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A European Agenda to Navigate Uncertain Times

How to Steer the EU Towards Wellbeing for All,
Now and in the Future

Written by the coordinators and policy leads of
SPES, ToBe, WISE Horizons, WISER and MERGE



PROLOGUE

This paper was written at the request of DG-RTD of the European Commission. It was co-written by the consortium coordinators and policy leads of four Horizon Europe research and innovation projects: SPES, ToBe, WISE Horizons and WISER. These projects also collaborate in the Coordination and Support Action called MERGE. The contents of the report do not necessarily reflect the opinion of all researchers and institutes involved in these consortia.

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Sustainability
performances,
evidence & scenarios



MERGE

EXECUTIVE SUMMARY

These are uncertain times. Geopolitical tensions and armed conflicts, rising costs of living, growing multidimensional inequalities, accelerating climate and biodiversity crises, security risks, pandemics, rapid development of AI systems, risk of disinformation, political polarisation, migration and an ageing society are causing uncertainty among the peoples, governments, and businesses of Europe. These problems make people insecure about their own future and that of the next generations. The European Commission (EC) urgently needs a policy agenda that tackles these challenges and uncertainties.

The Need to Change

- *What the science says.* The contribution of economic growth to wellbeing is decreasing and the benefits are not being shared equitably. Humanity is transgressing six out of nine planetary boundaries, thereby disrupting natural systems and causing significant damage to the economy and future wellbeing. In addition, other challenges, such as an ageing society, also threaten the future wellbeing. These interconnected problems should be tackled simultaneously.
- *What people want.* People across Europe feel uncertain about the future and a majority support reforms of the economic model. There is also specific support for actions on climate change, creation of quality jobs, public spending on social policies, poverty and social exclusion, public health, and investments in future generations.
- *What businesses need.* European companies know that change is coming. In fact, US and Chinese green programs (e.g. the Inflation Reduction Act) are leading to competitive pressures for European business. Companies need a long-term consistent EU vision to stimulate sustainable and competitive business models. This would help multinationals as well as small and medium-sized enterprises innovate and invest while navigating geopolitical uncertainty.

The Change we Need

- *Define the goal.* Article 3 of the Treaty of Europe states that “*The Union's aim is to promote peace, its values and the well-being of its peoples.*” Globally, there is also scientific and institutional convergence towards wellbeing as an overarching policy goal. There are three elements: ensuring current wellbeing (e.g. health, education, peace and security, air quality, quality employment, economic prosperity, social relationships, etc.), ensuring future wellbeing (mitigating climate change, biodiversity loss, resolving conflicts, dealing with ageing society, boosting innovation and competitiveness, etc.), as well as limiting wellbeing inequalities for current and future generations (gender inequality, income/wealth inequality, risk of poverty, social exclusion, discrimination etc.). These elements are strongly interconnected and overlap in some cases. Together the goals it to achieve *Sustainable and Inclusive Wellbeing: Wellbeing for all, now and in the future.*
- *Overcome barriers and enabling change.* To create policies for sustainable and inclusive wellbeing, it is important to identify vested interests, fear of change and resistance that hinders reforms and systemic change. Simultaneously, these policies should recognise the uncertainties people and businesses face. The policy agenda should be holistic and cross-cutting, and policy-silos need to be overcome.
- *European leadership.* This policy shift requires institutional leadership and effort to ensure the horizontal coordination of policies. One of the ways this could be achieved is by appointing an Executive Vice-President (EVP) for Wellbeing and Future Generations to lay the groundworks for and oversee the implementation of this policy agenda.
- *No need to start from scratch.* This policy agenda should build on the many initiatives, policies, legislation and governance processes which the EC (and Member States) has already put in place. It should also take into account academic and policy debates from around the world. This provides an indispensable foundation to develop the required policy agenda (see the box).

A European Policy Agenda for Sustainable and Inclusive Wellbeing

Strengthen the Science-Based Policy Toolkit

Building on existing efforts, tools for science-based decision-making should be further strengthened.

- **Metrics & Accounts.** Indicators/indexes are needed to monitor progress. These metrics should be embedded in an accounting system to assess trade-off and synergies. Leveraging existing collaborations with the UN, OECD, World Bank and IMF, the EC should consolidate the metrics and accounts needed to create international benchmarks for sustainable and inclusive wellbeing.
- **Policy models for forecasting & impact assessment.** Policy models which are vital for analysing and forecasting needs, assessing impacts, supporting policy formulation and ensuring ex-ante and ex-post evaluations should be strengthened to assess wellbeing, inclusion and sustainability.

Reform the European Semester Process

A crucial part of the EU policy agenda is to reform the European Semester process – the EU's socio-economic governance framework – to better support sustainable and inclusive wellbeing.

- The Semester should be based on **three foundational principles**:
 - **Coherent goal-orientation and target-driven governance.** The goal of the Semester should be to steer progress towards sustainable and inclusive wellbeing. Links to existing governance frameworks should be established, while further targets are needed.
 - **Improved monitoring systems.** Existing monitoring systems should be strengthened and expanded to better monitor progress towards achieving new and existing goals and targets.
 - **Funding mechanisms.** The European Semester process must adequately monitor the implementation of EU funding mechanisms. The design, adequacy and criteria for allocating EU funding should be reassessed and investments should be directed away from harmful policies and projects. Options for progressive taxation and a successor instrument to the Recovery and Resilient Facility (RRF) should be investigated to fill investment gaps.
- To ensure that a reformed European Semester can monitor the EU's progress towards sustainable and inclusive wellbeing and steer reforms and investments, three **quality implementation principles** are needed.
 - **Horizontal coordination and coherence.** Horizontal coordination at EU and national levels must be increased at all steps of the European Semester to overcome policy silos and ensure balanced coherent progress towards sustainable and inclusive wellbeing.
 - **Whole-of-society participation.** The participation of relevant stakeholders in the European Semester process should be improved by ensuring a whole-of-society participation approach. This should involve meaningful and structured co-creation of policies with social partners, organised civil society, businesses, academia, people and relevant stakeholders.
 - **Enforcement mechanisms.** The capacity of the European Semester to support appropriate enforcement should be strengthened to incentivise governments to work towards sustainable and inclusive wellbeing. This should involve strengthening links with EU funding mechanisms to create incentives for implementation.

Implement Policies for 5 Societal Transformations and 13 Policy Areas

This horizontal policy agenda, which is based on scientific insights and stakeholder input, needs clear coordination. This could be achieved by the EVP who will be responsible for the horizontal coherence across 5 transformations and 13 policy areas (see visual on next page).

- **5 societal transformations.** Policies should be developed for five societal transformations: Two “thematic transformations” align with the objective of achieving sustainable and inclusive wellbeing and are complemented by three “enabling transformations” (mission economy & finance, transformative research & innovation and multi-level governance).
- **13 policy areas.** The societal transformations are linked to 13 policy domains. This paper suggests a non-exhaustive list of concrete policy suggestions in the annex.

Societal Transformations for Sustainable and Inclusive Wellbeing

Thematic Transformations

Enabling Transformations

Inclusive Wellbeing

Sustainable Wellbeing

Mission Economy & Finance

Transformative Research and Innovation

Multi-level Governance

Equal Opportunities

Just Green Transition & Circular Economy

Resilient Industrial Policy and Sustainable Competitiveness

Public R&I

Participatory Democracy

Quality Employment

Strategic Autonomy

Transformative Finance

Public-Private Collaboration

Global Collaboration

Social Protection and Inclusion

Peace and Demographic Stability

Sustainable Infrastructure and Services

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A European Agenda to Navigate Uncertain Times

How to Steer the EU Towards Sustainable and Inclusive Wellbeing for All, Now and in the Future

“The Union's aim is to promote peace, its values and the well-being of its peoples.”

