Quarterly review

October 2024

Employment and Social Developments in Europe

October 2024

The Employment and Social Developments Quarterly Review provides an in-depth analysis of recent labour market and social developments. It is prepared in the Directorate "Employment and Social Governance, Analysis" of the Directorate-General for Employment, Social Affairs and Inclusion by the Analysis and Statistics Unit. The main contributors for part I are Anna Lalova, Gaelle Debrée and Marieke Delanghe. The main contributor for part II is Karolina Gralek.

A wide range of information sources were used to produce this report, including Eurostat statistics[1], reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs as well as EU-SILC scientific use files.

Charts and tables in part I are based on the latest available data at the time of publication and include among others Eurostat data on national accounts (employment and GDP) and the Labour Force Survey for the second quarter of 2024, and monthly unemployment for August 2024. Data on which the report is based are the latest available as of 02/10/2024.

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[1] Data come from Eurostat database unless otherwise stated: https://ec.europa.eu/eurostat/

Table of Contents

Introduction 4

Main economic and social developments 4

1. Macroeconomic outlook 4
2. Employment 5
3. Unemployment 6
4. Additional developments in the labour force and labour demand 7
5. Income and financial situation of households 8

Thematic focus: How do disability and health issues affect labour market and social outcomes? 9

1. Introduction 9
2. Disability is associated with worse labour market and social outcomes, and lower well-being 11
3. Healthcare affordability remains an issue for households with members with disability or bad health status 12
4. Conclusions 14

References 15

List of Charts

Main economic and social developments

Chart 1: Real GDP growth – EU, euro area and US 5
Chart 2: GDP and hours worked (total and per employed person) – EU 5
Chart 3: Unemployment rate and youth unemployment rate – EU and euro area 6
Chart 4: Job vacancy rate – EU, euro area and Member States 7
Chart 5: Real GDP growth, real GDHI growth and its main components 8
Chart 6: Reported financial distress by income quartile – EU, 2012-2024 9

Thematic focus: How dodisability and health issues affect labour market and social outcomes?

Chart 7: Health status in the EU in 2014 and 2023 10
Chart 8: Having disability is linked with worse labour market, social and well-being outcomes 11
Chart 9: Healthcare affordability improved over time in the EU 13
Chart 10: Financial burden of healthcare decreased in the majority of EU Member States since 2017 14

Introduction

In the second quarter of 2024, the EU economy slightly expanded compared to the previous one, supported by an easing inflation, due to declines in prices of food and non-energy industrial goods. According to the European Commission's Spring Forecast, GDP growth is anticipated to improve further reaching 1.0% in 2024 and 1.6% in 2025, whereas inflation is projected to continue decelerating to 2.7% in 2024 and 2.2% in 2025.

The labour market continued to demonstrate its resilience, with employment reaching a record high of 218.9 million people in the second quarter of 2024, and the employment rate hitting 75.8%. It has been particularly rising for older and low-skilled workers as well as women, bringing the EU 2030 headline target of 78.0% in reach. In August 2024, the unemployment rate remained at historically low levels of 5.9%. Overall, the labour market remains tight with still high but decreasing levels of job vacancy and labour shortages.

Regarding the financial situation of households, real gross disposable income (GDHI) was 2.9% higher in the first quarter of 2024 compared to the same quarter of 2023. This improvement was accompanied by a slight decline in the share of households reporting financial distress, despite persisting high levels, particularly in the lowest income quartile.

The thematic focus explores how health status impacts labour market and social outcomes, with a particular emphasis on disability and health issues. The findings highlight the strong connection between health challenges, that often emerge with ageing, and increased probabilities of unemployment or inactivity, risk of poverty, and social isolation. Strengthening the integration of people with disabilities and with health issues in the labour market where possible, enhances their active inclusion in society.

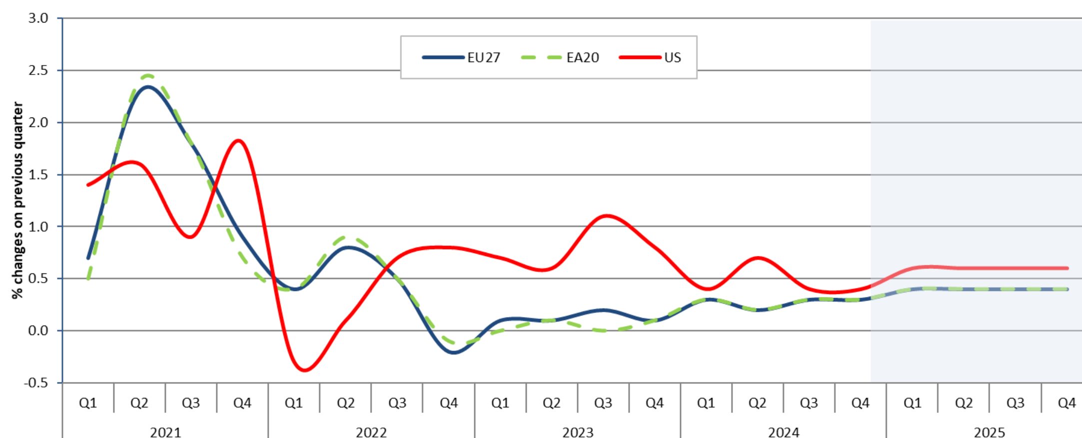
Main economic and social developments

1. Macroeconomic outlook

In the second quarter of 2024, real GDP in the EU expanded by 0.2% compared to the previous quarter and 0.8% compared to the same quarter of the previous year. At the same time, US GDP expanded more strongly by 0.7% (compared with the previous quarter) and 3.1% (year-on-year change) (Chart 1). The EU figures are consistent with the European Commission's Spring economic forecast[2], where real GDP was expected to expand by 1.0% in 2024 and 1.6% in 2025. Economic growth is supported by an easing of inflation, which slowed down in both the EU and the euro area, reaching 2.4% in August 2024 (2.2% in the euro area), a reduction of 3.5 pp (3.0 pp in the euro area) compared to August 2023. Besides declines in food and non-energy industrial prices, disinflationary developments come also from the service sector, but to a lesser extent. Projections indicate a continuing deceleration in 2024 and 2025 compared to 2023 rates, with rates forecasted at 2.7% for the EU (2.5% in the Euro area) in 2024 and 2.2% (2.1% Euro area) in 2025.

