered from their decline during the period of high inflation in 2022. Nominal wages have recently risen faster than prices. As a result, real wages, which are measured by deflating nominal wages by cost-of-living indicators, are now approaching levels seen before the inflation surge. For example, in the first quarter of 2025, compensation per employee deflated by the Harmonised Index of Consumer Prices (HICP) was only around 0.5% below its level in the fourth quarter of 2021 – at the start of the inflation surge – while in the fourth quarter of 2022 it had dropped 5% below that level. Other wage indicators deflated by the HICP or the private consumption deflator show similar catch-up trends. The recent gradual restoration of lost purchasing power should limit wage demands in the future. However, workers may still perceive a loss in living standards. For instance, they would have continued to perceive a considerable real wage gap in the first quarter of 2025 if they had compared their nominal wages with the prices of frequent out-of-pocket purchases (FROOPP) augmented with HICP energy prices rather than with the overall HIC.



Real wage developments based on aggregate macroeconomic indicators may not fully reflect consumers' perceptions of their real wages. In the second quarter of 2024, annual compensation per employee growth exceeded consumers' inflation perceptions, as recorded in the ECB Consumer Expectations Survey (CES), for the first time since the 2022 inflation surge. Some moderation notwithstanding, there was still a positive gap in the first quarter of 2025. Consumers' perceptions of real wage catch-up have implications for their confidence and consumption decisions. Baumann et al. (2025) find that a large proportion of consumers perceive that their nominal wage growth has not exceeded price growth in the previous 12 months, based on the CES. In April 2025 the CES repeated the same set of questions regarding real wage catch-up, and the results remained unchanged: a still significant proportion of consumers felt that their wage growth had not outstripped price growth. This suggests that consumers tend to focus on alternative consumption baskets and that sharp price changes may continue to be reflected in their perceptions over a longer period. A sustained catch-up of real wages together with price stability is therefore likely to promote consumer confidence and underscore growth in the euro area. The evidence presented in this box confirms that, overall, the choice of price index matters when assessing real wage catch-up. As highlighted, there is a difference between consumer prices and the prices charged by domestic firms. But even when the results focus more narrowly on the purchasing power of consumers, different consumption baskets still have significant implications for consumers' perceptions of their real wages.

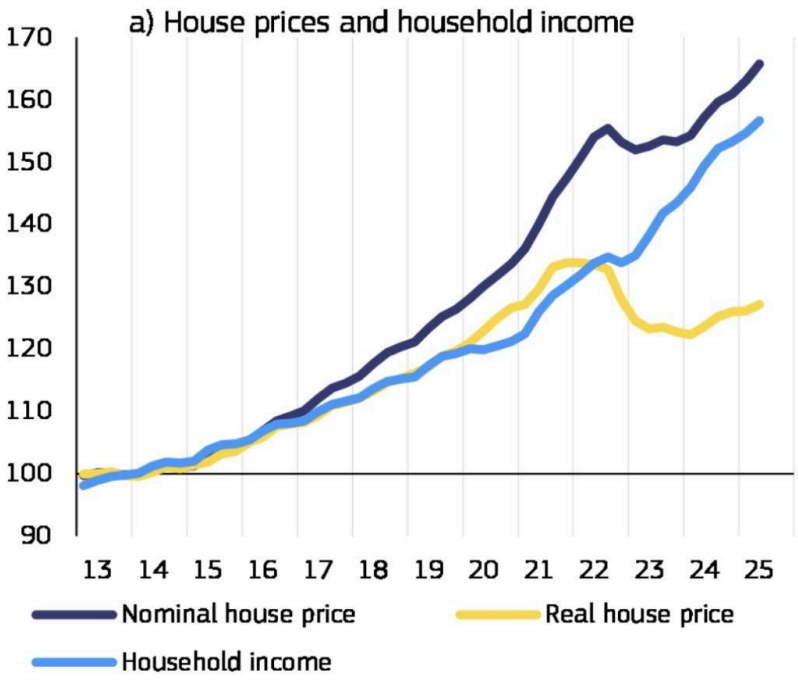
According to the September 2026 estimation of the ECB, the nominal wage has decreased from 3,8% to 3,3% whereas the inflation rate (HICP) increased from 2,1% to 3,0% which describes the circumstance of the real wage hesitation from 1,7% to 0,4%. This hesitation demonstrates employee purchasing power is rallied and it is crucial for the EU Zone since it was seen exactly opposite in 2022.

High inflation rate outnumbered the nominal wage increased and real wage decreased dramatically yet a number of these losses were compensated in 2025, meaning the economic circumstance in 2025 was better than current statistics. Compared to 2025, the inflation rate is rapidly outnumbering the nominal wage rate even though the salaries are still increasing. It is expected that real wage is going to be in a 0,4% increase annually; so, it is not completely decreased.

4.2. Escalating Housing and Energy Costs

House prices are rebounding. Over late 2023 and 2024, house price growth accelerated in most EU countries, with house prices growing by 3.4% in 2024 and 5.4% y-o-y in 2025-Q2 in the EU, after a retrenchment in late 2022. This price recovery has been accompanied by a recovery in transactions, after a decline from 2022 to early 2024, as the market adjusted to the significant tightening of monetary conditions.

Low investment, which keeps housing supply muted, is a major reason behind the rise in house prices. Over the last decade, the supply of new homes has failed to keep up with demand, and the construction of new homes has been at historically low levels. While investment in housing plunged after the global financial crisis, its return to previous levels has not led to substantially higher construction of new homes as investment has focused on renovation. In addition, widespread labour shortages and skills mismatches in the construction sector, regulations, increasing construction costs, as well as a sharp fall in building permits granted by local or regional authorities have acted as constraints on the housing supply. Against this backdrop, the supply response to housing demand has remained muted and is expected to remain the case in the foreseeable future, continuing to put pressure on prices.



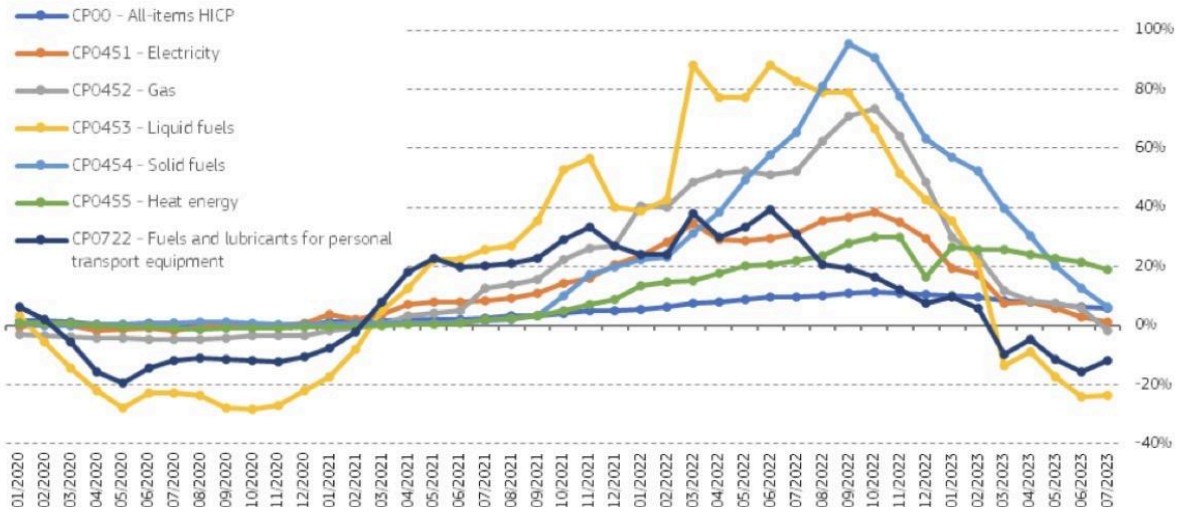
Recent house price growth is stronger than what can be explained by household borrowing. Since most home purchases are financed through mortgage credit, households' borrowing capacity—which is largely determined by incomes and mortgage rates—has historically been a key long-term driver of

housing demand. After falling over 2022 and 2023, households' borrowing capacity rose in 2024, against the backdrop of falling interest rates and continued income growth, supporting demand for housing. In some countries, interest rates are even negative in real terms on account of relatively high inflation, underpinning buoyant housing demand.

Housing affordability remains a macroeconomic and social issue in many countries. Since 2023, household income growth has exceeded house price growth in the EA/EU, leading to a fall in price-to-income ratios. Price-to-income ratios are now less than 10% above their 2013 levels. However, this figure hides very strong national and regional variation. The surge in borrowing costs after 2022 has sharply reduced how much households can afford to buy using mortgage credit. . Moreover, in many EU countries, rental markets remain underdeveloped and do not provide a viable alternative to homeownership. Worsening housing affordability can have negative implications for labour mobility and labour market participation, access to higher education, and economic growth, and can disproportionately impact the most vulnerable groups. High house price growth in urban areas can act as a disincentive for workers to move to these more dynamic economic regions, undermining economic activity, in addition to social consequences

Housing affordability is also related to the current energy prices. Energy prices increased significantly in the second half of 2021, albeit from low levels, as a result of supply constraints and an increased global demand for energy following the recovery from the Covid-19 pandemic. This increase was much aggravated by Russia's war of aggression against Ukraine since February 2022 and the uncertainties surrounding the continuation of gas supplies and the related market turbulences, leading to a surge in inflation overall, driven mainly by energy prices. These developments affected many households, with an increasing share having encountered financial difficulties facing the stark increases in energy prices. The increase in prices affected not only low-income households, but also some middle-income households, and measures to mitigate the impact of this temporary surge in energy prices became one of the main priorities for policymakers in the EU and the Member States. Since October and November 2022 electricity and gas prices have been decreasing and reached-war levels in January 2023.