- Article 3 of the Treaty of Europe -

1. INTRODUCTION


These are uncertain times. Geopolitical tensions and armed conflicts, rising costs of living, growing multidimensional inequalities, accelerating climate and biodiversity crises, security risks, pandemics, rapid development of AI systems, risk of disinformation, political polarisation, migration and an ageing society are causing uncertainty among the people, governments and businesses of Europe.

This situation provides a complex puzzle for policy makers, who need to resolve urgent short and long-term crises, while also alleviating societal concerns and uncertainty. The policies which are needed to resolve these crises will depend crucially on the support of the people and businesses in Europe. At the moment, the policy debate is shifting towards security and stability to reassure various actors. It has also seen a growing focus on “competitiveness” as a core response to geopolitical tensions and economic uncertainty. While competitiveness is an important pillar of a vibrant economy, the people of Europe need to know “to what end?” these efficiency and productivity policies are being proposed. Consistent with Article 3 of the Treaty of Europe, quoted at the top of this page, this paper argues that wellbeing should be the overriding goal of European policies.

People will need to be confident that the underlying goals of EU policy are to safeguard their wellbeing and the wellbeing of the planet, while ensuring that their children and grandchildren can also thrive. On the other hand, European businesses will need assurances that the EU will provide a consistent transformational vision for the business environment towards sustainable products and services that also helps them navigate the current geo-political uncertainties and improve their competitiveness. Addressing these challenges requires the involvement of many actors with varying interests which, however, can lead to different prioritisations. To create coherence and clarity, decision-makers need to be clear about their long-term goals: to support the wellbeing of people and planet. It also requires the actors to make efficient use of the financial and material resources available.

To make our economies as productive as possible in delivering wellbeing, improving the lives of all people, and ensuring that future generations can thrive on a healthy planet, we need the right tools. The current tools are not effective as we can see from the increasing gap between GDP and wellbeing: focusing on GDP on its own does not deliver wellbeing.¹ The EU needs a different compass that makes best use of its limited resources.² As European Commission President Ursula von der Leyen said at the *Beyond-Growth Conference* in 2023, Europe needs “a different growth model that is sustainable far into the future.” Europe is also committed to the UN’s 2030 Agenda for Sustainable Development, as a reference for EU policies³.

In the last five years the EU has taken important steps towards sustainable and inclusive wellbeing by starting to address some of the biggest environmental and social problems. Environmental and climate policies (e.g. the 8th Environment Action Programme and the Zero Pollution Action Plan 2021⁴, among others) are anchored in the European Green Deal (EGD). The EGD aims to make Europe climate-neutral by 2050 by becoming resource efficient and helping European economies and societies pivot to renewable energy, resource and energy efficiency, sustainable products and



food systems, circular economy, sustainable industrial policy, regional development, smart sustainable mobility and built environment.

Social fairness is also at the heart of the European Green Deal (EGD), including through the 'Fit for 55' policy package⁵, the Social Climate Fund⁶ and the Just Transition Fund⁷. With regards to social policy, the EU and its Member States agreed on the European Pillar of Social Rights (EPSR), the EU's compass for "a strong social Europe that is fair, inclusive and full of opportunity in the 21st century." It contains 20 thematic principles, organised in three chapters on equal opportunities and the labour market, fair working conditions as well as social protection and inclusion. An Action Plan from 2021 proposed three EU headline targets on employment, skills and poverty reduction to be reached by 2030 and outlined a variety of policies, legislation and recommendations for the implementation of the EPSR at EU and national levels. This plan will be reviewed in 2025.⁸

The EGD is also important in an international context as other countries, such as the United States and China, have introduced major policy programmes (e.g. the US's Inflation Reduction Act) to stimulate a just green transition of their economies. Transforming the European economic system is not just a matter of environmental and social urgency but also crucial for building a resilient and competitive economy.⁹ Implementation of the EGD and the EPSR are also supported through EU funding financed through the Multiannual Financial Framework (MFF), NextGenerationEU and its Recovery and Resilience Facility (RRF).¹⁰

At the same time many of the EU's environmental ambitions have been watered down, as public and stakeholders' resistance mounts¹¹ and vested interests seek to maintain the status quo. Public resistance is partly due to fears that the EGD insufficiently addresses social impacts, especially on low-income groups. Indeed, in 2022, less than half of Europeans were confident that by 2050 sustainable energy, products and services will be affordable for everyone, including poorer people.¹² However, at the same time, progress towards achieving two out of the three EU headline targets has also been slow and the ambition of a variety of policies and legislation on employment and social rights was similarly watered down during negotiations.

The authors of this paper argue that this is partly because the individual pieces of legislation are not part of a broader, more holistic rethink of a broader European governance and policy agenda. Fundamentally, a discussion is needed about what the real policy goal is. This paper argues that wellbeing is consistent to the core values of the European Union and could attract wide support as a main goal of policy. Globally, there is also scientific and institutional convergence towards wellbeing as an overarching policy goal. There are three elements: ensuring current wellbeing, ensuring future wellbeing well as limiting wellbeing inequalities. These elements are strongly interconnected and overlap in some cases. The goal is therefore to achieve *Sustainable and Inclusive Wellbeing: Wellbeing for all, now and in the future*. The above introduction shows there are already many strategies, policy and legislative initiatives which are guiding the EU towards sustainable and inclusive wellbeing.¹³

The urgency of the problems that Europe faces has activated a growing number of governments, civil society organisations, trade unions, academic and research institutes, youth associations and other stakeholders to support the necessary transformation. This report will reference publications from many organisations as research institutes that are advocating for a wellbeing economy. This paper uses these ideas to provide the architecture of an integrated, holistic policy framework for Europe to enhance sustainable and inclusive wellbeing.

2. THE NEED TO CHANGE

In what way is the current policy agenda not delivering solutions to solve the crises at hand? Which social and ecological crises are persistent and are threatening the wellbeing of all, now and in the future? The next three sections will analyse the scientific insights, the opinions of the people of Europe and the needs of European businesses. This paper is too brief to be exhaustive, but it summarises some of the most relevant scientific insights, public opinions and business perspectives.

What the science says

Wellbeing

In economics, a large literature has examined the relationship between income and wellbeing. Although richer people and countries report higher levels of life satisfaction, increased income does not consistently lead to greater overall life satisfaction once a specific revenue threshold is achieved. This phenomenon – better known as the Easterlin paradox¹⁴ – is illustrated in Figure 1, which depicts a minimal association between GDP growth and the growth of life satisfaction across countries.

One explanation for the Easterlin paradox is that relative income matters more than absolute income, so comparisons and adaptation thwart wellbeing progress. Another explanation is that economic growth can enhance wellbeing, but over the past decades its prioritisation has come at the expense of other vital components of wellbeing such as quality employment, social relationships, mental health, social cohesion and environmental sustainability. Hence, there is a need to rethink the relationship between economic growth and broader aspects of wellbeing.

Figure 1 is based on surveys in which people are asked about their life satisfaction. There are, however, other ways of measuring current wellbeing. An index, based on economic theory, is called Benefits and Costs Experienced (BCE)¹⁵ which is similar to the well-known Genuine Progress Indicator (GPI).¹⁶ This approach takes into consideration costs and benefits that are not regularly included in macro-economic indicators (e.g. unpaid work). These economic externalities are given a monetary value so that they can be compared to GDP. Unfortunately, these data are not yet available for the EU27¹⁷ but a recent study has calculated the BCE for the EU15.¹⁸ Figure 2 contrasts the BCE to GDP per capita and shows that the BCE developed far more slowly and has been fairly stagnant since 2000.¹⁹ The stagnation was mainly caused by decreases in the value of unpaid work, and the rising losses from income inequality.