[2] https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/spring-2024-economic-forecast-gradual-expansion-amid-high-geopolitical-risks_en

Chart 1: Real GDP growth – EU, euro area and US

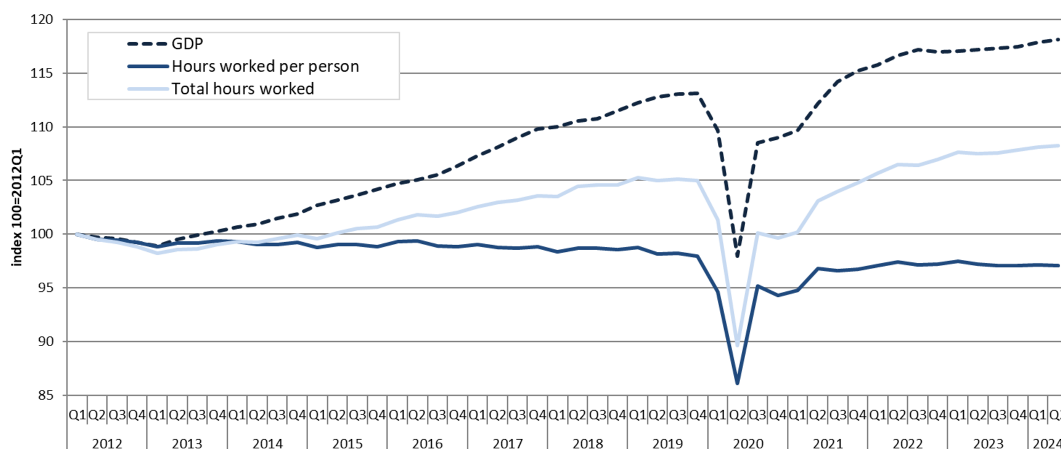


Source: Eurostat, National Accounts, seasonally and calendar adjusted data [namq_10_gdp, naidq_10_gdp].
Notes: Forecast in the shaded area. European Commission Spring forecast for 2024Q3 onwards.
Click here to download chart.

2. Employment

In the second quarter of 2024, employment continued its positive trend, reaching new records both in terms of levels and rate[3]. In this quarter, 218.9 million people were employed, 1.75 million more than in the same quarter of 2023. The employment rate of people aged 20 to 64 years increased by 0.2 pp compared to the previous quarter, and by 0.5 pp compared to the same quarter of 2023. At 75.8%, the employment rate is approaching the EU headline target for 2030 of at least 78.0%, with five Member States having already reached their national target[4]. In addition, the total number of hours worked started to increase in the fourth quarter of 2023 and continued rising in the first two quarters of 2024, reflecting a strengthening labour market (Chart 2). However, the number of hours worked per person continued to be below the pre-COVID-19 levels, reflecting changes in work attitudes and preferences, as well as the introduction of more productive technologies.

Chart 2: GDP and hours worked (total and per employed person) – EU



Source: Eurostat, National Accounts [namq_10_gdp, namq_10_a10_e, namq_10_pe]. Seasonally and calendar adjusted data.
Click here to download chart.

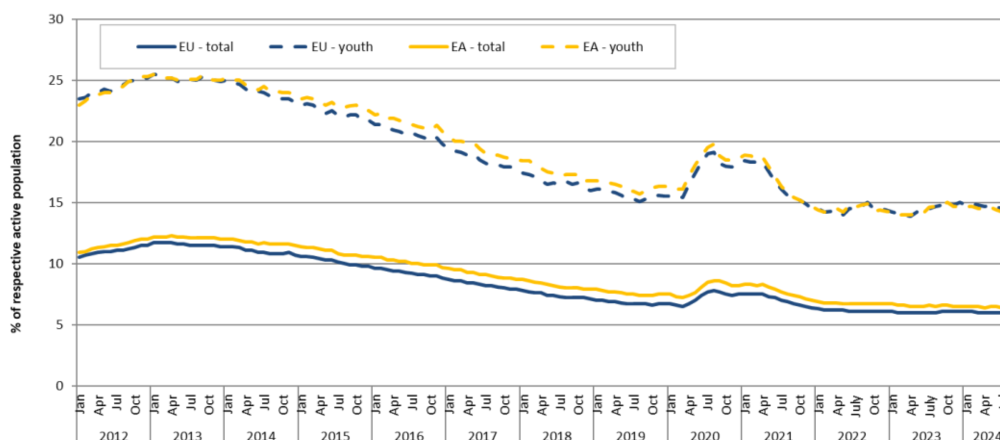
[3] Levels are derived from national accounts, while the rates are based on Labour Force Survey.
[4] Estonia, Ireland, the Netherlands, Slovakia and Sweden.

Employment growth was mostly due to increased employment rates for low-skilled, older workers and especially women for whom employment rate surpassed 70% for the fifth consecutive quarter. Relative to the previous quarter, the employment rate for low-educated workers aged 25-54 increased by 0.4 pp to 64.7% (+0.2 pp on an annual basis). For older workers[5], the employment rate increased to 65.1% (+0.4 pp quarter to quarter and +1.3 pp year-on-year) and, for women aged 20-64, it increased to 70.8% (+0.2pp compared to the previous quarter and +0.6 pp on an annual basis), with a gender employment gap remaining stable at 10.0 pp. In addition, the share of people in temporary employment slightly increased, and part-time employment was overall stable compared to the first quarter of 2024. Finally, employment growth slowed down in the second quarter (+0.1 compared to the previous quarter and +0.8 year-over-year[6]), which is reflected in the continued decline of employment expectations. The Employment Indicator (EEI) reached 99.6 in August 2024[7], showing signs of less optimistic employment plans of industry and retail sale sectors compared to services and construction.