Figure 1. Inflation rates by consumption categories, monthly rates (annual changes), January 2020-July 2023, EU27



While the recent

developments and challenges were exceptional, it is important to note that energy affordability for vulnerable households was a serious policy concern already before the spike in prices registered from mid-2021, including due to the price volatility of fossil fuels and the investments required into higher energy efficiency and more reliable and cheaper renewables.

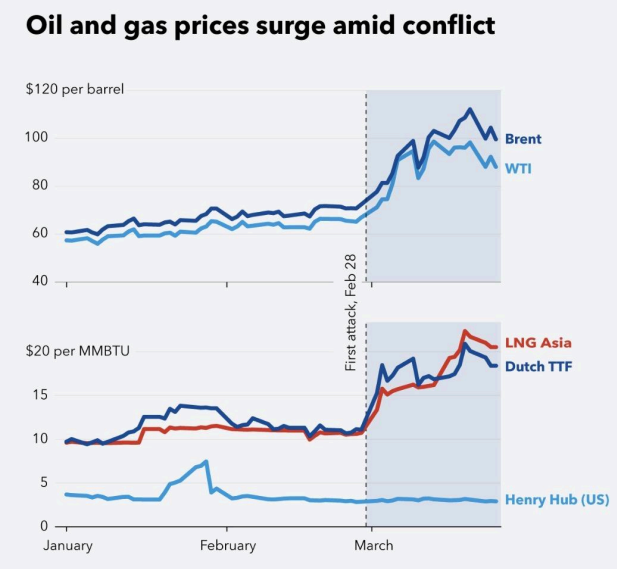
Since the last quarter of 2022, energy inflation is decreasing again from its peak of 40.2% in March 2022 (compared to the same month of the previous year), reaching -4.4% in July 2023 in the EU. as and electricity retail prices have been decreasing since October and November 2022, respectively, driven by the steep fall in wholesale gas and electricity prices to well below pre-war levels. However, the adverse impacts of inflation are still bringing negative consequences for vulnerable households as real wages (including for minimum wage workers) are expected to continue falling in 2023 and only slightly pick-up towards the end of 2023 and in 2024, and the purchasing power of low and middle-income households has strongly deteriorated in the EU (with an estimated 12% increase in their living costs on average especially regarding food and energy).

4.2.1. Impacts of Middle East Crisis on Worldwide Energy Prices and the EU Economy

The war in the Middle East is upending lives and livelihoods in the region and beyond. It is also dimming the outlook for many economies that had only just shown signs of a sustained recovery from previous crises. The shock is global, yet asymmetric. Energy importers are more exposed than exporters, poor countries more than richer ones, and those with meager buffers more than those with ample reserves. Beyond its painful human toll, the war has caused serious disruption to the economies of the most directly affected countries, including damage to their infrastructure and industries that could become long-lasting. Although these countries are resilient, their short-term growth prospects will be negatively affected. Meanwhile, large energy importers in Asia and Europe are bearing the brunt of higher fuel and input costs: about 25 to 30 percent of global oil and 20 percent of liquefied natural gas pass through the Strait of Hormuz, feeding demand not only in Asia but also in parts of Europe. Economies heavily dependent on oil

imports in Africa and Asia are finding it increasingly hard to access the supplies they need, even at inflated prices. Parts of the Middle East, Africa, Asia-Pacific, and Latin America face the added strain of higher food and fertilizer prices and tighter financial conditions. Low-income countries are especially at risk of food insecurity; some may need more external support—even as such assistance has been declining. Although the war could shape the global economy in different ways, all roads lead to higher prices and slower growth. A short conflict might send oil and gas prices soaring before markets adjust, while a long one could keep energy expensive and strain countries that rely on imports. Or the world may settle somewhere in between—tensions linger, energy stays costly, and inflation proves hard to tame—with ongoing uncertainty and geopolitical risk. Much depends on how long the conflict lasts, how far it spreads, and how much damage it inflicts on infrastructure and supply chains.

Energy is the main transmission channel. The de facto closure of the Strait of Hormuz and damage to regional infrastructure have produced the largest disruption to the global oil market in its history, according to the International Energy Agency. For fuel-importing economies, the effect is that of a large, sudden tax on income. The multi-regional impact is apparent. Energy-importing economies in Africa, the Middle East and Latin America are feeling the strain from higher import bills on top of already limited fiscal space and external buffers. In Asia's large manufacturing economies, higher fuel and power bills are raising production costs and squeezing people's purchasing power; in some, balance-of-payments pressures are already weighing on currencies. In Europe, the shock is reviving the specter of the 2021–22 gas crisis, with countries such as Italy and the United Kingdom especially exposed by their reliance on gas-fired power, while France and Spain are relatively protected by their greater nuclear and renewables capacity. By contrast, oil-exporting countries in the Middle East, parts of Africa, and Latin America that can still get their barrels to market have a prospect of stronger fiscal and external positions from higher prices. Producers whose exports are constrained or curtailed—including several Gulf Cooperation Council members—can expect much less upside. Even after transit resumes, higher risk premia and uncertainty may curb investment and growth.



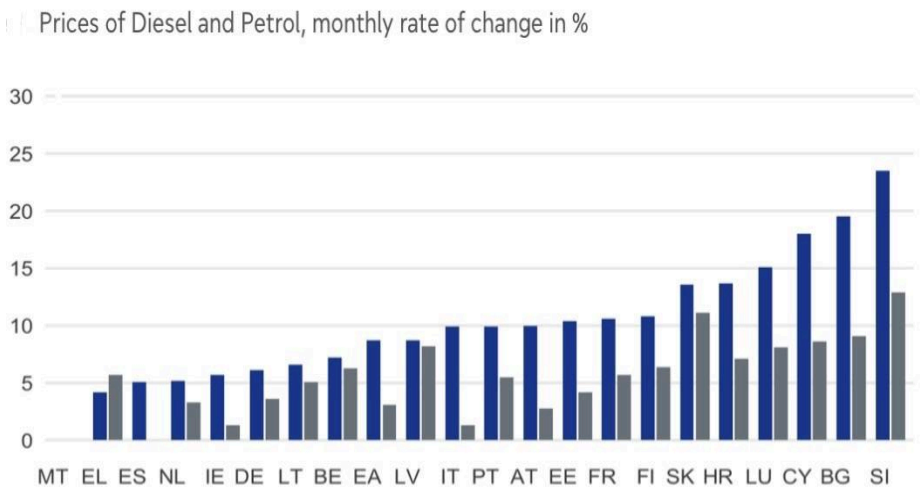
If elevated energy and food prices persist, they will fuel inflation worldwide. Historically, sustained oil-price spikes have tended to push inflation higher and growth lower. Over time, higher transport and

input costs work their way into the prices of manufactured goods and services. For many countries that had only just brought inflation closer to target, and even more so those with stickier inflation, this risks a renewed period of uncomfortable price pressures.

Here, too, the pattern is uneven. In much of Asia and parts of Latin America, where inflation has been relatively low, higher energy and food costs will test the resilience of expectations, particularly in economies with weaker currencies and large energy imports. In Europe, another energy-driven spike in prices would come on top of existing cost-of-living strains, raising the risk of more persistent wage demands. In low-income countries where people spend a large share of their income on food, especially in Africa and parts of the Middle East, and Central America higher food prices carry acute social and economic costs.

If people and businesses in any of these regions believe inflation will remain higher for longer, they may build this into wages and prices, making it harder to contain the shock without a sharper slowdown. The war thus raises not only current inflation but also a risk of expectations becoming less firmly anchored. The war has unsettled financial markets. Global stock prices have declined, bond yields have risen across major advanced economies and many emerging markets, and volatility has increased. The market sell-off has so far been contained compared with past global shocks. Nonetheless, these moves have tightened financial conditions worldwide.

For the economic impacts to the EU, The repercussions of the war in the Middle East have intensified energy price volatility, with implications for both growth and inflation. From the start of the conflict in late February, energy price fluctuations have returned to levels last seen in early 2022, reminding consumers and businesses of the fragility of global supply chains. The military conflict in the region has introduced a major supply-side shock 1 to energy markets. The closure of the Strait flows of global oil and LNG by around 15% and 20%, respectively. The IMF has highlighted that this has been the largest disruption to the global market in its history, coming less than five years after the energy shock triggered by Russia's war of aggression against Ukraine. However, the impact of the war is very asymmetric depending on whether countries are hit directly, are net importers or exporters of oil and gas, and who has more policy space. After peaking at USD 119 on 10 March – up from USD 62 on February 26, Brent oil prices retreated, first following communication by the US administration that it expects the conflict to be short-lived, and subsequently after the announcement of a ceasefire on 7 April. However, the situation remains fluid and uncertainty is high, depending on the daily developments and the durability of the ceasefire between the US



and Iran. As of June 15, the price of Brent crude oil was trading at around USD 83 per barrel and natural gas was trading at around EUR 42 per MWh, both dropping substantially since June 12 amid renewed hopes of a US-Iran peace agreement. The conflict is also disrupting supply chains for non-energy commodities and critical inputs. The rerouting of tankers and container ships is increasing freight and insurance costs while lengthening delivery times, while disruptions to air traffic in key Gulf hubs are affecting global tourism and complicating international trade

5. ENSURING FAIR WORKING CONDITIONS

5.1. COMBATTING UNFAIR LABOUR PRACTICES AND PRECARIOUS CONTRACTS

After the 2008 economic crisis in Europe there has been a significant increase in atypical contracts which have less regulations when compared to standardized contracts.Precarious employment in Europe has become an issue of policy concern. In a number of recent resolutions, the European Parliament says that in particular for young people the surplus of labour supply caused by the crisis has led to a decline in the quality of employment. Furthermore, it stresses that recent increases in employment rates have partly been the result of precarious forms of employment, such as zero-hour contracts, bogus self-employment, and involuntary part-time work which do not provide workers with a decent living and adequate labour rights.