Another index which measures current wellbeing is the Human Development Index (HDI) which was first proposed in UNDP's Human Development Report in 1990. The results from this measure show that in 2020-2021, the global HDI fell for the first time, and for two years in a row.²⁰ Of course, these drops were heavily influenced by the COVID-19 pandemic, but a deeper analysis shows that the drop in life expectancy also has more structural causes in high-income countries.²¹ The pandemic also led to an unprecedented synchronicity, with HDI setbacks recorded in more than 90 percent of countries.²²

So whatever wellbeing index is used: Life Satisfaction, BCE or HDI; the science suggests that in high-income regions such as the EU, wellbeing is stagnating and that there are diminishing returns to GDP.²³ A recent study looking at the relationship between GDP and life satisfaction in OECD countries found a general improvement of living conditions with rising GDP but also 'diminishing returns' of income and wealth. This was the case for health-related needs, in particular.²⁴ Another recent study has coined the term “wasted GDP” to argue that if economic growth is not contributing to wellbeing it is, in fact, being wasted.²⁵

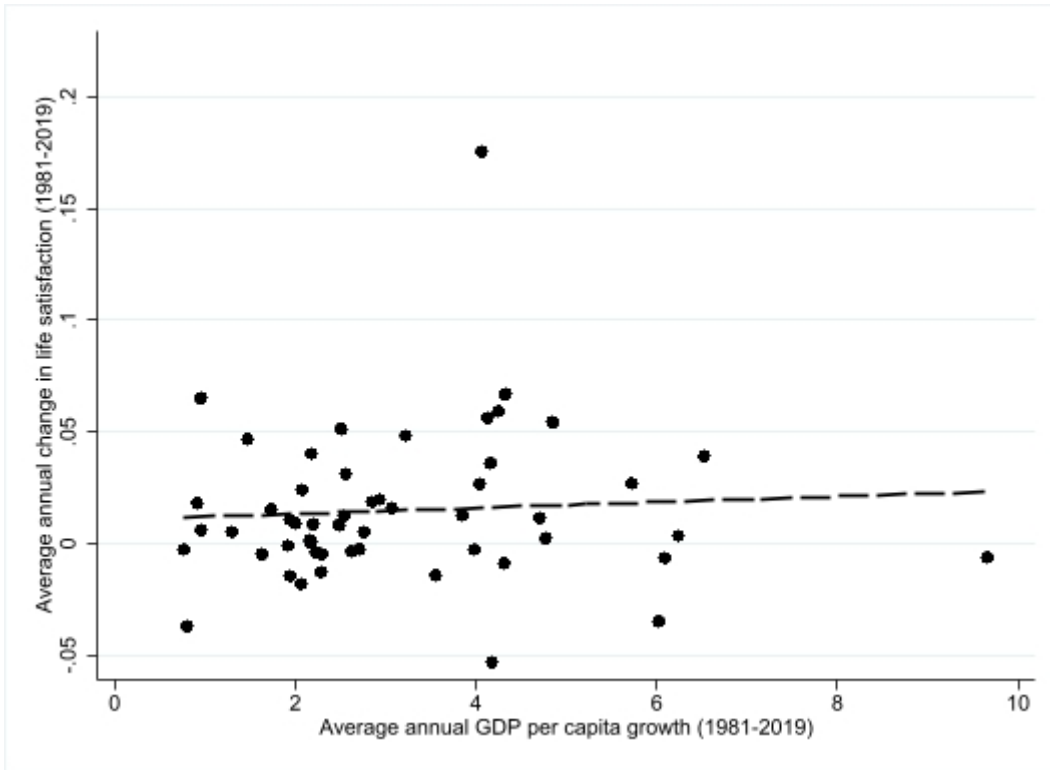


Figure 1. Change in life satisfaction and GDP per capita²⁶

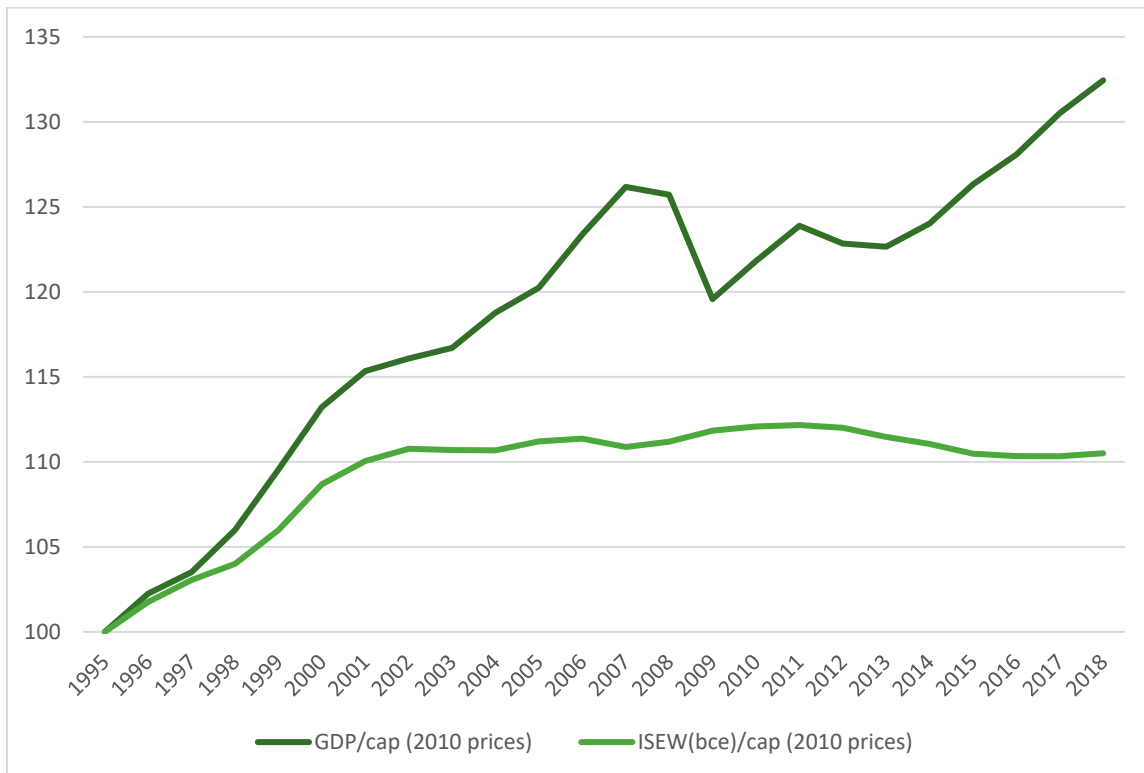


Figure 2. Benefits and Costs experienced vs. GDP per capita for the EU15²⁷

Inclusion: The Distribution of Wellbeing

Looking simply at average wellbeing can be misleading. It hides the fact that some people or demographic groups may be doing well while others are struggling. This is amplified when looking at average growth, for example increases in GDP, which may be masking increases in economic inequalities. It is therefore important to examine the distribution of wellbeing, as these disparities can sometimes also be linked to polarisation and other social tensions²⁸. Therefore, we need to analyse inequalities in multiple dimensions. There are many ways to do so, some of which are discussed below.

Income and Wealth Inequalities

For the 1990-2020 period, the bottom 50% of the income ladder of the European Union received around 18% of the national income share.²⁹ That has remained fairly stable in the EU for that period. In the US, this share dropped from 20.1% in 1980 (when it was comparable to the EU) to 10.4% in 2022 (when the EU was 18.4%). A recent paper, *Why Is Europe More Equal than the United States?*³⁰, which compared income inequality in Europe and the US, found that the differences lie in the pre-distribution phase where European disparities are smaller. As a result, the US needs to do more in the redistribution phase, which is why, “after accounting for indirect taxes and in-kind transfers, the US redistributes a greater share of national income to low-income groups than any European country.”