3. Unemployment

The EU unemployment rate slightly decreased in August 2024 reaching record low levels, while long-term unemployment remained consistently restrained. In August 2024, the unemployment rate diminished to 5.9% in the EU (6.4% in the euro area), a decrease of 0.1 pp compared to both the previous month and August 2023 (Chart 3), standing at 6.1% for women and 5.7% for men. In the second quarter of 2024, long-term unemployment persisted at low levels, at 2.0%, 0.1 pp less compared with the same quarter of 2023. Following the same trend, very long-term unemployment rate slightly declined to 1.1% in the second quarter of 2024, from 1.2% in the previous quarter and 1.3% in the second quarter of 2023. The composition of unemployment by duration changed little compared to the previous quarter, with long-term unemployment representing 33.4% of total unemployment (-0.1 pp). However, its share declined more on a yearly basis (-3.0 pp from 36.4% in Q2 2023).

Chart 3: Unemployment rate and youth unemployment rate – EU and euro area



Source : Eurostat, series on unemployment [une_rt_m]. Seasonally-adjusted data.
Click here to download chart.

The youth unemployment rate continued to decrease and the NEET rate remained stable. The unemployment rate of people aged less than 25 diminished to 14.3% in August 2024 (14.1% in the euro area), a decline of 0.2 pp compared to last month (-0.5 pp on a yearly basis), which drove the slight decline observed for the overall population (Chart 3). In addition, in the second quarter of 2024, the share of people aged 15 to

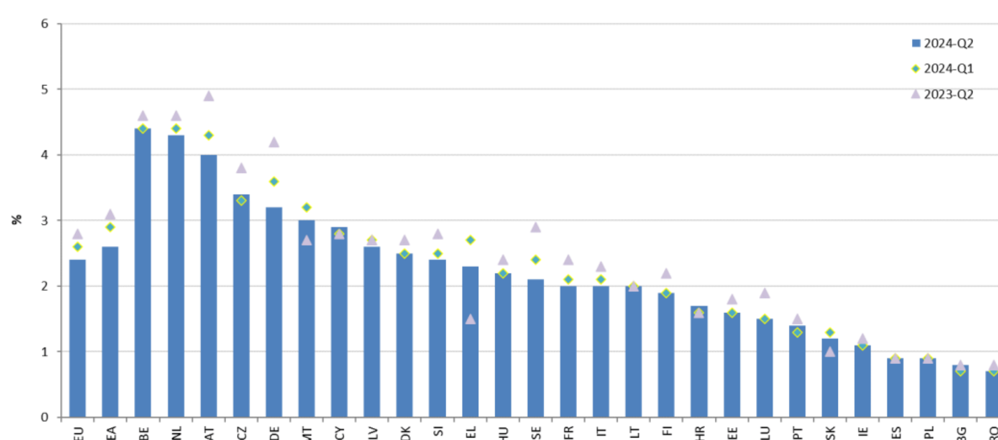
[5] 55 to 64 years old.
[6] National Accounts, seasonally and calendar adjusted data.
[7] The indicator is constructed as a weighted average of the employment expectations of managers in the four surveyed business sectors (industry, services, retail trade and construction). The resulting time-series is scaled to have a long-term mean of 100 and a standard deviation of 10. Values greater than 100 indicate that managers' employment expectations are high by historical standards, while the opposite holds true for values below 100. Data seasonally adjusted, moving averages over last three months.

29, who are neither in employment nor in education or training (NEET) remained stable to 11.0% on a quarterly basis but was 0.2 pp less than one year ago.

4. Additional developments in the labour force and labour demand

Further developments in the EU labour market point to its tightness. The labour market participation rate for people aged 15 to 64 remained around 75.4% in the second quarter of 2024, compared to the previous one. The difference in the level of activity rates between men (80.1%) and women (70.8%) decreased slightly (-0.3 pp), but remains large to 9.3 pp. At the same time, the total unmet demand for work in the EU, measured by labour market slack indicators[8], decreased slightly. The labour market slack represented approximately 26.7 million persons, i.e. 11.7% of the extended labour force[9], 0.2 pp down from the previous quarter and from the second quarter of 2023. On an annual basis, the decline was driven by a drop in the rate of people available to work but not seeking a job (-0.2 pp to 2.8%). The proportion of part-time workers who would like to work more (also called "underemployed") slightly decreased to 2.5% (-0.1pp). Finally, the rate of people "seeking but not available for work" stabilised to 0.9%.

Chart 4: Job vacancy rate – EU, euro area and Member States



Source: Eurostat, Job Vacancy Statistics [jvs_q_nace2]. Seasonally adjusted data
Notes: Job vacancy rate = vacancies / (vacancies + occupied posts); NACE rev2 B-S Industry, construction and services (except activities of households as employers and extra-territorial organisations and bodies)
Click here to download chart.

Changes in the job vacancy rate and other indicators show a slight easing of labour shortages. In the second quarter of 2024, the level of unmet labour demand, as expressed by the job vacancy rate[10], decreased. The job vacancy rate, used as proxy for labour shortages, decreased to 2.4% (2.6% in the euro area), a 0.2 pp decrease compared to the previous quarter (-0.4 pp compared with the same quarter in 2023) (Chart 4). On a yearly basis, the job vacancy rate decreased in all sectors of the business economy[11], with the most sizeable decreases in 'professional, scientific and technical', 'accommodation and food service', and 'administrative and support service activities'. These trends are also reflected in the labour shortages indicator in industry and in the services sector[12], which decreased, respectively, by 5.1 pp to 19.6% and by 6.6pp to 26.8%, in the third quarter, compared to the same quarter of 2023. The moderate easing of labour shortages was reflected in by a decline in the labour hoarding indicator, standing at 9.7% in September 2024, 0.2 pp less

[8] These indicators measure the whole potential demand for employment. As it includes components outside the labour force, it is computed as share of the extended labour force, which incorporates them. More methodological details can be found at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Labour_market_slack_-_unmet_need_for_employment_-_quarterly_statistics

[9] The extended labour force consists of the labour force (unemployed and employed) and of the potential additional labour force (the two categories outside the labour force, i.e. those available but not seeking, and those seeking but not available).