So-called "standard" employment on the basis of full-time permanent contracts has been continuously decreasing from 62 % to 59 % of total employment over the last decade. Overall, four in ten persons work in other forms of employment, mainly permanent (marginal) part-time work, as freelancers or on the basis of a fixed-term contract. In addition, 4 % of people admit having carried out undeclared work over the preceding 12 months. There is evidence that the crisis has led to rising involuntary temporary and part-time work and overall, to increased perceptions of job insecurity.

As employers and employees find themselves operating in a more competitive and uncertain context, post-crisis, new hirings have increasingly taken place on the basis of temporary and marginal part-time contracts. Jobseekers have accepted these contracts, as the alternative would be continued unemployment. In this way, it can be said that the financial crisis and its aftermath has been one driver affecting the risk of precariousness in Europe. The crisis and ensuing austerity has also resulted in a lack of funds for services such as labour inspectorates, which may contribute towards weakening inspection services and result in abuses not being detectedThe institutional framework can exert an influence on risk of precariousness. In the case of in-work
poverty and low pay, factors such as whether or not there is a statutory national minimum wage, the effect of active labour market policies, the operation of tax and social security systems and how they interact with low pay, and the presence or the absence of collective bargaining systems can all exert influence. Labour market regulation is held to be a key factor affecting risk of labour market precariousness. Labour markets that afford protection to workers in the areas of working conditions, protection against discrimination and dismissal, access to social rights and to collective rights are likely to have a lower overall risk of precariousness than those which do not. However, there are marked differences between labour market regulation within Europe: the Anglo-Saxon model of flexibility, higher levels of employment and a degree of in-work poverty differs from continental European models of tighter labour market regulation and employment protection. Deregulation in continental countries has contributed towards the creation of an insider/outsider culture. Opening up the market to increased competition can increase the risk of a negative impact on the job quality and overall working conditions of workers.

The risk of precariousness of a contract varies on the type of contract which are categorized into open-ended contracts, fixed-terms contracts, zero hour contracts, informal work and forced labor.

Open-Ended Contracts

Full-time, open-ended employment contracts remain the most prevalent type of contract around the EU While standard forms of employment are at a relatively low risk of precariousness, due to their full-time and open-ended nature, indicators found that there were nevertheless risks associated with perceptions of health status and job security. Further, there are some risks associated with low pay, in-work poverty, and poor working conditions in some sectors and occupations, such as waiters, bartenders, cooks, sales personnel, plant machine operators, those in mining, construction and manufacturing and those involved in food preparation.However, it should be noted that in-work poverty is the result of multiple factors in addition to low earnings, such as levels of working hours, the labour supply, jobless households, household size, means-tested social benefits, and poverty thresholds.Some sectors and occupations, such as personal service workers, those in hospitality and elementary professions and in particular drivers and refuse workers, also exhibit low levels of job quality, increasing the chances of low pay, but also leading to other

low quality elements, such as lack of control over job content, lack of autonomy and prospects, low variation of tasks and lack of employee voice. These types of contracts may also be in a workplace that has no trade union representation and therefore individuals will not have access to collective advice, support and guidance, including information on their employment rights. Some standard contracts may involve irregular working patterns, which can increase the risk of precariousness.

Zero-Hour Contracts

Zero hours contracts are defined by the European Industrial Relations Dictionary as
a form of flexible working that specifies no minimum number of working hours a week. While the employee may sign an agreement to be available for work as and when required, the employer is not necessarily obliged to give the worker any work and the employee is not obliged to accept the work offered. The employee is expected to be on call and receive compensation only for hours worked.The risk of precariousness for those workers to be relatively high, but depending on the individual and their circumstances risk is higher if individuals need minimum levels of working hours and income. Zero hours contracts have no guaranteed minimum hours of work. Although zero hours contracts usually stipulate that zero hour workers are entitled to decline work,individuals often feel pressured to accept any work they are offered so that they have no real choice.Zero hours contracts exhibit all of the indicators that have been identified as precarious.There is a risk of low pay, linked to a lack of guaranteed working hours. This means that there is also a risk of low levels of working hours and irregular and unreliable working patterns sit at the very heart of these types of contracts. The social security position of workers on these types of contracts may be precarious in that they may not, due to low levels of working hours and pay, be able to build up adequate entitlement to social security benefits. These types of contracts are prevalent in the retail and hospitality industries and therefore the type of work offered may be of low quality in terms of prospects, control over job content and autonomy. These workers may also be at high risk of lack of coverage by trade union representation, partly due to the type of sector in which they work and partly due to the fact that they are not always present at the workplace.A key concern over zero hours contracts has arisen as employees working on such contracts are not entitled to the same employment rights as those with more
traditional contracts. This is the case even if a part-time worker on a zero hours contract works full-time hours most of the year. To prevent workers under zero-hour contracts from being exploited, the EU has adopted the directive on transparent and predictable working conditions in the European Union (DIRECTIVE (EU) 2019/1152) which requires workers to be informed of the essential aspects of the employment relationship, regulates the maximum duration of probationary periods, and mandates that Member States ensure workers with unpredictable schedules are only required to work within pre-determined reference hours and days after receiving reasonable advance notice, while granting them

the right to refuse work without detriment if those conditions are not met, alongside entitlement to financial compensation if an assigned shift is cancelled after a specified deadline.

Undocumented Work

The European Commission defines undeclared work as any paid activities that are lawful as regards their nature but not declared to public authorities, taking into account differences in the regulatory system of Member States.Quantification of informal and undeclared work is difficult as undeclared work is almost wholly undocumented.The risk of precariousness for those performing informal or undeclared work to be of a relatively high level. Undeclared work is often associated with precarity due to the fact that workers do not pay into tax and social security funds and are therefore not eligible for coverage by social security systems, resulting in a lack of entitlement to benefits and pensions.The absence of a written contract indicates both informality and precarity. Women are disproportionately affected by informal and undeclared work, particularly migrant women in sectors such as healthcare and cleaning. Domestic workers, engaged in tasks such as childcare, care of the elderly or housekeeping, are at greater risk of working on the basis of an informal relationship. The strongest safeguards against informal and undeclared work appear to be strong welfare regimes which are favourable towards migrant work. In most countries, sanctions against this informal and undeclared work have been increasing, although loopholes are still prevalent. Increasing the influence of stakeholders and social partners could help to tackle undeclared work.

There are a range of types of undeclared work, which also vary according to Member State, in terms of regulatory and tax framework and national culture and norms. Overall, there is evidence that the informal sector has been growing in recent years. Workers engaged in this type of work have a relatively high risk of precariousness. They are at risk of low pay, depending on the type of work in which they engage. One of the main risks of precarity, however, is the fact that they are not paying tax or social charges, which means that they will not be entitled to social security coverage. A lack of a formal contract will also mean that they are at risk of precarity by not being covered by employment rights. There is also a greater probability that they will not be covered by trade union representation, as the work they carry out is informal and undeclared. Depending on the type of work they do, there is also a risk of precariousness through low job quality and irregular working patterns, particularly if their working time is not subject to labour legislation. Workers engaged in this type of work are 'under the radar' in terms of employment rights in general, including pay levels, and are therefore at greater risk of exploitation.

Forced Labour

The International Labour Organization (ILO) defines forced labour as situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities.Forced labour is not the same as, for example, sub-standard or exploitative working conditions. A range of indicators can be used to detect whether a situation is in fact forced labour, such as restrictions on workers’ freedom of movement, withholding pay or identity documents, physical or sexual violence, threats and intimidation or fraudulent debt.To combat forced labour the European Union has adopted the Forced Labour Regulation *(Regulation (EU) 2024/3015)* which bans the commerce and export of European Union market products that are made with forced labour and establishes a network coordinated by the European Commission for structured coordination and cooperation between the competent authorities of the Member States and the Commission, and for streamlining the enforcement of this Regulation, within the Union, thereby making enforcement more effective and coherent.The regulation obliges member states to conduct investigations on products that possess the probability of being a result of forced labour and if so mandates member states to seize all products produced by forced labour and disposment of the products adequately to the Unions regulations on waste.

The EU has adopted many regulations and frameworks with consideration of the Court of Justice of the European Union (CJEU) to prevent the exploitation of workers and to prevent unfair labour practices. According to *Article 31* of the *Charter of Fundamental Rights of the European Union,* every worker has the right to working conditions which respect his or her health, safety and dignity and every worker has the right to limitation of maximum working hours, to daily and weekly rest periods and to an annual period of paid leave.The Union has also adopted the European Pillar of Social Rights which acts as a non-binding framework for member states and via principles 5 and 7 of the European Pillar of Social Rights grants employers the right to have access to equal and fair treatment,the right to be informed of their rights and obligations resulting from the employment relationship and prevents the abuse of atypical contracts.The Union has adopted the Framework on the protection of persons who report breaches of Union law (Directive (EU) 2019/1937) which mandates member states to establish internal report channels for workers to report violations of workers and EU rights in workplaces and protect the confidentiality of workers who have reported the cases of violations. The Framework emphasizes measures member states must adopt to prohibit retaliation and attempts to retaliate via unfair treatment or denial of rights against any individual who has submitted a report. EU legislation and regulations fall short on unfair labour practices due to Article 153 of the Treaty of the Functioning of the European Union which prohibits the EU from passing laws regarding pay, the right of association, the right to strike or the right to impose lock-outs.