As a general rule, wealth is far more unequally distributed than income. For example, in the EU27, the bottom 50% owned only 3.5% in 2022 (compared to 1.5% for the US).³¹ Both the EU and the US have seen an increase in wealth concentration over the last decades although the development is more moderate in Europe. For the EU27 the share of the top 1% increases from 22% in 1995 to 24.6% in 2022. For the US, this increase was larger, from 28.5% to 34.9%.³² A recent study analysed the more moderate increase in the EU compared to the US and attributed this to the weaker rise in labour income inequality and the stronger rise in house prices relative to financial assets in Europe versus the US.³³

These inequalities also affect overall wellbeing. For example, the latest data of the Inequality-adjusted Human Development Index released by UNDP also show the significant loss in human development due to inequality in EU Member States.³⁴

Poverty and Social Exclusion

Beyond these inequality figures it is important to look specifically at people that live below certain thresholds. In 2022, 95.3 million people in the EU (22% of the population) were at risk of poverty or social exclusion³⁵. In 2022, close to 10% of households were living in energy poverty, rising to 20% for the lowest income groups and 17% of households were in financial distress.³⁶ Policies to address these issues are currently not adequate. Indeed, no minimum income scheme in Europe has reached the poverty line, and up to 50% of people do not access the benefits they are entitled to.³⁷ In 2022, 8.5% of people across the EU experienced in-work poverty³⁸, indicating significant gaps in adequate statutory and minimum wage protections.

Discrimination

In a 2023 Eurobarometer poll, more than half of respondents say there is widespread discrimination in their country on the basis of being Roma (65%), of skin colour (61%), of ethnic origin (60%), of gender identity (being transgender, 57%) or sexual orientation (54%). Around one in five (21%) respondents said that they have personally felt discriminated against or experienced harassment in the previous 12 months.³⁹ The most forms of discrimination or harassment mentioned most are based on age, gender, “political opinions”, “socio-economic situation” and “general physical appearance”.⁴⁰ Public spaces and work are the primary locations where discrimination or harassment happens.⁴¹

According to the Gender Equality Index that has been developed to measure gender equality in the EU, the European Union still has much to do to reach this objective. The EU's 2023 score 70.2 points out of 100 represents an improvement of 1.6 points compared to 2020 – the highest year-on-year rise since the first edition of the Index in 2013. Since 2010, the EU's score has increased by 7.1 points, primarily driven by advances in the domain of power (+ 17.2 points).⁴² Between EU Member States there has been convergence in the period 2010–2021.

Regional Disparities

Looking at regional disparities in Europe, data from the European Social Progress Index (EU-SPI) provides information at the NUTS2 level. The EU-SPI aims to measure social progress for each EU region as a complement to traditional measures of economic progress. For this reason, the EU-SPI is constructed using only social and environmental indicators (primarily from Eurostat) to better reflect societal developments. It uses twelve components that are further aggregated into three broader dimensions (i.e., Basic human needs, Foundations of wellbeing, Opportunity) describing respectively basic, intermediate and more subtle aspects of social progress. The 2024 SPI, shown in Figure 3, show that social disparities vary greatly both across regions and across different aspects of social progress. Nordic countries have high SPI scores with lower values for southern and eastern Europe.

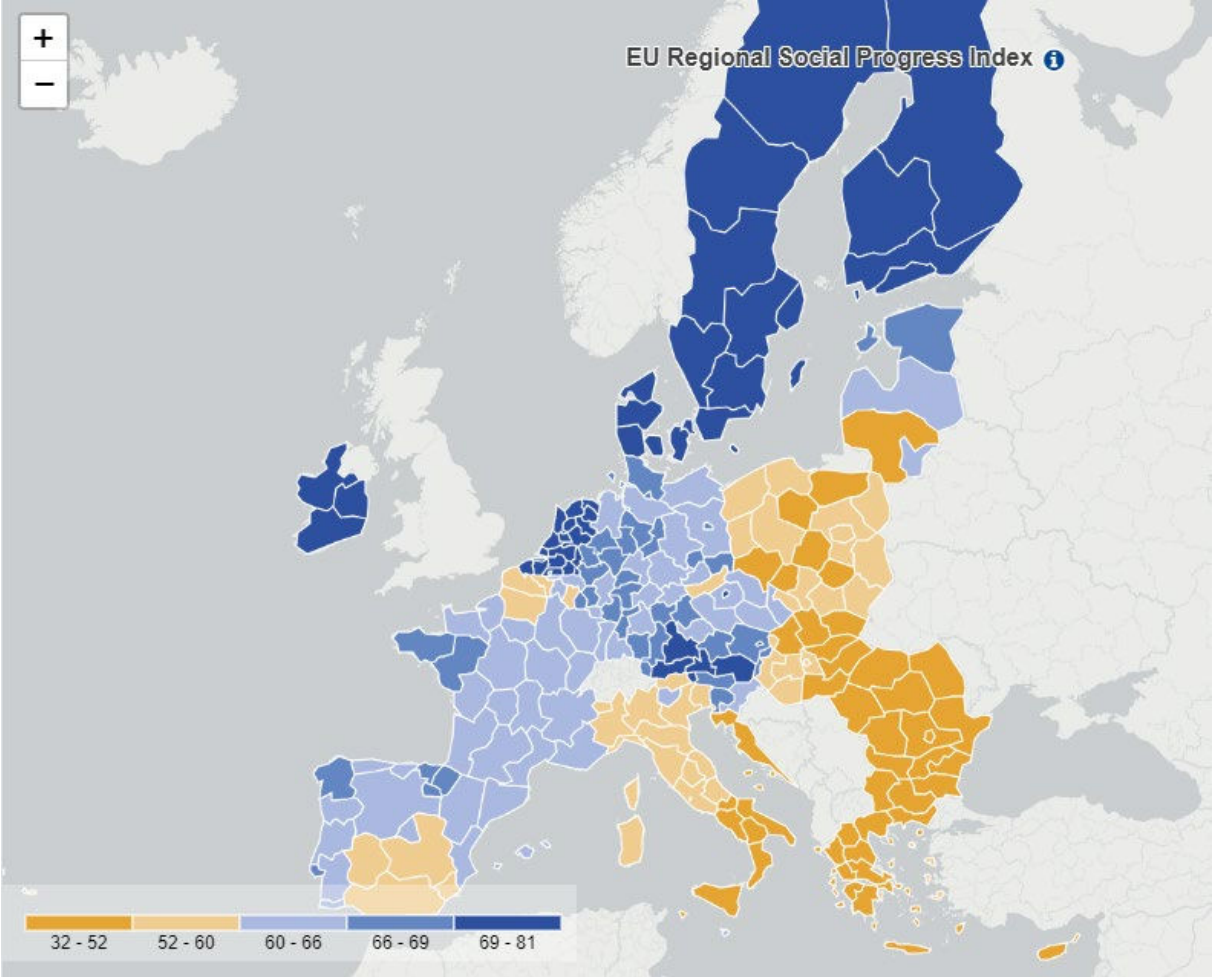


Figure 3. EU-Social Progress Index at the NUTS2 level⁴³

Sustainability: Future wellbeing

There are many factors which can affect wellbeing in the future. Will future generations be able to live on a healthy planet? Will there be high-quality, well-paying jobs offered by a sustainable, competitive and innovative business sector? Will there be cohesive and pleasant societies to live in? This section describes the environmental and socio-economic issues affecting future wellbeing.

Planetary Boundaries

To ensure safety and biophysical preconditions for human wellbeing, it is extremely important to stay within the “planetary boundaries” which are the earth system limits which should not be transgressed. Figure 4 shows that globally we are overshooting six out of the nine planetary boundaries.