[10] The Job Vacancy rate is the number of job vacancies divided by the sum of occupied posts and job vacancies. Data for NACE Rev. 2 Sections B to S (Industry, construction and services (except activities of households as employers and extra-territorial organisations and bodies)), unadjusted data.

[11] Business economy = B to N sectors, excluding sector A (agriculture) and sectors O to S (Public administration and defence; compulsory social security; education; human health and social work activities; arts, entertainment, and recreation; other service activities).

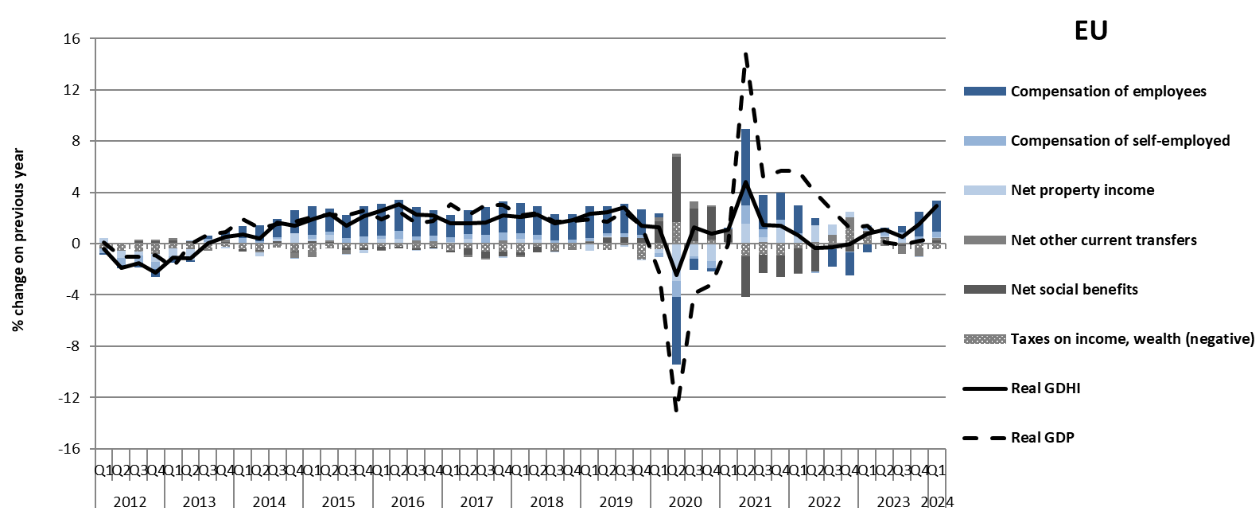
[12] The indicator presented here is published as part of the EU Business and Consumer Surveys. It reflects to what extent businesses see the availability of labour as a factor that limits production. Data seasonally adjusted.

than during the previous month, and 1.4 pp lower compared to September 2023. However, labour hoarding remained relatively elevated as companies hold onto their employees despite slower growth. Anticipating a shrinking workforce and increased demand for specialized skills, firms may in fact have opted to retain their workers despite the economic slowdown.

5. Income and financial situation of households

Growth in Real Gross Disposable Household Income (GDHI) was quite significant, driven mainly by nominal compensation of employees. In the first quarter of 2024, the real GDHI was 2.9% higher than its level in the same quarter of 2023. This growth was primarily due to the positive contribution of compensation of both employees[13] (+2.5 pp) and self-employed (+0.4 pp), as well as net social benefits (+0.2 pp) (Chart 5). The strong contribution to growth of nominal compensation per employee is notably due to workers' demand to recover past losses in purchasing power.

Chart 5: Real GDP growth, real GDHI growth and its main components



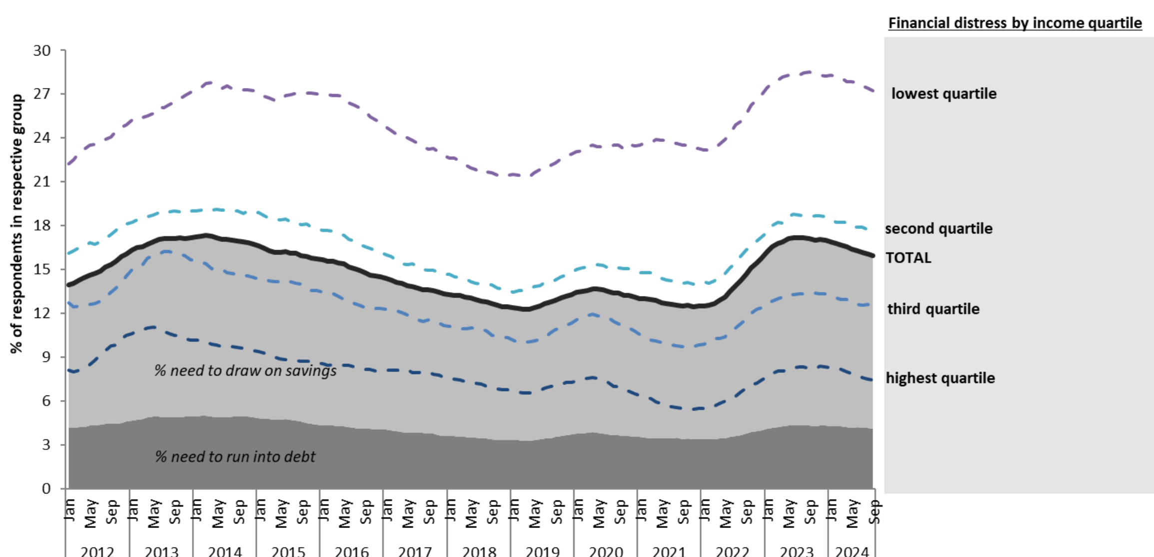
Source: Eurostat, National Accounts, unadjusted data [namq_10_gdp, nasq_10_nf_tr] (DG EMPL F.4 calculations)
Note: The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure.
Click here to download chart.