5.2. ADEQUATE MINIMUM WAGES FRAMEWORK ACROSS THE EU

Adequate minimum wage protection is essential to guarantee adequate working and living conditions, as well as to build fair and resilient economies and societies as set out by Principle 6 of the European Pillar of Social Rights.Adequate minimum wages contribute to ensuring fair competition, stimulating productivity improvements and promoting economic and social progress.They also contribute to improving the situation of other low-wage earners as minimum wage increases can also boost low wages that are close to the minimum wage.Minimum wage protection exists in all EU countries and is ensured either by legislative provisions (“statutory minimum wages”) and/or by collective agreements. However, the impact assessment published in October 2020 showed that, in the majority of EU countries, workers were affected by low adequacy and/or gaps in the coverage of minimum wage protection The EU has been hit hard by the Covid-19 outbreak, with a significant loss of human lives and negative effects on Member States’ economies, businesses, and the income of workers and their familiesThe right of workers to fair and just working conditions is outlined in several EU political and strategic documents. The Charter of Fundamental Rights of the European Union (Article 31: 'Fair and just working conditions') recognises the

right of all workers to working conditions which respect their health, safety and dignity. These objectives are reflected in the call for a fair and social Europe in the Strategic Agenda for 2019-2024 , agreed at the European Council in June 2019.In line with Article 154 TFEU, the Commission has carried out a two-stage consultation of social partners on possible EU action in the area of minimum wages.To ensure common policy among member states on adequate minimum wages and to prev ent workers from being under paid the EU has adopted the Framework on adequate minimum wages in Europe (DIRECTIVE (EU) 2022/2041). The framework ensures that member states promote the building and strengthening of capacity of the social partners to engage in collective bargaining on wage-setting and ensures member states take the appropriate measures to protect the rights of workers and employers to contribute to upward social convergence and reduce wage inequality.The framework obliges member states that allow different rates for statutory minimum wages for specific groups of workers to ensure the proportionality of deductions. The framework mandates member states of the EU with statutory minimum wages to establish their national statutory minimum wages in accordance to the criteria of the purchasing power of statutory minimum wages, taking into account the cost of living;the general level of wages and their distribution; the growth rate of wages and long-term national productivity levels and developments with the aim of contributing to the adequacy of minimum wages.

5.3. ENFORCEMENT OF HEALTH,SAFETY AND WORKING HOURS STANDARTS

As set out by principle 10 of the European Pillar of Social Rights, workers have the right to a high level of protection of their health and safety at work.They have the right to a working environment adapted to their professional needs and which enables them to prolong their participation in the labour market.The EU possess the authority to adopt legislation in the field of safety and health at work, in order to support and complement the activities of Member States on the basis of Article 154 of the Treaty on the functioning of the European Union.The EU has established the European Agency for Safety and Health at Work (EU-OSHA) to coordinate EU legislation regarding the safety of workers.EU OSH legislation is essential to protect the health and safety of the almost 170 million workers in the EU.The EU has adopted many acts to protect the safety of workers mainly the Council Directive on the introduction of measures to encourage improvements in the safety and health of workers at work (89/391/EEC).The directive obliges employers to take the measures necessary for the safety and health protection of workers, including prevention of occupational risks and provision of information and training.Employers are responsible for taking the necessary measures for first aid, fire-fighting and evacuation of workers in cases of emergency to protect

the health of workers and ensure that employees are informed on the risks that come with the occupation.The EU has also adopted a framework that encourages the implementation of signs regarding hazardousness of equipment and relative signals regarding escape routes and first-aid facilities via the Council Directive on the minimum requirements for the provision of safety and/or health signs at work (Directive 89/391/EEC). The EU-OSHA adopts strategic frameworks for the course of 6 years on the EU's policies regarding the safety and health of workers.The EU-OSHA framework for 2021-2027 is based on three main objectives which are anticipating and managing change in the new world of work brought about by the green, digital and demographic transitions,improving prevention of workplace accidents and illnesses and increasing preparedness for any potential future health crises.EU OSH legislation already covers many of the risks that arise from changing industries, equipment, and workplaces. Four OSH directives have been modernised in recent years, covering personal protective equipment, medical treatment on board of vessels, biological agents at work, and exposure to chemical agents . The Commission has also proposed to revise the Machinery Directive, which addresses risks deriving from digitalisation and the use of machinery that are also relevant to workers' health and safety. It is also proposing the first legal framework on Artificial Intelligence (AI), which addresses the risks of certain AI systems used in employment, worker management and access to self-employment . Nevertheless, significant technological developments, notably in display screen equipment and workplaces, and the developing needs and capacities of an ageing workforce, require further relevant legislative updates.As implementation begins on several initiatives under the European Green Deal and EU chemicals strategy for sustainability the EU-OSHA calls for the current limit values of certain hazardous substances used in existing and emerging sectors need to be reviewed. Today, work-related health impairment is increasingly mental than physical in nature. However, mental health is crucial for full-fledged work and individual wellbeing from one side, and for social cohesion and economy from the other.Stress, anxiety and depression make up the second most common work-related health problem affecting European workers. Raising mental health aspects and mentioning challenges in the workplace is still attached to the fear of stigma.The OSH Pulse survey conducted by EU-OSHA in 2022 shows that 27% of workers experience stress, anxiety or depression caused or made worse by work. Some of the psychosocial risks that have been found to have the most detrimental effect on workers' health are unsocial working hours and work intensity. To prevent the negative psychological impacts of work on workers the EU has taken multiple measures through its legislative instruments.The framework calls member states to take measures to reduce the factors that lead to work related stress, to improve working conditions and environment and to improve the identification of cases of work related stress.In the context of article 139 of the Treaty, this voluntary European framework agreement commits the members of BuisnessEurope,the European Centre of Employers and Enterprises (CEEP) and the European Trade Union Confederation (ETUC) (and the liaison committee EUROCADRES) to implement it in accordance with the procedures and practices specific to management and labour in the Member States and in the countries of the European Economic Area.The EU Strategic Framework on Health and Safety at Work 2021–2027 identifies the following psychosocial risks:

excessive workloads, conflicting demands and lack of role clarity, lack of influence and lack of involvement in making decisions, poorly managed organizational change, job insecurity, ineffective communication, lack of support from management or colleagues, psychological and sexual harassment, and third party violence. To regulate working hours across member states the EU has adopted the Directive of the European Parliament and of the Council concerning certain aspects of the organisation of working time (Directive 2003/88/EC) which entitles workers to a minimum daily rest period of 11 consecutive hours per 24-hour period additionally the framework mandates Member States to take the measures necessary to ensure that, per each seven-day period, every worker is entitled to a minimum uninterrupted rest period of 24 hours in addition to the 11 hours' daily rest referred.

6. PROVIDING BETTER JOB OPPORTUNITIES

6.1 Labor Mobility and Protection of Cross-Border Workers

Labor mobility refers to the ability of workers to move between different locations in response to economic factors, such as changes in trade shares and commuting technology, which influence the equilibrium population and real income in those locations.Today, around 14 million EU citizens live or work long term in another Member State, alongside 1.9 million cross-border workers and 3.64 million posted workers.Cross-border labour mobility in the EU benefits individuals, workers, employers, economies and societies. EU citizens highly value the right to move freely within the EU, and a majority think that people moving within the EU is positive for the labour market.On the legal basis of the Treaty on European Union (TEU) and the Treaty on the Functioning of the European Union (TFEU),workers are entitled to their freedom of movement in conjunction with appropriate measures with respect to external border controls, asylum, immigration and the prevention and combating of crime, entailing the abolition of any discrimination based on nationality between workers of the Member States as regards employment, remuneration and other conditions of work and employment.EU workers also have the right to accept a job

offer made in another EU country, to move freely within the country, to stay for the purpose of employment and to stay on afterwards under certain conditions. Nationals of the member states of the European Free Trade Association (Iceland,Liechtenstein,Norway and Switzerland) possess the right to work in the EU with the same rights and obligations as EU workers.Directive 2004/38/EC introduced EU citizenship as the basic status for nationals of the Member States when they exercise their right to move and reside freely in EU territory. For the first three months, every EU citizen has the right to reside in the territory of another EU country with no conditions or formalities other than the requirement to hold a valid identity card or passport. For longer periods, the host Member State may require a citizen to register their presence within a reasonable and non-discriminatory period of time.The right of Union citizens to reside for more than three months remains subject to certain conditions: those who are not workers or self-employed must have sickness insurance and sufficient resources in order not to become a burden on the host Member State's social assistance system. Students and those completing vocational training also have the right of residence, as do unemployed persons who have registered as unemployed.EU citizens acquire the right of permanent residence in the host Member State after a period of five years of uninterrupted legal residence.Regulation (EU) No 492/2011 lays down rules for employment, equal treatment and workers' families. Any national of a Member State has the right to seek employment in another Member State in line with the relevant regulations applicable to national workers. Member States are not allowed to apply any discriminatory practices, such as limiting job offers to nationals or requiring language skills going beyond what is reasonable and necessary for the job in question. Furthermore, a mobile worker is entitled to receive the same assistance from the national employment office as nationals of the host Member State, and also has the right to stay in the host country for a period long enough to look for work, apply for a job and be recruited. This right applies equally to all workers, whether they are on permanent contracts, are employed as seasonal or cross-border workers, or provide services.However, these rules do not apply to posted workers, as they are not availing themselves of their free movement rights: instead, it is employers who are making use of their freedom to provide services in order to send workers abroad on a temporary basis. Posted workers are protected by the Posting of Workers Directive (Directive (EU) 2018/957 amending Directive 96/71/EC), which provides for the same rules on remuneration as local workers in the host country and regulates the period after which the labour law of the host country applies. As regards working and employment conditions in the territory of the host Member State, nationals of one Member State working in another have the same social and tax benefits and access to housing as national workers. Moreover, they are entitled to equal treatment in respect of the exercise of trade union rights.Since the introduction of EU citizenship, the Court of Justice of the European Union (CJEU) has refined the interpretation of Directive 2004/38/EC in a range of case-law on the free movement of workers.The TFEU allows a Member State to limit workers' freedom of movement on the grounds of public policy, public security or public health. Such measures must be based on the personal conduct of the individual concerned, which must represent a sufficiently serious and present threat to the fundamental interests of the state.Under Article 45(4) TFEU, free movement of workers does not apply to employment in the public