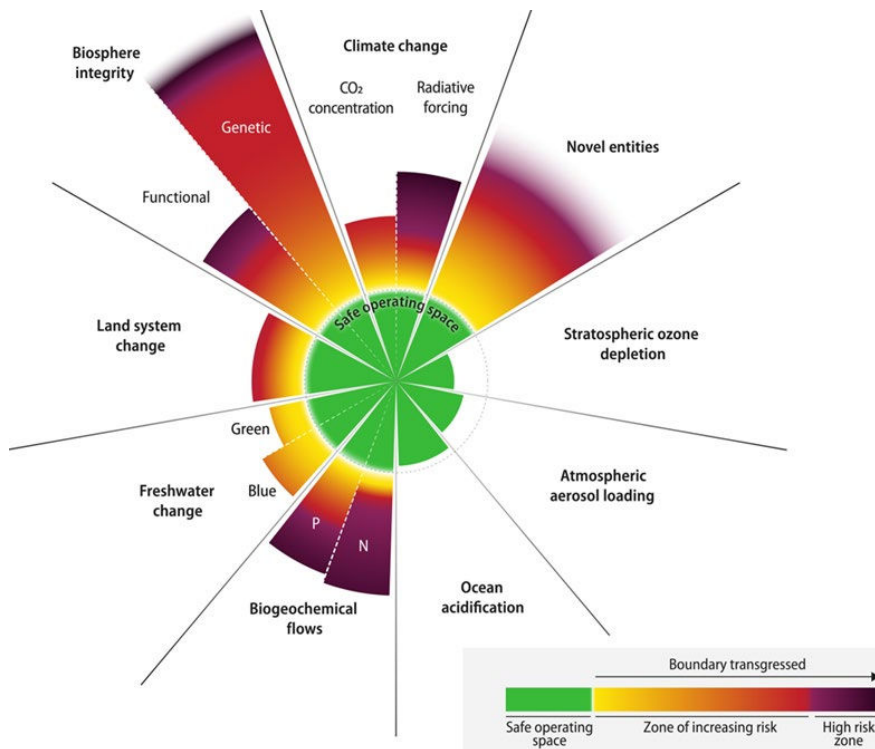


Figure 4. Earth overshoot of six out of nine planetary boundaries⁴⁴

Insufficient action on climate change will bring devastating and multifaceted consequences.⁴⁵ It would even have severe financial consequences: according to Eurostat, the EU has so far lost around €145 billion in a decade due to climate change related events.⁴⁶ And the World Bank projects that costs of inaction in a high warming scenario could reach 7 percent of EU GDP,⁴⁷ while the Institut Rousseau estimates that the potential cost of inaction could reach €120 billion per year in a 2°C scenario to €190 billion per year in a 3°C scenario.⁴⁸ The Potsdam institute found that climate damages could amount to 19% of national income each year.⁴⁹

European countries have a significant impact on the planet, as is shown in a study which looks at the national responsibilities of 150 countries.⁵⁰ The root causes are the production and consumption patterns of high-income countries leading to high environmental pressures. One study has shown that lower rates of economic growth would help to decrease emissions more than high economic growth scenarios.⁵¹ Low growth rates would also reduce absolute energy demand to extract and process materials – this would lower the need for build-up of low-carbon energy infrastructure, and for high energy-GDP decoupling. The study also finds that pursuing higher growth rates jeopardises the chances of keeping below 1.5-degree warming. In these de-growth scenarios, it is argued that this can be attained while also achieving social justice and other goals.



A crucial question is whether it is possible to pursue wellbeing for all without transgressing the natural limits of our planet. Figure 5 shows that wellbeing (measured by Human Development Index) and environmental impacts (measured by GHG emissions per capita) are heavily correlated. The EU27 countries, denoted by blue dots, have high wellbeing but also high CO₂ emissions per capita.⁵² To date, no country has achieved high wellbeing with low environmental pressures.⁵³

The difference in environmental pressures is also correlated with income inequalities. Figure 6a shows the distribution of carbon emissions where the bottom 50% is responsible for just 16% of emissions growth, while the top 1% contributes 23%.⁵⁴ Figure 6b also shows that it is national rather than international inequalities which have increased. This also implies that efforts to set sufficiency standards for high-income groups are an important strategy.⁵⁵

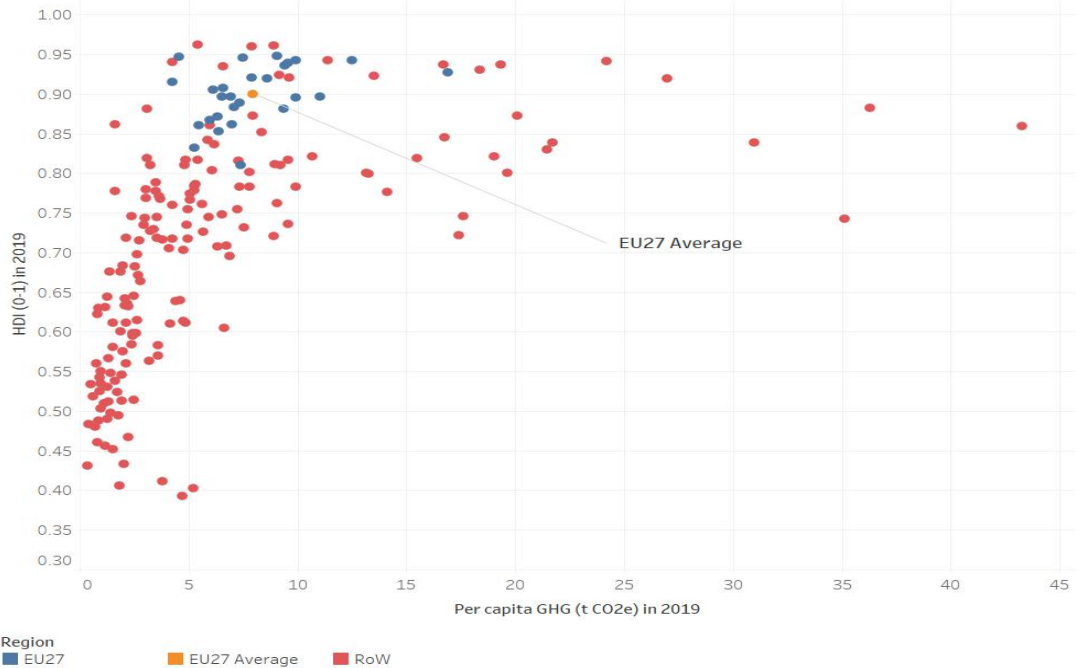


Figure 5. Human Development Index vs. greenhouse gas emissions per capita⁵⁶

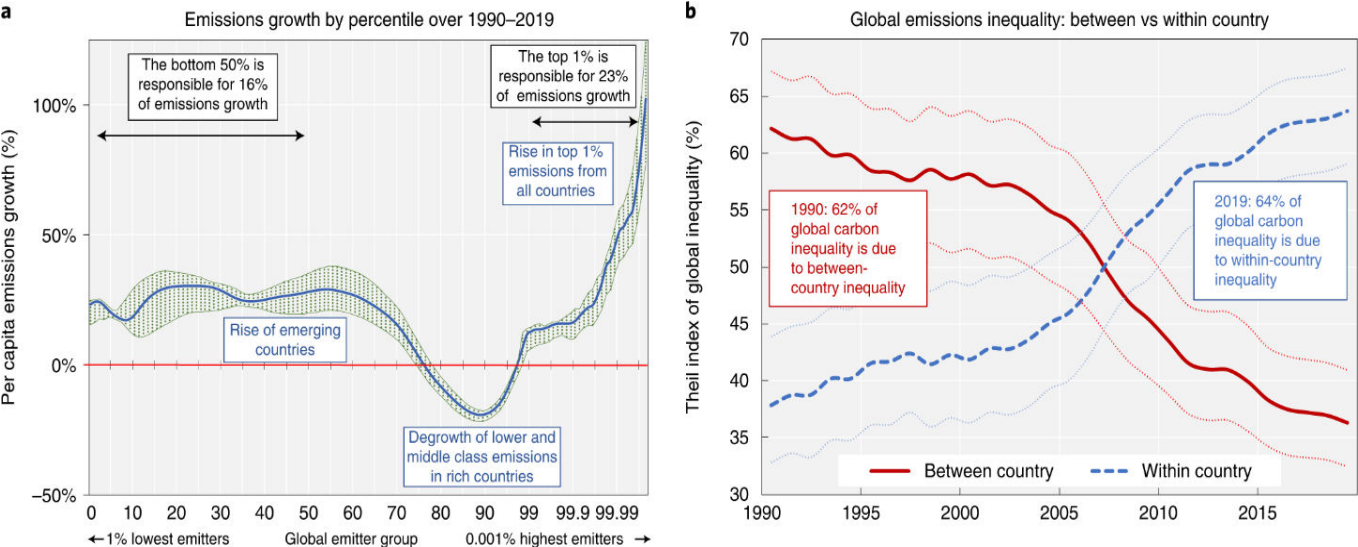


Figure 6a, Growth in emissions by global emitter group over 1990–2019. Dotted area represents upper and lower bounds from our range of extreme scenarios. Figure 6b, Global emissions inequality between vs within countries⁵⁷