After reaching a peak in July 2023, financial distress started to decline since the beginning of 2024 in all income quartiles. Since January, the proportion of people reporting financial distress[14] continued to diminish reaching 15.9% in September 2024 (-1.2 pp compared to September 2023, and -1.3 pp compared to the peak of July 2023). The share of the population who declared the need to draw on savings decreased to 11.8% (-1.0 pp lower on a yearly basis), while 4.1% of the population stated they needed to run into debt (-0.2 pp on a yearly basis) (Chart 6). At the same time, this indicator reached 27.3% for the lowest income quartile (-1.2 pp on a yearly basis). However, it remains at approximately 10 or more pp above the shares shown for other income quartiles. The share of these households reporting financial distress reached 17.6% for the second quartile (-1.0pp), 12.3% for the third quartile (-1.1pp), and 7.5% for the highest income quartile (-0.7pp) (Chart 6).

[13] Compensation of employees comprises wages and salaries in cash, wages and salaries in kind, and employers' social contributions.

[14] Defined as the perceived need to draw on savings or to run into debt to cover current expenditures, moving average over 12 months. For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of households, see http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

Chart 6: Reported financial distress by income quartile – EU, 2012-2024



Source: European Commission, Business and Consumer Surveys. 12-months moving average (DG EMPL F.4 calculations)
Note: Lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey areas, which together represent total financial distress.
Click here to download chart.

Thematic focus: How do disability and health issues affect labour market and social outcomes?

1. Introduction

Health status encompasses various aspects of people's health and it is strongly linked with labour market and social outcomes. According to Eurostat, health status includes the following indicators: healthy life years, self-perceived health and well-being, functional and activity limitations, self-reported chronic morbidity, injuries from accidents and absence from work due to health problems. Within these, some variables come from the EU Health Interview Survey and capture self-reported information on health issues and on disability, at different degrees of severity. These statistics also provide information on 'persons with disabilities' who are defined as people reporting some or severe limitation in activities due to health, following the UN definition.[15] Depending on their severity, specific health conditions can constitute barriers to employment generating impairments to workers' functionalities and activities, for example for those suffering from long-term sickness. At the same time, access to employment can be hampered by the need for adapted workplaces and inclusive recruitment procedures, as in the case of persons with disabilities.

Besides experiencing challenges to employability, people affected by health conditions are also more likely to suffer from poverty and social exclusion. For example, in 2023 persons with disabilities have an employment rate of 54% and experienced an employment gap (vis-a-vis those without disabilities) at around 21.5% and an at-risk-of poverty rate and social exclusion (AROPE) at 28.8%, 10 pp higher than for the

[15] Additional indicators not treated here cover 'depressive symptoms', 'severity of bodily pain', and 'chronic diseases'. Based on Eurostat survey on income and living conditions (EU-SILC), long-term sickness is captured by asking respondents if they had suffered from any longstanding (of a duration of at least six months) illness or health problem. At the same time, persons with disabilities are here defined as those people reporting some or severe limitation in activities due to physical or mental health problems, as consistent with the UN definition (Persons with disabilities - Employment, Social Affairs & Inclusion - European Commission (europa.eu)). See https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8376&furtherPubs=yes..

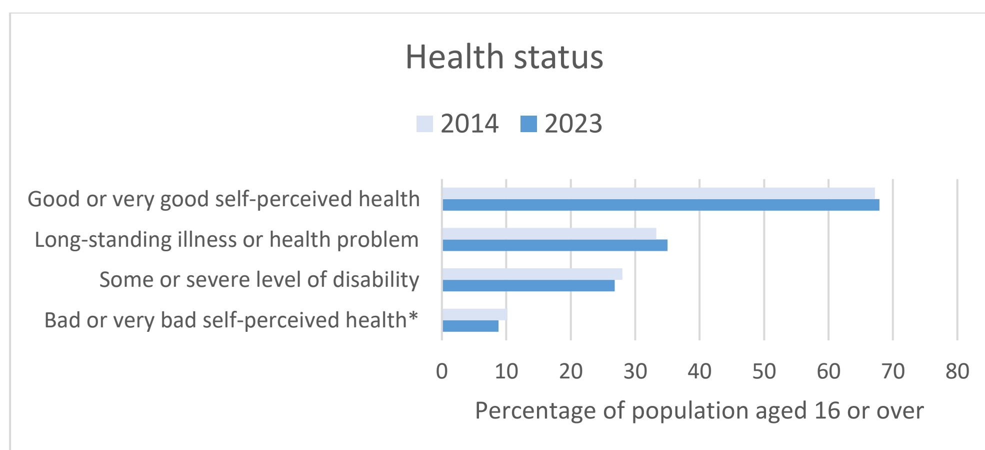
rest of the population.[16] Furthermore, disability and health issues can also imply a high financial burden related to healthcare, which can further exacerbate living conditions and well-being for those households with members facing health problems.

Addressing health issues and disability can help contain the cost of ageing on public finance, mitigating adverse demographic effects. Older generations are most affected by these conditions. In 2023, only 18.6% of those aged 16 to 64 reported some or severe form of disability, against 51.6% of those aged 65 or older. In the next decades, ageing will cause an increase in the incidence of disability and health issues, with the share of persons aged over 65 expected to rise from 21.2% in 2022 to 30.5% by 2070. In turn, this will entail more people out of the labour market, as well as higher costs for public finance. As captured in the Commission 2024 Ageing Report, [17] health-related costs are a large share of the cost of ageing (amounting to 7.6% of GDP in 2022, including long-term care) [18] and are expected to increase by 1.2% of GDP from 2022 to 2070. In this context, improving labour market access for people with disability and health issues, is key to increasing their inclusion and well-being, and can also contribute to addressing current challenges, such as labour shortages and skills mismatches, while mitigating the adverse effects of demographic change.