sector,although this derogation has been interpreted in a very restrictive way by the CJEU.To Ensure that judicial procedures provide redress for workers who are discriminated against and that bodies promoting and monitoring equal treatment are in place,the EU has adopted the Directive on Measures Facilitating the Exercise of Rights Conferred on Workers in the Context of Freedom of Movement for Workers (Directive 2014/54/EU) which mandates the member states of the EU to designate one or more structures or bodies for the promotion, analysis, monitoring and support of equal treatment of Union workers and members of their family without discrimination on grounds of nationality, unjustified restrictions or obstacles to their right to free movement and to make the necessary arrangements for the proper functioning of such bodies.The EU has also adopted the Directive on the application of patients' rights in cross-border healthcare (2011/24/EU) to protect the right of access to healthcare of cross-border workers.The directive obliges member states to provide access to good quality care, equity and solidarity, cross-border healthcare in accordance with the legislation of the Member State of treatment,standards and guidelines on quality and safety laid down by the Member State of treatment and Union legislation on safety standards.The directive prevents any discrimination towards the national workers of a different member state of the EU than the member state in which the patient receives treatment.The directive requires member states to designate one or more national contact points for cross-border healthcare and communicate their names and contact details to the Commission.The information will be made publicly available by the European Commission and member states of the EU. Member States are mandated to ensure that the national contact points consult with patient organisations, healthcare providers and healthcare insurers.

On the 15th of September 2026, the European Commission adopted the Fair Mobility Package which will enable workers to prove and claim their social security and health insurance rights, and have their qualifications understood everywhere in the EU and formally recognised where the profession is regulated.New rules and tools will better protect mobile workers from abuse and remove slow and complex administrative procedures that hinder companies from recruiting talent or providing services across the EU. National administrations will benefit from more efficient cooperation to enforce workers' rights and to fight fraud.The package includes a Communication on fair labour mobility and five legislative proposals which are for a Regulation establishing a European Social Security Pass; a "Skills Portability Act" which is a Regulation on digital and comparable qualifications;A Regulation to strengthen the European Labour Authority;an amending Directive on professional qualifications; and a Directive on qualifications of third-country nationals.The EU social security coordination framework ensures that individuals continue to receive their benefits such as pension, unemployment and family benefits, and are covered by healthcare when moving to, staying in or travelling in other Member States. A revision to modernise this framework has recently been provisionally agreed by the European Parliament and the Council. Once adopted, the revised framework will facilitate the exercise of citizens' rights, achieve greater legal clarity and ease of enforcement, and make it easier for businesses and workers to engage in short-term cross-border activities and business trips. At the same time, there is still strong potential to make the EU social security

coordination rules easier to apply. This can be achieved through increased and better use of digital technologies in this area, as part of the EU broader efforts to simplify procedures; reduce burdens on individuals, businesses and national, regional and local authorities; and support competitiveness in the EU single market. Digital transformation is a central part of the EU's strategic priorities, serving as a key driver of innovation and competitiveness. In line with the Digital Decade policy programme 2030 and the European Declaration on Digital Rights and Principles, the Union is promoting the development of seamless and human-centric digital public services across Europe.While the Commission and Member States have already taken steps under the current framework to digitalise cross-border procedures, services and data exchanges in the area of social security coordination, further action at EU level is required. This aligns with repeated calls from the European Parliament.The Electronic Exchange of Social Security Information (EESSI) system has significantly improved the handling of cases under the EU social security coordination rules.Covering areas such as sickness, accidents at work, pensions, unemployment and family benefits, EESSI enables over 3.100 social security institutions across the 32 participating countries (the 27 Member States as well as Iceland, Liechtenstein, Norway, Switzerland and the United Kingdom) to exchange information electronically and securely, replacing paper-based communication. Since its implementation, more than 42 million cases have been handled, delivering tangible benefits for millions of individuals who now experience a more efficient processing of their social security claims. Despite this progress, some obstacles to fully realising the benefits of the system remain.These include delays in the treatment of cross-border pension cases, which risk leaving individuals without timely access to their entitlements, thus undermining people's trust in the EU's social security coordination framework. The experience of implementing EESSI has also revealed the technical, procedural and coordination challenges involved in the digitalisation of cross-border social security procedures. Given the involvement of thousands of institutions and the coverage of all branches of social security, more agile cooperation and streamlined decision-making is necessary.

While improving the exchange of information among social security institutions through EESSI is of paramount importance, it is only the first step. Further digitalisation is required reinforce the protection of individuals and workers by facilitating more effective access to social security rights across Europe; reduce administrative hurdles and costs for individuals accessing social security benefits in other Member States and for businesses operating across borders;increase the quality of cross-border public services and provide Member States with more effective tools to fight against fraud, thus strengthening the protection of rights and fair mobility.To that end, the European Social Security Pass (ESSPASS) pilot project was launched as part of the European Pillar of Social Rights action plan. The project's aim was to explore a digital solution for the issuing and cross-border verification of social security documents. The proposed regulation sets out rules for swift deployment of the ESSPASS across all Member States. It establishes a dedicated legal instrument covering the cross-border digital data exchanges and procedures necessary to ensure effective implementation and enforcement of EU social security coordination rules, including those facilitated through the EESSI

system.By building on the European Digital Identity (EUDI) and the Single Digital Gateway frameworks, the proposed Regulation will give individuals secure, direct access to their social security documents via their EUDI wallets, while national authorities will benefit from instant verification capabilities and better ways to detect fraud. The introduction of binding time
limits for issuing documents will further improve predictability for individuals and businesses, including the self-employed, by reducing unnecessary delays. This will help ensure the effective and timely exercise of rights under the EU social security coordination framework. In addition, it will facilitate cross-border operations for businesses by enabling them to plan with confidence and avoid administrative bottlenecks linked to variable processing times. Greater transparency and direct access to proof of entitlements will make it easier for workers and self-employed to demonstrate their coverage when working across borders, reduce administrative hurdles linked to paper-based procedures, and help prevent fraud and abuse that can undermine their rights.

The European Labour Authority (ELA) was established in 2019 by Regulation (EU) 2019/1149, with the objective of supporting Member States and the Commission in effectively applying and enforcing EU rules on labour mobility and social security coordination. The context in which ELA operates has continued to evolve since then. Demographic ageing, declining working-age populations, and skills shortages and mismatches intensify the need for labour mobility as a central policy to boost competitiveness and support the green and digital transitions.The 2025 evaluation of ELA confirms that the Authority addresses a need for operational support in the implementation of EU policies related to labour mobility. It particularly does so by centralising cross-border cooperation, supporting concerted and joint inspections, and facilitating access to information through large-scale campaigns.In addition, the European Parliament has called in a January 2024 resolution for ELA’s mandate to be strengthened and for ELA to be provided with sufficient resources. The Parliament envisages an empowered ELA that has a more proactive enforcement role, carries out operational analyses based on enhanced data processing capacities and can adequately protect the rights of third-country nationals.The European network of employment services (EURES) is underperforming. Job placements through EURES and Member State commitments are both declining. The challenges affecting the effectiveness of EURES reflect a combination of factors, including competition from commercial employment platforms, the resources available to the network and changing labour market conditions. Another important driver of those shortcomings is the fragmentation of EURES governance between the Commission and ELA. The proposal adopted by the European Commission therefore aims to provide ELA with the adequate tools to enhance its strategic and operational capacity to contribute to the enforcement of EU law and improve the functioning of the internal market. The initiative provides for targeted legal adjustments. It leaves the Authority’s core objectives and main tasks unchanged. Its specific objectives are Improving access to, and the quality of, information and support in cross-border labour mobility situations, ensuring that individuals, intra-EU mobile workers (including cross-border workers), certain third-country national workers and Union employers are better able to exercise their rights and fulfil their obligations; Increasing the number of individuals and businesses benefiting from

cross-border mobility support and improving job-matching outcomes by enhancing the efficiency of governance and operation of the EURES network and portal; a higher number and share of job placements facilitated by EURES, better CV and job vacancy coverage,as well as higher user satisfaction with both the EURES portal and governance of the EURES network is to be achieved;Improving the targeting and effectiveness of enforcement actions in cross-border situations including in cases involving third-country national workers by strengthening ELA's analytical and operational support for concerted and joint inspections; shaping EU-level enforcement support to become more risk-based and evidence-informed, increasing the number and coverage of concerted and joint inspections and their targeting through ELA's analytical work, and satisfaction with the operational support provided;Reducing the number of cross-border disputes by improving the effectiveness and practical usefulness of ELA's mediation function, while preserving its cooperative nature.