Ageing society

The ageing of the continent is seen in projections which show that there will be close to half a million centenarians in the EU27 by 2050. According to Eurostat, the median age is projected to increase by 4.5 years between 2019 and 2050, to reach 48.2 years.⁵⁸ The working-age population is projected to decrease drastically from 265 million in 2019 to 217 million in 2070. As a consequence, the old-age dependency ratio will increase over the long term. By 2070, there will be less than two working-age persons for every person aged over 65, posing a significant economic challenge.⁵⁹

In parallel, low and decreasing birth rates contribute to demographic pressures.⁶⁰ Fertility rates steadily declined from the mid-1960s through to the turn of the century in the EU Member States. A short rise at the beginning of the 2000s stopped in 2010 and led to a further decline observed in 2013, followed by slight consecutive increases (2016, 2021) and decreases (until 2020, 2022).⁶¹ It is projected to slightly rise from 1.50 live births per woman in 2022 to 1.62 by 2070, staying below the natural replacement rate of 2.10 in all countries.⁶²

This situation creates pressure on government spending. It is projected that public pension expenditures will significantly increase by 2045 but would fall again to the current level by 2070.⁶³ To address these rising expenditures, economic growth is often seen as the only solution. However, institutional changes in pensions and old age care services are also needed to address challenges related to ageing society and ensure secure wellbeing at older age. More generally, this also shows that more research is needed about the existence of welfare systems without economic growth.⁶⁴

Migration

Migration is likely to remain a significant factor in the EU demography in the years ahead. More than one per cent of the world's population are displaced due to violent conflicts, food crisis and disasters.⁶⁵ Climate change related weather events, such as flooding and drought, are becoming a major cause of displacements worldwide and is bound to increase without urgent climate action.⁶⁶ Russia's invasion of Ukraine has already displaced over 6 million refugees worldwide. Depending on the outcome of the war, these individuals may either settle in the EU or return to Ukraine, both scenarios posing challenges. Navigating the political implications of increased migration will be challenging. At the same time, given Europe's demographic challenges, including longer lives and low fertility rates (as discussed above), migration will be necessary to fill growing labour shortages with an adequately skilled workforce and ensuring the fiscal sustainability and adequacy of pension systems. Indeed, pension expenditure would increase for most countries under the assumption of net migration being 33% lower over a set projection horizon.⁶⁷

Institutions and disinformation

EU democracies are increasingly being confronted with disinformation campaigns. The proliferation of fake news and manipulation exacerbates political polarisation, eroding public trust in both politics and media. According to the Reuters Institute Digital News Report, global trust in news overall (40%) and in the sources individuals use themselves (46%) declined in 2023.⁶⁸ Within the EU, a survey conducted in February 2024 across four of the five largest Member States—France, Germany, Italy and Poland—revealed that 60% of respondents distrust politics, while only 37% trust the EU and a mere 28% trust their own national government.⁶⁹

Innovation and Competitiveness

The future wellbeing of Europe also depends on an innovative economy which contributes to high-quality employment and creates innovations that contribute to resolving the ecological crises that we face. At the same time, the EU needs to increase its competitiveness compared to the US and China. Figure 7 shows that China is fast increasing the numbers of patents, especially digital ones. Figure 8 shows that while the EU is lagging in bio- and digital technologies, it is leading in green technologies.