Over the last decade, health outcomes have slightly improved in the EU, with the exception for long-term sickness. Eurostat statistics on health status show that since the 2010s, the share of persons with disabilities declined from its peak of 28% in 2014 to 24% in 2019 but increased again throughout the pandemic, reaching 27% in 2023 (Chart 7). The share of persons with disabilities varies strongly across countries, ranging from below 20% in Bulgaria, Malta and Cyprus to over one third of the population in Latvia, Denmark, Portugal and Finland. Among persons with disabilities, more than 1 in 4 face severe limitation in activities.

A similar trend is also observed for more subjective health measures. For instance, the share of the EU population reporting bad or very bad self-perceived health decreased from its peak of 10.2% in 2011-2012 to 8.4% in 2017, but increased slightly during the pandemic to 8.8%, remaining stable since then. In 2023, the highest rates were reported in Latvia (14.2%), Croatia (14%) and Portugal (13.1%). Meanwhile, the share of persons reporting long-term illnesses increased from 33.3% in 2014 to 35% in 2023, with values ranging from 55% and 46% in Finland and Estonia, respectively, to 18% and 19% in Italy and Romania.

Chart 7: Health status in the EU in 2014 and 2023



Source: Eurostat, EU SILC
Note: Data reflect self-reported information on specific types of health status for those aged 16 or older. * Fair self-perceived health has not been reported.

[16] AROP refers to population with equivalised disposable income below 60% of the national median. For more information on social and employment situation of persons with disabilities, see Eurofound (2018).
[17] See 2024 Ageing Report. Economic and budgetary projections for the EU Member States (2022-2070) (europa.eu)
[18] Long-term care covers a broad range of services required by persons with a reduced degree of functional capacity (whether physical or cognitive) and who, as a consequence of this, are dependent for an extended period of time on help with their activities on daily living.

Against this background, understanding the nexus between health status and various socio-economic indicators can help shape policies for the inclusion and well-being of people with disability and health issues, support their return to work and prolong working lives. This thematic focus analyses two groups reported in the health status statistics, namely persons with disabilities and persons reporting bad or very bad health.[19] It examines how their status is linked with labour market outcomes, including employment, unemployment and non-standard work arrangements. The link with AROP and some selected well-being indicators is also assessed. Finally, this thematic focus looks at how these two groups are associated with the affordability of healthcare, as higher costs can further exacerbate living conditions and well-being.

2. Disability is associated with worse labour market and social outcomes, and lower well-being

Persons with disabilities face various barriers that hamper their access to employment. Estimations show that persons with disabilities are 20.3 pp less likely to be employed and 3.3 pp more likely to be unemployed than persons without disabilities, once other characteristics (such as age, employment status and educational attainment) are controlled for (Chart 8). Unsurprisingly, the probability coefficient of 20.3 pp for employment is very close to the 21.4 employment gap vis-à-vis persons without disabilities. Research identifies 'disability-related stereotypes, bureaucratic difficulties in accessing the available services, lack of strategic vision in governance, insufficient monitoring of policy implementation, limited training resources for employers and lack of specialist support' as key obstacles to the employment of persons with disabilities. [20]

Chart 8: Having disability is linked with worse labour market, social and well-being outcomes

Probability of employment, unemployment, non-standard form of employment, being AROP, and feeling happy, lonely or left out for persons with disabilities once other characteristics are controlled for, percentage points, 2022

Source: EU SILC 2022 data.

Note: All estimates significant at 1% significance level. Models for probability of being employed, unemployed or in non-standard form of employment (comprising part-time and fixed-term work and work under a contract that has been concluded for an indefinite period of time but only verbally) account for gender, age, highest educational attainment, migration background (defined as being born outside the country of residence and/or having a foreign citizenship), and limitation in activities because of health problems, and is run for working-age population (20-64 years) only. In addition, model for non- standard form of employment is limited to those in employment. For the rest of the models, samples are restricted to individuals aged 16 or older. Model for probability of being at-risk-of-poverty (AROP) controls for age, living in consensual union, highest educational attainment, employment status, migration background, living in a household with children, and limitation in activities because of health problems. Models for probability of feeling happy, lonely or left out include gender, age, living in consensual union, highest educational attainment, being AROP, being employed, regularly participating in leisure activities, frequency of contacts with family or friends, and limitation in activities because of health problems. All models control for country fixed effects.

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[19] These two indicators have been chosen given also their implications for participation in the labour market.

[20] Eurofound (2021).

These results are even more pronounced for people reporting bad or very bad health. These persons have a 35.9 pp lower probability of employment and a 5.6 pp higher chance of being unemployed. [21]

When in employment, persons with disabilities are more likely to have non-standard work arrangements. In particular, they have a 5.3 pp higher chance of working part-time or being employed under fixed-term contract or a contract that has been concluded for an indefinite period of time but only verbally, once other relevant characteristics are taken into account (Chart 8).

The probability of having non-standard work arrangements is even higher for people reporting bad health. This amounts to 9 pp. While some flexibility, in particular with respect to the working time, might be preferred and lead to higher job satisfaction and better balance between health needs and working life, being in non-standard form of employment might also be associated with higher job insecurity. [22]

Disability is linked with a slightly higher probability of being at-risk-of-poverty and a significantly higher probability of experiencing lower well-being. The chance of being AROP is 2.1 pp higher for persons with disabilities and 3.5 pp higher for people with bad or very bad self-perceived health, once other characteristics are controlled for (Chart 8). Further, persons with disabilities are 14.4 pp more likely to feel lonely and 5.8 pp more likely to feel left out. They also have a 7.5 pp lower probability of being happy.