6.2 Vocational Training and Upskilling Initiative

Vocational education and training (VET) prepares people for work and develops citizens' skills to enable them to remain employable and respond to the needs of the economy. The responsibility for VET lies primarily with the Member States, while the EU plays a supporting role.EU action on vocational training should aim to Facilitate adaptation to industrial changes, in particular through vocational training and retraining;Improve initial and continuing vocational training in order to facilitate vocational integration and reintegration into the labour market;Facilitate access to vocational training and encourage mobility of instructors, trainees and young people;Stimulate cooperation on training between educational or training establishments and firms and Develop exchanges of information and experience on issues common to the training systems of the Member States.The first principle of the European Pillar of Social Rights (ESPR) states that everyone has the right to quality and inclusive education, training and lifelong learning 'in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market'. The 2021 EPSR action plan sets out concrete initiatives to turn the EPSR

into reality and proposes headline targets for the EU by 2030, including the participation of at least 60% of all adults in training every year.The European Education Area is the shared vision of the Member States and the European Commission for the future of the education and training sector. Its focus areas for cooperation include VET, with the aim of increasing the exposure of VET graduates to work-based learning and increasing the participation of adults in learning.The digital education action plan 2021-2027, adopted in 2020, sets out two strategic priorities and 14 actions towards high-quality, inclusive and accessible digital education in the EU. It aims to support the adaptation of the education and training systems of the Member States to the digital era and to increase participation in digital skills training. The Digital Decade policy programme guides the EU’s digital transformation, with concrete targets and objectives for 2030 in four key areas, including a digitally skilled population and highly skilled digital professionals, with a target of 20 million information and communications technology specialists, with gender convergence, and of at least 80% of the population to have basic digital skills.The latest European skills agenda, adopted in 2020, building on the previous agenda of 2016, contains 12 actions related to skills for jobs, to ensure that the right to training and lifelong learning is fulfilled across Europe. The Commission’s ‘Labour and Skills Shortages in the EU: An action plan’, adopted in 2024, builds on policy and funding measures already in place at the EU level, such as the Pact for Skills.Six pilot projects were selected and launched under the new Skills Guarantee, which is one of the signature actions under the Union of Skills. Through re-skilling and upskilling, it will support transitions into strategic or growing sectors while generating practical evidence on what works, for whom and under which conditions. The projects will also build knowledge on how to deliver training that is accessible, relevant and tailored to different learners, removes barriers to participation and leads to real employment opportunities. The Skills Guarantee is planned to be implemented under the future European Competitiveness Fund.On 16 July 2025, the European Commission proposed the European Competitiveness Fund as part of the EU’s next long-term budget. With a budget of €234 billion, combined with Horizon Europe (€175 billion), it will bring together €409 billion (or 21% of the future EU budget) to accelerate strategic technologies in Europe.

6.3 Youth Employment Strategies and Quality Apprenticeships

Reducing the non-participation in the labour force and unemployment among young people is an important objective for the European Union.The European Pillar of Social Rights Action Plan includes an objective to decrease the rate of young people not in employment, education or training (NEET) from 12.6% in 2019 to 9% by 2030 by improving their employment prospects.Youth unemployment level is sensitive to economic trends, as shown by the fluctuations seen in the last years. As a consequence of the economic crisis, the EU youth unemployment rate (15–25 year-olds) reached a peak of 24.4% in 2013. At the end of 2024, it stood at 15%.Youth unemployment level is sensitive to economic trends, as shown by the fluctuations seen in the last years.The Council of the European Union has decided to Reinforce the youth guarantee in 2020 which

recommends member states to ensure that all young people under 30 years of age receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education, in line with Principle 4 of the European Pillar of Social Rights;to identify the relative causes of a reduction in youth employment,increase the quality and quantity of jobs,raise awareness and to increase the optimization on the usage of funds.

To increase quality apprenticeships,The Council of the European Union has adopted the Recommendation on a European Framework for Quality and Effective Apprenticeships (2018/C 153/01), The Council has adopted specific criteria for working and learning conditions which include written agreements regarding the rights and obligations of workers;the delivery of a set of comprehensive learning outcomes defined in accordance with national legislation should be agreed upon by the employers and vocational education and training institutions, and trade unions; provide guidance to apprentices and to ensure mutual and regular feed-back via designating in-company trainers to cooperate closely with vocational education and training institutions and teachers; paying or otherwise compensating apprentices, in line with national or sectoral requirements or collective agreements where they exist, and taking into account arrangements on cost-sharing between employers and public authorities;cooperation with social partners and companies and the implementation of the framework on a national level in member states of the EU.Measures of the EU regarding quality apprenticeships are governed by CEDEFOP and ELA

Actions and projects done by the EU regarding quality apprenticeships and Youth Employment Strategies are mostly funded by the European Social Fund Plus (ESF+).The aims of the European Social Fund Plus (ESF+) are to achieve high employment levels and fair social protection, and to develop a skilled and resilient workforce ready to transition to a green and digital economy. ESF+ aims at promoting labour mobility, education and social inclusion, and building inclusive and cohesive societies that are able to eradicate poverty. ESF+ follows on from the pre-existing European Social Fund and incorporates the principles set out in the European Pillar of Social Rights.On 2 May 2018, the Commission presented its proposal for the 2021-2027 Multiannual Financial Framework, including a proposal for a renewed ESF+ with a EUR 101 billion budget. The ESF+ was to merge the European Social Fund (ESF), theYouth Employment Initiative (YEI), the Fund for European Aid to the Most Deprived (FEAD), the EU Programme for Employment and Social Innovation (EaSI) and the EU health programme.On 16 July 2025, the Commission presented a proposal for the European Social Fund (ESF) as part of the 2028-2034 multiannual financial framework. The proposal focuses on social innovation, demographic transition and addressing material deprivation. It will work together with new National and Regional Partnership Plans (NRPPs) to support employment and social policies. The new budget proposal states that instead of having a specific dedicated envelope for the ESF at least 14% of NRPPs should be dedicated to social expenditure.The ESF, as part of cohesion policy, will be operating within the National and Regional

Partnership Plan (NRP Plan) and its single rulebook. The ESF builds upon the long-standing visibility and proven success of the European Social Fund Plus (ESF+) as a trusted framework for investing in people, in line with the European Pillar of Social Rights, European Semester and Employment Guidelines. Therefore, while tightly connected to the NRP Plan, the ESF will maintain its independent legal base as set out in Article 162 of the Treaty on the Functioning of the European Union (TFEU). Efficient and effective implementation of actions supported by the NRP Plan, including the ESF, depends on good governance and partnership between all actors at the relevant territorial levels and the socio-economic actors, in particular the social partners and civil society organisations.The ESF supports policies and priorities which aim to help create full employment, enhance quality and productivity at work, increase the geographical and occupational mobility of workers within the Union, improve education and training systems, and promote intergenerational fairness, social inclusion and health.The overarching policy objective of the ESF Regulation is to create a more performing and resilient 'Social Europe' and implement the European Pillar of Social Rights, as well as the social and employment priorities endorsed by the European economic governance process. The ESF will contribute to implementing the Integrated Guidelines adopted in accordance with Articles 121 and 148(4) TFEU and the relevant country-specific recommendations adopted in the context of the European semester

7. STRENGTHENING SOCIAL FAIRNESS AND PROTECTION

The European Union remains firmly committed to reducing persistent inequalities that undermine social and territorial cohesion, economic resilience and the fundamental Pillar's promise of equal opportunities for all. In the Union, inequalities are markedly lower than in most other parts of the world, as a result of the implementation of the European social model. Despite progress during the last years, inequalities persist in all areas of life, requiring continued efforts to implement cost-effective measures. Inequalities are not merely a social concern, but structural barriers that weaken the EU's long-term sustainability, innovation and competition capacity and demographic fabric. Europeans increasingly perceive that life is not fair: in 2022, only 38 % perceived that most outcomes in their lives occur fairly, down from 51% in 2017. Income inequality decreased following the COVID-19 pandemic but still remains high: the top 20% earn almost five times the income of the bottom 20%. Wealth concentration is even more pronounced: according to the European Central Bank 2025 data for the Euro area, the wealthiest 10% owned around 57.3% of total net wealth of households (largely unchanged compared to 2023), whilst the bottom 50% owned around 5%. Regional and territorial disparities continue to exacerbate social inequalities by limiting access to quality education, employment, healthcare, long-term care and other essential services. Disadvantaged neighbourhoods, rural and remote areas, and outermost regions are particularly affected, facing population decline, youth outmigration and the risk of falling into or deepening talent development traps. These challenges carry significant social and economic costs, undermining territorial cohesion, competitiveness