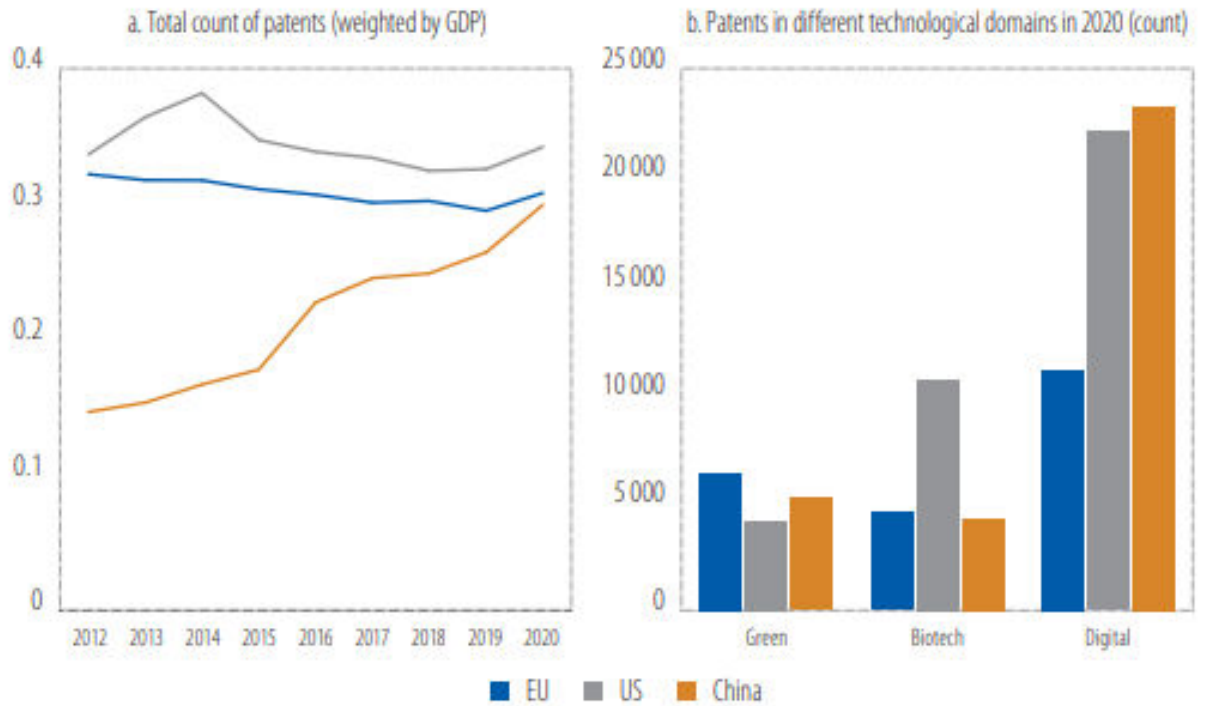


Figure 7. Patenting activities in the EU, US and China⁷⁰

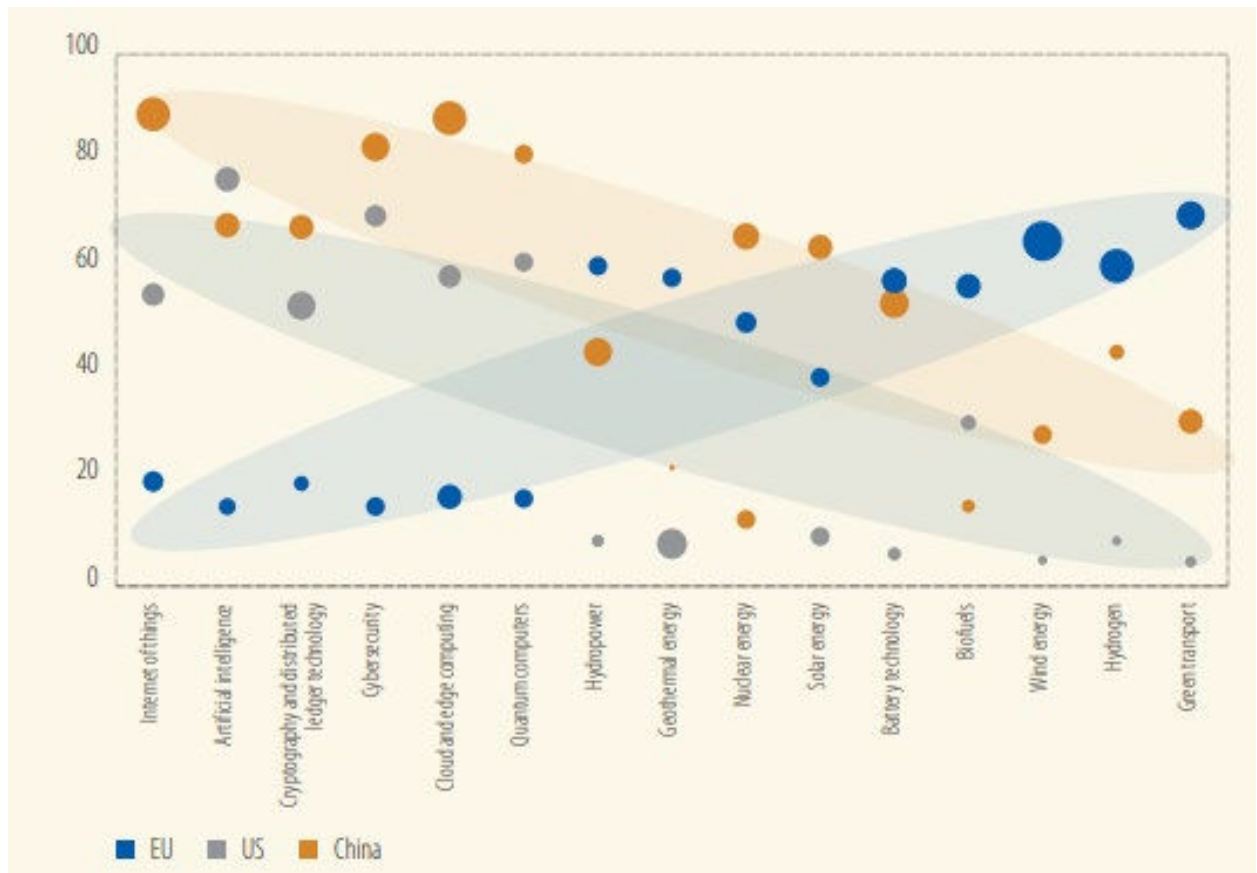


Figure 8. EU position in complex technologies vs. the US and China (2019-2022)⁷¹

What people want

All over the world, people are feeling unsettled and are looking for answers⁷². Even before the pandemic, six out of seven people globally felt insecure, based on an Index of Perceived Human Insecurity (I-PHI). This index was developed by the UNDP⁷³ to measure subjective freedom from want, freedom from fear and freedom from indignity using 17 questions from the World Values Survey. Global perceived insecurity sheds light on the complex dynamics between insecurity and development today. Even among countries with very high human development, three out of four people feel insecure.⁷⁴ Specifically in the European context, various surveys have confirmed that people feel insecure about their future and that of their children and want governments and the EU to address certain problems.

- In 2022, large shares of people in several EU countries believe that their children will be financially worse off: The Netherlands (66%), Germany (53%) and France (78%).⁷⁵
- 77% of Europeans see climate change as a very serious problem.⁷⁶ 67% of people in the EU think that their national governments are not doing enough to tackle climate change.⁷⁷
- At national level, almost half of respondents (48%) believe that addressing the high cost of living should be a main priority in their country, followed by low wages (35%).⁷⁸
- The majority of Europeans (88%) agree that the green transformation should not leave anyone behind.⁷⁹ 88% of Europeans consider a social Europe important to them personally.⁸⁰
- 68% of those surveyed in the G20 agreed that the way the economy works should prioritise the health and wellbeing of people and nature rather than focusing solely on profit and increasing wealth (8% disagreed).⁸¹ 68% of French people and 50% of Germans support reforming the current economic system.⁸²
- Europeans consider that the standard of living (45%), fair working conditions (44%) and access to quality health care (44%) are key elements for the EU's social and economic development.⁸³
- 78% of people in the EU believe that overall public spending on key social policies should increase, with health, long-term care and education being considered the most important.⁸⁴
- The main topics that the European Parliament should prioritise according to Europeans include the fight against poverty and social exclusion (36%), public health (34%), action against climate change and support to the economy and creation of new jobs (both 29%).⁸⁵

These figures show that there is significant public support for policy changes. However, the exact motivation might not always be entirely clear or consistent. For example, there is support for reforms to the economic system, but the reasoning may differ significantly for people. Also, when people are asked to answer these questions, they are not being asked to consider the trade-offs that may be inherent to solving the problem. It is easy to support, in general, enhanced inclusion and sustainability but policies aimed at attaining these goals can lead to certain individuals and businesses benefitting while others may experience negative effects. This is also the reason why the green transition can fuel social conflicts and democratic backlash in Europe. It is thus important to better understand how diverse population groups differ in their attitudes for a socially just green transformation.

Equity and environmental sustainability should be fundamentally intertwined with the pursuit of economic and political goals. This is the desire shared by the Conference on the Future of Europe (CoFoE)⁸⁶ as a transnational, multilingual and interinstitutional exercise of deliberative democracy, involving thousands of European citizens as well as - to varying extents - political actors, social partners, civil society representatives and key stakeholders. After months of deliberations, the Conference put forward a report including 49 proposals to the EU institutions. The proposals call for increasing alignment of economic and political strategies by “developing transparent quality of life indicators including economic, social and rule of law criteria, in order to establish a clear and realistic timeline for raising social standards and achieving a common EU socio-economic structure” (proposals #11, #29.1).

Every objective accompanying the proposals on a renewed EU economy refers to wider societal or environmental goals (see proposals #12-16 on social Europe, social and gender dimensions in investments, all proposals on the climate and environment, #9 on healthcare, and #29.1 and #30 on the rule of law). These proposals reveal, both implicitly and explicitly, support for the development of a European model of sustainable and inclusive wellbeing underpinned by a shared understanding of what matters.

What businesses need

European companies know change is coming. Significant parts of the economy are built on the foundations of carbon-intensive activities and sectors that will need to transform to be a viable part of a low-carbon economy. Businesses must embed the just transition into their activity to build resilience and mitigate risks that may arise from climate, environmental and societal disruptions of the economy.


Companies have called for targeted actions in the areas of energy affordability, better regulation, open and rule-based trading, technological innovation and single market policies, to tackle the structural weaknesses undermining businesses.⁸⁷ The US, China and, to a lesser extent, the EU have all initiated large-scale investments and policy goals to foster a green transformation. For example, the Inflation Reduction Act (IRA) in the US has created sizable incentives for renewable energy and electrical vehicles. Since August 2022, when the IRA was signed into law, 142 projects have been announced totalling \$98 billion in investment dollars and more than 80,000 jobs.⁸⁸ China accounts for 60% of global zero-carbon technology manufacturing.⁸⁹ This is not to say that Europe is lagging behind in all areas: in 2022, the EU had the largest share of wind and solar electricity generation among leading global economies. Use of electric vehicles (EVs) per capita is higher in the EU than in China and the US. The EU has significant global market shares in electrolyser, wind and heat pump manufacturing.⁹⁰

This provides many challenges and opportunities for European businesses. For example, the IRA and the Chinese efforts to support EVs have been designed to benefit their own economies. That poses a threat to European car manufacturers, some of whom are having trouble transitioning. Also, the sourcing of critical materials for the energy transformation requires sizeable volumes of critical raw materials. Many of these markets are currently dominated by China, either in mining or refining.