Using the more subjective measure for health leads to even stronger results on well-being. In particular, people reporting bad or very bad health are 16.5 pp more likely to feel lonely, 10.4 pp more likely to feel left out and 16.5 pp less likely to be happy. While being more restrictive, the subjective measure might also reflect the emotional and mental dimensions of health which might result in worse well-being outcomes. [23]

As labour market, social and well-being outcomes are strongly interlinked, including with the health status, adverse outcomes might aggravate each other. For instance, while unemployment might lead to poverty, poverty itself can also lower the chances of being employed, i.e. by limiting access to education, skills and job opportunities. Similarly, recent research found that 'while unemployment reduces wellbeing, poor wellbeing also leads to unemployment, indicating that individuals can become trapped in a cycle of unemployment and poor wellbeing'. [24] Further, while well-being is linked with the incidence and intensity of contemporaneous poverty, it might also depend on previous poverty spells. [25] As shown in the analysis above, health status is also strongly associated with these outcomes, representing an additional dimension of interdependencies. Thus, mitigating the negative impacts for people with health issues has several dimensions. Affordable healthcare can help improve the current health status and prevent its worsening over time, while playing an important role in ensuring inclusion.

3. Healthcare affordability remains an issue for households with members with disability or bad health status

Healthcare affordability has slightly improved over time. Unmet needs for medical (and dental) care have declined over the last decade, due to several factors, such as coverage policies and the availability of financial resources. [26] Between 2014 and 2021, household out-of-pocket payments remained rather stable at around 1.6% of GDP in the EU on average, with the median incidence of non-poor households that are pushed into poverty after paying out-of-pocket payments for healthcare standing at 2% in the EU. Despite this, the share of EU population reporting that their medical care needs could not be met because of being too expensive dropped from the peak of 2.8% in 2013-2014 to 1.1% in 2022 (Chart 9). For dental care, 2.9% of people

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[21] The share of people with bad or very bad self-perceived health is significantly lower (8.7% in 2022), compared to the share of population with disability (27%) (Chart 7). Indeed, self-perceived health shows a stronger correlation with severe disability (0.56), compared to the broader measure of some and severe disability (0.46). However, as the correlation is significantly below 1, this indicates that other factors also play a role in explaining the differences across measures.

[22] Pagán (2007); the Work Foundation (2022).

[23] This is somewhat supported by the results from the model which considers the severe limitation in activities because of health problems only. It shows that people with severe limitation in activities are 13.1 pp more likely to feel lonely, 9.7 pp more likely to feel left out and 12.6 pp less likely to be happy which is worse compared to the model including both some and severe limitation in activities but not as adverse as based on the model using the more subjective measure of self-perceived general health.

[24] Gedikli et al. (2023).

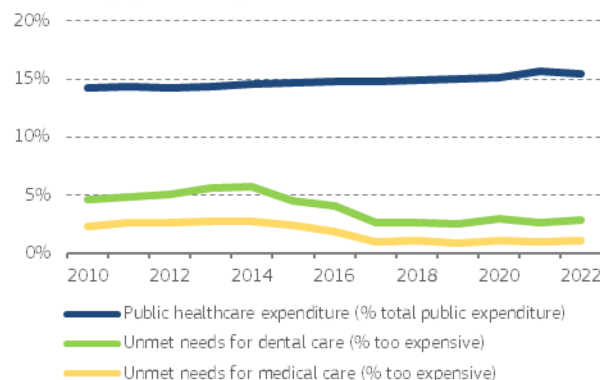
[25] Clark et al. (2015).

[26] World Health Organization (2023); European Commission (2023).

reported unmet needs due to financial reasons in 2022, down from the peak of 5.7% in 2014. [27] Similarly, the share of EU population reporting a financial burden of purchasing either medical care, or dental care or medicines [28] (further referred to as financial burden of healthcare) decreased from 65.7% in 2017 to 64.8% in 2022 (Chart 10). [29] This was mostly driven by the decline in people perceiving the financial burden as heavy (-0.9 pp), with the share stating that healthcare costs were somewhat of a financial burden remaining broadly stable (+0.1 pp). However, while some Member States, i.e. Lithuania (-23.2 pp), Croatia (-14.2 pp) and Estonia (-11.5 pp), recorded strong decreases in financial burden of healthcare, others saw it rise significantly, such as France (+16.8 pp), Luxembourg (+12.4 pp) and Denmark (+8.1 pp).

Chart 9: Healthcare affordability improved over time in the EU

Weighted EU average of public healthcare expenditure as % of total public expenditure, and unmet needs for medical and dental care due to financial reasons (% of population aged 16 or older), 2010-2022



Source: Eurostat [gov_10a_exp], [hlth_silc_08] and [hlth_silc_09].
Note: Medical care includes medical examination and treatment but no dental care and medicines, while dental examination and treatment are covered under dental care.

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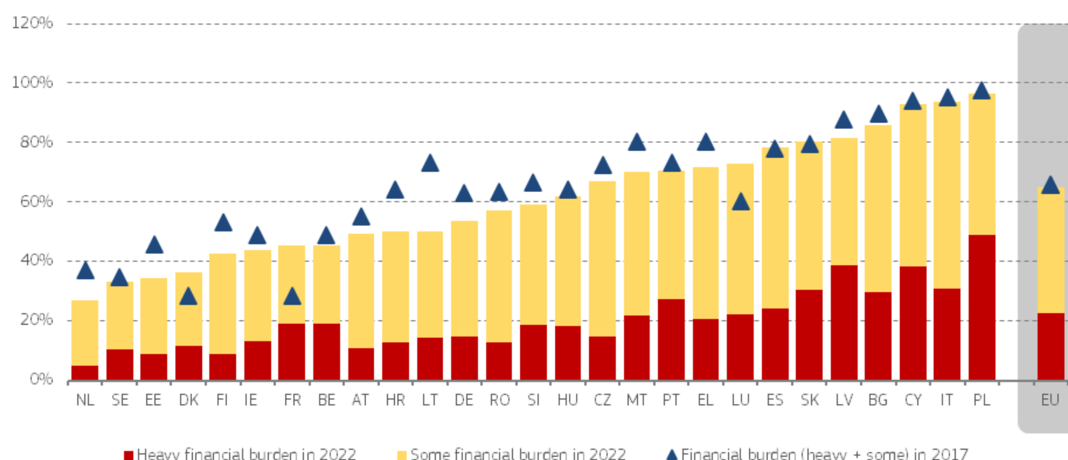
[27] Medical care includes medical examination and treatment but no dental care and medicines, while dental examination and treatment are covered under dental care. For both indicators, the EU population is restricted to population aged 16 or older. Research has found a positive relationship between unmet needs and a subsequent deterioration in health, thus, suggesting that it can be used as an indicator of healthcare affordability (Gibson et al., 2019). However, unmet needs for both medical and dental care due to financial reasons vary strongly across countries and should be interpreted with caution.