and the full potential of the Single Market. At the same time, socio-economically disadvantaged, discriminated and marginalised groups are often more exposed to pollution and environmental degradation, and to the negative effects of climate change (floods, wildfires, heatwaves, soil shrinking, etc.), with fewer opportunities to move away from risks. Environmental inequalities are also present in housing: lower-income households are more likely to live in inadequate and sometimes poorly insulated homes and may have limited ability to move away from areas exposed to risks such as flooding. To close these gaps, decisive action has been taken under the 2021 Action Plan to tackle inequalities and widen access to equal opportunities. To prevent unintended consequences from the very beginning – policies need to be designed with distributional effects in mind. The Commission will publish a study on distributional impacts assessments in the Member States in 2027 and will further promote their use in policy-making. The Union of Equality provides an overarching policy framework, covering strategies for gender equality, LGBTIQ+ equality, the rights of persons with disabilities, anti-racism, and Roma equality, inclusion and participation. The Commission will monitor and report on the implementation of this framework, including national developments, through the forthcoming Union of Equality reporting. The enforcement of EU anti-discrimination laws and policies also remains central. For example, the Racial Equality Directive and the Employment Equality Directive aim to prevent and combat discrimination based on racial or ethnic origin, religion or belief, disability, age, and sexual orientation. Effective, proportionate, and dissuasive sanctions are essential to combating discrimination and the barriers it creates to employment and other areas of life. The Commission calls on Member States to ensure effective sanctions against discrimination. The Pay Transparency Directive , which entered into force in May 2023, and had to be transposed into national law by Member States by June 2026, reinforces the principle of equal pay for equal work or work of equal value between men and women, helping to advance gender equality in the labour market. The Commission remains fully committed to ensure its implementation and enforcement. To this end, the Commission will continue to provide support to Member States and social partners to implement the Directive effectively, keeping administrative burden proportionate while ensuring full compliance. Furthermore, the Commission will provide further support in particular to SMEs, as key actors in realising the tangible impact of fair and transparent pay practices, including to ensure that implementation entails the least possible administrative burden. Unequal career progression is also visible in the gender pension gap (standing at 23.9% in the EU in 2025) and higher poverty rates for older women (standing at 21.9% in the EU for 65+ women in 2025). The Intergenerational Fairness Strategy and the Gender Equality Strategy 2026-2030 highlight that inequalities in employment, pay, and unpaid care work accumulate over the life course and lead to significant gender gaps in pensions and income security in old age. Healthcare coverage has a poverty-reducing impact comparable to cash transfers, and well-designed healthcare reform can further contribute to the EU's anti-poverty effort. It is essential for Member States to leverage the potential of the tools and guidelines developed under EU4Health actions, including those that can trigger a fairer distribution of health benefits, more affordable healthcare, or improve access to healthcare for persons with disabilities. These actions also include instruments supporting Member States in addressing health

workforce shortages, such as health workforce planning models as well as fair and sustainable labour mobility schemes with countries of origin to attract care workforce to the EU, including under Talent Partnerships. The Commission is strengthening the territorial dimension of the European Pillar of Social Rights through recent EU level territorial strategies, 7 and is preparing a Strategy for Outermost Regions, and a Strategy on the Right to Stay, with a particular focus on improving access to opportunities and essential services so that people can thrive in the place they call home. Inequalities start early in life and accumulate over time. Persistent inequalities in education, compounded by underinvestment and teacher shortages in disadvantaged areas, continue to limit social mobility and economic potential. Inequality is not only about today's outcomes, but also about fairness throughout generations. Reducing the transmission of inequalities across generations requires policies that intervene early on and prevent the accumulation of disadvantages over the life course. The Strategy on Intergenerational Fairness promotes a stronger long-term perspective in policymaking and gives greater weight to the views and concerns of young people. Balanced with the need to ensure long-term fiscal sustainability, adequate and well-targeted, place-based and person-centred social investment helps prevent the accumulation of social disadvantages and reduces long-term fiscal and economic costs. The strengthened European Child Guarantee, and the new EU target on improving the basic skills of disadvantaged learners are key tools to address these challenges.

Actions:

- The Commission will provide further **support, in particular for SMEs, in implementing the Pay Transparency Directive**.
- The Commission will take stock of available **indicators to monitor socio-economic inequalities and social mobility**, in cooperation with the Member States.
- The Commission will provide **guidance on inclusive hiring practices** through the EU Platform of Diversity Charters.
- In line with the commitments made under the Union of Skills, the Commission is developing an **Education Package** to support Member States in improving school education performance and a **Vocational Education and Training (VET) Strategy** to make VET systems more attractive, innovative, and inclusive.
- The Commission is working on the **Right to Stay Strategy**, with particular attention to addressing territorial disparities in access to essential services.
- The upcoming **EU Youth Strategy for the post 2027 period** will aim to ensure that all young people have the opportunities to realise their full potential in a fair and inclusive manner (2027).

Furthermore, broad access to supplementary pensions can help maintain adequate pensions for future retirees, particularly considering the effects demographic change in the Union will have on households As social and employment challenges evolve, the EU social acquis must remain effective, accessible and easy to implement, while fully preserving the rights and standards that underpin the European social model. In line with the Commission's commitment to simplicity by design, future initiatives will continue to integrate

simplification, implementation and enforcement considerations from the outset, while preserving rights and protections. The Commission is committed to proactively and meaningfully reducing the administrative burden on businesses, workers and citizens, while upholding social standards. To this end, it will identify implementation challenges through the European Semester and work closely with Member States and stakeholders to facilitate the effective application of the EU social acquisition.

The forthcoming Fair Labour Mobility Package will contribute to these objectives by promoting simpler, fairer and more effective rules for labour mobility, including for cross-border workers, while strengthening enforcement and supporting the proper functioning of the Single Market. The Commission is strengthening efforts to ensure that the social acquisition remains fit for purpose. This includes stress-testing existing legal frameworks and continuing implementation dialogues with stakeholders and social partners as appropriate, in order to identify practical obstacles to implementation and opportunities for simplification. Future initiatives, such as the Fair Labour Mobility package and certain elements in the Quality Jobs Act, will contribute tangibly to simplification and to supporting the proper functioning of the Single Market, while strengthening workers' rights, including cross-border workers, enhancing the enforcement of social and labour legislation, and combating unfair competition and social fraud and abuse. In 2027 the Commission will review the implementation of Directive (EU) 2019/1152 on transparent and predictable working conditions in the European Union. In line with the 2025 Pact for European Social Dialogue, the Commission will continue to strengthen cooperation with social partners, whose role remains essential in both the design and implementation of labour market policies. Civil society organisations will also remain key partners as they play a vital role in shaping inclusive employment and social policies by amplifying marginalised voices, monitoring implementation gaps, and fostering grassroots innovation. Work will continue with EU agencies to support implementation, evidence gathering and monitoring. Existing governance structures and cooperation mechanisms will be further leveraged to facilitate the exchange of good practices and improve policy delivery.

The full implementation of the European Pillar of Social Rights is not just a Union imperative– it is a strategic advantage, driving opportunity and empowerment and enabling its competitiveness. The Commission calls on all partners to intensify joint efforts and fully deliver on the European Pillar of Social Rights, as well as the 2030 policy targets for the Member States and the Union. This demands targeted and long-term funding, strategic as well as policy reforms and measures that generate lasting economic and social returns. The Pillar has stood the test of time and remains the compass of a strong and resilient social Europe. Its 20 principles help to strengthen Europe's social market economy, which is a beacon of hope for many as our labour markets and societies go through fundamental changes. We must give greater visibility

to social rights and reinforce the assessment of social standards and upward social convergence, at a time when our Union is facing major challenges. With 2027 marking the 10th anniversary of the Pillar’s proclamation, it is a key moment to accelerate its implementation and underline the commitment to continue to anchor a strong social dimension in the present and future of the European Union. In times of deep and fast transformation, the Pillar – and Europe‘s social dimension as a whole– is the strongest definition of the EU’s values and what holds us together. The Pillar provides the necessary safety nets and a clear and resilient framework to anticipate and manage the changes brought by AI and technological, demographic and geopolitical transformations. Reinforcing its implementation is a joint responsibility that starts at national, regional and local level, with a key role for social partners and civil society. Therefore, while fully respecting and embracing the different approaches across Europe, we need to step up action, asserting our common values and recommitting to the Pillar’s 20 principles and rights to bring the best opportunities for people, economy and society as a whole.

8. Political Groups and Member State Positions

8.1 European People's Party (EPP)

European People's Party is the center-right, Christian-democratic party group within the European Parliament. On the Committee on Employment and Social Affairs, the group embodies its ideological stance through the lens of a Social Market Economy. The group believes that social welfare and competitiveness are mutually interdependent: Social welfare cannot be realized without a competitive private sector, sound budgets and a thriving labor market.
On social policy, the EPP is committed to subsidiarity and believes that national governments and local social partners are the most appropriate entities to organize labor laws and fix minimum wages. The group always stands against EU dictates across the board, favoring non-binding guidelines, specific recommendations and flexible legal rules.
EPP responds to the cost-of-living crisis through policies that improve productivity, not price controls or across-the-board mandated wage hikes. The group is a proponent of an ongoing process of upskilling, vocational

training, and lifelong learning that can be financed through the European Social Fund Plus. The group argues that increasing labor productivity will raise wages, without hurting businesses or placing too much burden on SMEs.

To ensure the right balance between controlling the space in which people work, and regulating access to the local market, the EPP rejects overly prescriptive rules in the workplace. It protects flexible jobs and caters to diverse needs in our economy. On platform work and atypical contracts, the group advocates flexible forms of employment. It warns against total reclassifications of jobs in the digital economy.

8.2 Progressive Alliance of Socialists and Democrats (S&D)

Progressive Alliance of Socialists and Democrats is the leading center-left political group in the European Parliament. The Group claims to be the strongest defender of workers, social justice and the growth of social protection. The Group actively supports the European Pillar of Social Rights to be fully transcribed into European legal instruments in all Member States.
How the group sees social policy It is for harmonising legislation and for high European standards in social policy. The group maintains that, in order to ensure the efficient operation of a single market, it must be supported by a social policy capable of preventing social dumping, the practice whereby companies benefit from low labour standards in one area to win other areas on price. The group repeatedly seeks to adopt a directive to define absolute and enforceable rights for all workers across the Union. For addressing the cost-of-living crisis the group champions deflationary policy measures to maintain workers' purchasing power in a recession. For addressing the cost-of-living crisis the group has spearheaded campaigning for the Directive on Adequate Minimum Wages, insisting statutory minimum wages should ensure an adequate standard of living. To address soaring costs-of-living, the group is calling for indexation of wages to protect wages from inflation, high levels of collective bargaining coverage of more than 80%, anti-poverty measures and emergency funding to reduce energy and housing costs. Group fights for gig, platform, and gig worker rights The group remains committed to safeguarding workers in non-standard or gig work arrangements and platform work. The group continues its efforts to win a strong presumption of employment for platform workers with access to social protection, sick leave, and paid holidays and to ban unpaid internships, introduce a ban on temporary agency work, and increase algorithmic transparency.

8.3 Renew Europe

Renew Europe is at the heart of the political spectrum, representing liberal, pro-European and centre parties. On social policy issues, the group plays a key role as a bridge between the centrist centre-right in favour of the market economy and the centre-left in favour of the protection of citizens. The group assesses texts according to two key principles: social equity and economic renewal.
You are reading: "The Group promotes a social policy model based on "flexicurity", offering flexible rules to companies and a high degree of security and good quality active support to workers. As a basic principle, the Group believes that flexible rules are necessary in today's labour markets to ensure global competitiveness. They are, though, complemented by security nets, ongoing training and anti-discrimination rules."

In view of the cost of living crisis, in direction of the purchase energy challenges, Renew Europe concentrates on structural options. Instead of state help or inflexible wage guarantees, the group advocates for cross-border labor mobility, an easing of companies' administrative burden, and tackling systemic labor shortages. The group believes there needs to be assistance from the European Union in offering focused funding to affected households by way of adjustments in their livelihoods, and firmly believes that long-term social justice can solely come from a functioning Single Market.
On regulation in the workplace Renew Europe advocates regulation of emerging forms of work such as platform work and telework but warns against' heavy regulation which restricts the right to choose or inhibits innovation. Through platform work negotiations the group demanded criteria to effectively separate real freelancers from manipulated workers and protect the latter without harming effective self-employment.

9. PAST EFFORTS AND LEGAL FRAMEWORKS

9.1 EU Directive and Adequate Minimum Wages

Directive 2022/2041 of the European Parliament and of the Council on Adequate Minimum Wages, on the basis of Article 153 paragraph 1 point b of the TFEU, constitutes a paradigm shift in the evolution of EU social law and in the constitutional protection of labor rights. Its adoption marks the first instance of a direct European legislative intervention in Member State wage determination mechanisms, aiming at tackling the phenomena of in-work poverty, stagnant real wages and increasing wage inequality, common in all parts of the EU. Historically, the process of European integration lead to a integrated common market for goods, services, and capital, but also produced a single market for labor that was deeply fragmented by national boundaries and regulatory regimes. This asymmetry generated space for social dumping, whereby firms leveraged existing wage inequalities between Member States to gain competitiveness, at the expense of common European social and labor standards. The Directive attempts to address this fundamental structural imbalance by introducing a European institutional framework that guarantees adequate standards of living, upward social convergence, and fair competition in the Single Market.

The regulatory design of the Directive comprises two mutually supporting and interlinked pillars. The first, applies only to Member States that already maintain statutory minimum wages. Under its provisions, states have to provide

for clear, predictable, and transparent criteria for the setting and the update of minimum wages. Relevant metrics for the adequacy of minimum wages should consider the purchasing power of their minimum wage by taking into account the cost of living, the general level of wages and their distribution, the growth rate of wages and national productivity developments. Member States have further to ensure that reference values are applied at a national level, that act as a compass for the assessment of adequacy, such as 60 % of the gross median wage and 50 % of the gross average wage. The second pillar concerns all Member States regardless of whether they have a system of statutory minimum wages in place or not. It aims to strengthen, promote, and expand collective bargaining, which is traditionally associated with lower wage inequality and higher social protection. Member States where collective bargaining coverage is below a threshold of 80 %, shall establish an action plan to promote collective bargaining.

This plan must contain measures to improve the conditions for the exercise of the right to collective bargaining and be established in consultation with social partners. The Directive constitutes a unique exercise in procedural harmonization that does not infringe on national traditions, and institutional autonomy, nor it requires to transition from a system of exclusively collective bargaining to a statutory minimum wage system. As such, it respects and accommodates diverse industrial relations systems, such as the Nordic models,, by laying down common requirements, reporting obligations to the Commission and individual protection rights for workers, all while safeguarding inalienable competencies of national social partners.

9.2 European Social Fund Plus (ESF+)

Regulation 2021/1057 of the European Parliament and of the Council established the European Social Fund Plus as the European Union's main financial and structural instrument aimed at investing in people, creating more and better jobs, promoting social inclusion, and fighting poverty in all regions of the Union. The instrument functions within the multiannual financial framework for 2021–2027 with a total overall financial allocation of more than ninety-nine billion euros and combines its former a separate set of financial instruments into one single, very coherent financial instrument structure. For instance, the existing European Social Fund, the Youth Employment Initiative, the Fund for European Aid to the Most Deprived, and the Programme for employment and social innovation are now combined into one highly integrated funding instrument structure.

The new funded institution takes a very targeted approach to address the structural economic inequality, long term unemployment, regional disparities, skills mismatches caused by the green and digital transitions, and severe social vulnerability through mandatory threshold requirements linked to specific socioeconomic indicators monitored by European Union institutions. In the group of the targeted threshold requirements, the shares of Member States where the rate of young people not in employment, education or training ("NEET") is above the European Union (EU) average must dedicate at least twelve point five percent of their total national ESF+ funding to targeted actions aimed at employment, high quality apprenticeships, vocational education and training pathways, and participation in the labour market to facilitate the transition from school to work. Member States where the proportion of children living

in poverty is above the EU average are required to dedicate a minimum of five percent of their ESF+ budget to specific legal and material interventions to combat child poverty and support the set of legally mandated measures under the European Child Guarantee.

Every single Member State is also obliged to dedicate a minimum of twenty-five percent of its total allocated ESF+ funding to the set of legally mandated social inclusion interventions, which directly fund affordable healthcare provision, social housing programs, early childhood education and care, and customized integration measures that lift marginalized communities, immigrants, and households living below the poverty threshold out of the cycle of generational poverty. The institution's operational structure is organized in a shared management model with the European Commission and the national level designated management authorities in every Member State, thus linking spending priorities to the needs of regional and local communities. The new sector-specific interventions such as technical reskilling required for industrial restructuring, broad adult education, public employment service capacity enhancement, workplace accessibility measures, and civil society capacity development aimed at social partner organizations are funded via the discrete set of budget share threshold mechanisms that the EU institution mandates in order to implement the policy proposals and achieve the goals set out in legislation on a national, regional, and local level.

9.3 European Pillar of Social Rights Action Plan

Pillar of Social Rights Action Plan and set of binding initiatives that were adopted in March 2021 by the European Commission and formally reaffirmed at the highest political level at the historic Porto Social Summit, is the roadmap for what and how the European Union plans to implement the twenty agreed principles enshrined by the 2017 European Pillar of Social Rights proclamation into executive decisions, binding legislative proposals, and measurable quantitative objectives for Member States.

The Action Plan explicitly announces three Union wide headline targets to be achieved jointly by the nations of the European Union by 2030:

i) seventy-eight percent of the Union twenty-five to sixty-four year old population must be active in the labor market, requiring comprehensive active labor market policies to boost female employment levels, address the higher prevalence of disability among the working age population and fight structural youth unemployment, and create incentives for older workers' employment;

ii) at least sixty percent of adults in the Union of working age must partake annually in formally recognized continuing training activities, allowing the skills needs of the workforce to keep pace with rapid technological change, automation, industrial restructuring, and green transition challenges;

iii) the number of persons at risk of poverty and social exclusion in the Union to diminish by at least fifteen million people relative to the baseline, including a mandatory goal of lifting five million children out of severe material deprivation and social marginalization. These ambitious numerical targets are intended to be operationalized through concrete legislative and executive initiatives in areas such as labor market regulation, gender-based remuneration equality, workplace occupational health and safety, universal access to health care, and social safety net reform.

The dominant European legislative outcomes for the implementation of the Action Plan framework include the Pay Transparency Directive aimed at closing gender wage gaps, the Directive on Platform Work designed to detect systematic worker misclassification while ensuring algorithmic transparency, and several Council Recommendations regarding the need for adequate minimum income schemes in all Member States. The effective monitoring, peer review and enforcement of the Action Plan rely on the framework of the European Semester for macroeconomic stabilization and coordination which is used by the European Commission to compile an enlarged set of indicators in a Social Scoreboard, as well as to coordinate the target reviews with the European development funds, national reform commitments, and budgetary planning.

10. Points to be Addressed in the Regulation

1. How can member states enforce collective bargaining coverage thresholds to reach eighty percent participation without undermining the autonomy of independent social partners?

2. How should the union allocate European Social Fund Plus resources to guarantee that vulnerable households receive direct protection against rising energy and housing costs?

3. What specific legislative criteria should establish a legal presumption of employment for platform workers while protecting legitimate digital freelancing models?

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