[28] Restricted to population aged 16 or older.

[29] Part of this decrease could be due to the COVID-19 pandemic as the imposed restrictions or people fearing to visit doctors because of increased risks of infection might have temporarily reduced the financial burden of healthcare. However, the rather stable development of unmet needs of medical and dental care due to financial reasons (Chart 9) suggests the impact of the pandemic to be rather low.

Chart 10: Financial burden of healthcare decreased in the majority of EU Member States since 2017

Financial burden of paying for either medical care, or dental care or medicines, by level of burden, % of population aged 16 or older, 2017 and 2022



Source: EU-SILC data for 2017 and 2022

Households with members with disability or bad health status are more likely to report a financial burden of healthcare. For households with at least one person with disabilities or at least one person perceiving their health as bad or very bad, the probability to report financial burden of healthcare increases by 16.3 pp. While no conclusion can be drawn regarding the direction of causal effect based on this analysis, [30] the lack of necessary financial resources to purchase healthcare goods and services might further worsen health outcomes over time, potentially intensifying other related issues, such as employment, poverty risks, and lower well-being.

Looking forward, increasing longevity may pose a risk to the long-term sustainability of healthcare systems in the absence of relevant counteracting policies. Around two in three citizens in the EU agree that demographic trends undermine the long-term sustainability of public finances in the EU. [31] According to the baseline scenario in the 2024 Ageing Report (which assumes that half of the extra years of life gained through higher life expectancy is spent in good health), public healthcare and long-term care expenditure are expected to rise by 0.4 pp and 0.8 pp of GDP, respectively, between 2022 and 2070 in the EU on average. [32] However, this strongly depends on the health status of the population. Indeed, the 'healthy ageing scenario' (which assumes that all future gains in life expectancy are spent in good health) projects no change in public expenditure for healthcare. It however projects an increase by 0.7 pp of GDP for long-term care. Under the 'no healthy ageing scenario' (which assumes that all the gains in life expectancy are spent in poor health), the public expenditure for healthcare and long-term care are estimated to grow by 0.8 and 1 pp of GDP, respectively. By and large, this points to the needs for investing in preventative care and healthy lifestyles.

4. Conclusions

Integrating persons with disability and health issues into the labour market, supporting healthy longevity and improving healthcare affordability can promote an inclusive society, increase well-being and would also contribute to achieving the headline EU 2030 targets. This thematic focus provides evidence that health issues have wider implications on labour market, social and well-being outcomes, by focusing on the health status of persons with disability and persons reporting bad or very bad health. In particular, the results show that these people have lower chances of being employed and higher probability of being unemployed or working under non-standard arrangements. They are more likely to be at risk of poverty,

[30] This analysis does not allow to determine whether having health issues drives the financial burden of healthcare (i.e. due to more healthcare goods and services needed) or, by contrast, a higher financial burden of healthcare leads to worse health outcomes (i.e. as financial burden of healthcare might reduce the available resources for other items affecting health, such as healthier food or better living conditions).

[31] Based on the Flash Eurobarometer 534 on Demographic change in Europe: https://europa.eu/eurobarometer/surveys/detail/3112

[32] In the 2024 Ageing Report, long-term care health expenditure is part of the long-term care expenditure projections (European Commission, 2024).

face healthcare affordability issues, and feel left out or lonely. In this context, policies that aim to integrate more persons with disabilities in workplaces, foster return to work for those on longer-term sick leave, prolong working lives, address mental health issues, prevent health issues, improve well-being, and ensure quality and affordability of healthcare and long-term care remain key.

The EU adopted many policies that promote the inclusion of people with health issues and persons with disabilities, support healthy working lives, and help to improve healthcare affordability for vulnerable households. For instance,

- The 2021-2030 Strategy for the rights of persons with disabilities, including the Disability Employment Package, fosters equal opportunities, reduces barriers and provides labour market integration guidance for persons with disabilities.
- In June 2023, the Commission adopted a Communication on a comprehensive approach to mental health which contains 20 flagship initiatives to support Member States in taking action to deal with mental health challenges.
- The 2023 Council Recommendation on adequate minimum income calls for adequate income support, access to enabling and essential services, and labour market integration of those who can work.
- The 2022 European Care Strategy and the 2022 Council Recommendation on long-term care aim to ensure that long-term care is timely, comprehensive, accessible, affordable and of high quality.
- To make work safer and healthier, the 2021 European Directive on Safety and Health at Work requires employers to take appropriate preventive measures and the 2021-2027 Strategic Framework on Health and Safety at Work defines key priorities and actions.

These policies are also strongly underpinned by EU funds, including the Recovery and Resilience Facility, and the European Social Fund+.

Member States have implemented various policies to promote inclusion of persons with disability and health issues, also in the context of the European Semester. The 2024 Joint Employment Report illustrates how Member States put in place employment, health and social policies that promote inclusion and equality. These policies could be in the form of giving financial support to employers who employ persons with disabilities (e.g. in Ireland), improving the professional participation of persons with disabilities (in Austria), changes in the entry qualifications for vocational training (in Germany), improvements of access for students with disability (in France). National efforts are supported by the European Semester monitoring framework and related country specific recommendations. On health, depending on each national situation, relevant topics can include improving health outcomes and the resilience of the health system by strengthening primary care and expanding preventive care, providing adequate financing for healthcare and enhancing its cost-efficiency.

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