When asked for the biggest concerns for manufacturing companies hindering investment, it is important to note that 90% name uncertainty as one of the major factors.⁹¹ A reliable regulatory environment is important for Europe's competitiveness and the propensity of investments. More than 90% of manufacturing firms covered by the EU Emissions Trading System are concerned about uncertainty surrounding regulation, energy and carbon prices.⁹²

Small and medium enterprises (SMEs), representing 99% of all businesses in the EU, also face significant challenges. Volatility and unpredictability in the current economic context have made it more difficult for SMEs to do business. In the past years, they experienced difficulties in hiring new staff to meet an unexpectedly strong rebound in demand, while also having to master numerous new challenges. Inflation rates increased drastically, especially during 2022, provoking rises in interest rates, and further reducing SMEs access to finance. Russia's war of aggression against Ukraine brought higher energy costs, while rapidly increasing raw material prices put even more pressure on small businesses. Other structural issues they face include administrative burden, late payments, access to finance and availability of staff, and challenges related to their lifecycle to compete and grow.⁹³

According to the Competitive Sustainability Index 2022 by the University of Cambridge⁹⁴, EU countries are collectively performing competitively better on Society and Governance dimensions of the transition compared to Economy and Environment dimensions. The overall performance is



particularly poor in the economic competitiveness dimension in terms of entrepreneurial culture, venture capital and gross value added of manufacturing. This points to the need for Europe to “reinforce its entrepreneurial culture if it is to lead the sustainability transition and prevent third countries from reaping the competitiveness benefits of EU R&I efforts”.⁹⁵

All in all, European businesses need a clear, long-term vision to create business models that support a more sustainable and inclusive future. Businesses need a coherent and coordinated industrial strategy where the EU leverages its existing strengths as well as technological leadership and fosters collaboration among sectors and Member States. This includes investment opportunities to support the green transition, enforcement of fair competition and long-term strategies to meet the demand for critical materials through circular economy strategies, and responsible mining and trade. A strategic approach to cross-European value chain development is needed, including a focus on critical raw materials. Green production standards will become the norm in the future; therefore, it is crucial for European businesses to gain a head start to design low-carbon affordable products and services.⁹⁶ These policies need to be consistent and reliable so that businesses can make decisions accordingly. This is in line with the EU's vision of competitive sustainability.⁹⁷ In addition, business models, such as social economy enterprises, that are regenerative and distributive by design⁹⁸ should be further supported, in line with the Council recommendation on developing social economy framework conditions.^{99,100}

3. THE CHANGE WE NEED

The science confirms the need to simultaneously address short and long term ecological and social crises. The previous section has also shown that there is widespread popular support to tackle these issues and businesses are keen to have the right frameworks and policies in place that provide certainty and help direct innovation and investment. Yet the policy choices are very complex, because of the enormous systemic changes that need to be implemented, and the trade-offs which leads to winners and losers. However, it is worth remembering that business-as-usual models lead to worsening climate change impacts and all people will lose the prospect of secure wellbeing and societies.

To enhance public support, it is important that people recognise how policy decisions on sustainable and inclusive wellbeing aim at improving their lives and those of future generations. They also want to know that, if policies are proposed, the negative impacts are assessed, communicated transparently, minimised and compensated, where needed. In addition, businesses need clarity about the direction and consistency in policy proposals. To achieve this, a clear European vision and leadership role is needed to overcome current barriers and allay fears to enable the necessary changes.

Define the Overarching Goal

One core way to communicate the vision to a heterogenous group of stakeholders is to be clear about the overall objective of policy. A new European Policy agenda focused on sustainable and inclusive wellbeing will need a scientific foundation, which should also be communicated to the general public. Over the past decades, many alternative approaches have been formulated using terms such as: quality of life, human development, sustainable development, green growth, de-growth and postgrowth, social progress, subjective wellbeing, thriving, doughnut economics, steady-state economics, and wellbeing economy. There is also an abundance of terms that are used to signify the minimum standards of a good life (social floors, basic needs, decent living standards) or natural limits (critical natural capital, planetary boundaries, carrying capacity) etc.

This divergence in terminology is confusing to policy makers, academics, media and the general public. However, in recent years, harmonisation of terminology has started.¹⁰¹ Scholars and policymakers from different disciplines and policy sectors start to converge on the importance of wellbeing as a shared goal. Wellbeing as an overarching goal refers to 3 interconnected elements:

- *Wellbeing*: Average (current) quality of life.
- *Sustainability*: Future wellbeing, including wellbeing of other species and health of the planet.
- *Inclusion*: The fair distribution of wellbeing according to gender, age, income, level of education, racial background, urban/rural etc. Reducing inequalities between and within countries.

Successful policies therefore promote *Sustainable and Inclusive Wellbeing*, which is in line with other visions such as Sustainable Human Development, Doughnut Economics and the Wellbeing Economy (see Box 1). This includes both material and immaterial dimensions of wellbeing for integral ecology¹⁰² between people and nature. This overarching policy goal of securing *wellbeing for all, now and in the future*, helps answer what kind of changes are looked for, what the right tools are and how progress should be measured. It also informs what policies should be designed to reach this goal. Table 1 shows that many international initiatives are now proposing to use this terminology or are linked to the theoretical framework that is linked to the Brundtland report¹⁰³, the Stiglitz-Sen-Fitoussi report¹⁰⁴ as well as the UNDP Human Development Index and Report. The Horizon Europe projects which have co-authored this paper are also using this framing although preferred terminology sometimes differs¹⁰⁵. Beyond international institutes there is also important pioneering work by the Club of Rome¹⁰⁶, Wellbeing Economy Alliance¹⁰⁷, Oxfam¹⁰⁸ and Greenpeace¹⁰⁹ etc.

Table 1. Examples of international initiatives and their links to Sustainable and Inclusive Wellbeing

Institute	Name	Short description
United Nations	Valuing what counts ¹¹⁰	The Secretary General, António Guterres, has initiated this Beyond-GDP initiative which will gain momentum at the Summit for the Future in September 2024. It uses a conceptual framework with three elements that are consistent to wellbeing, inclusion and sustainability.
	System of National Accounts 2025 ¹¹¹	The System of National Accounts (SNA), which is the international handbook to calculate GDP and other economic statistics, will be updated in 2025. Quite important symbolic shifts are being proposed by including sections on measuring “wellbeing” and “sustainability”.
	UN Network of Economic Statisticians	At the UN Statistical Commission 2024, endorsed the report and work programme of the UN Network of Economic Statisticians. This work programme included creating a Framework of Inclusive and Sustainable Wellbeing. ¹¹²
	Human Development Reports	Since 1990s, the UNDP has been releasing its yearly Human Development Report which conceptualises and measures wellbeing, human development and sustainability starting from the basic needs approach and the capability approach.
OECD	WISE Centre/Better Life Index	The OECD Centre for Wellbeing, Inclusion, Sustainability and Equal Opportunities was created to support the shift towards wellbeing policies being promoted by the OECD. ¹¹³
	Task Force for Measuring Wellbeing	UNECE, the OECD and Eurostat have created a Taskforce specifically looking at measuring current (average) wellbeing and its distribution (inclusion). ¹¹⁴
European Commission	Interservice Working Group on Sustainable and Inclusive Wellbeing ¹¹⁵	This initiative led by the Joint Research Centre (JRC) aims to provide statistical and technical guidelines on the development of sound beyond-GDP measurement frameworks and to create an index and dashboard for sustainable and inclusive wellbeing.
	Regulation on System of Environmental and Economic Accounts (SEEA)	The European Commission has played an instrumental role in the promotion of the SEEA (including a regulation for all Member States), which is a global standard to measure a crucial component of sustainability, natural capital.
	Gross Ecosystem Product ¹¹⁶ and Health Adjusted Income ¹¹⁷	The JRC use the concept of Gross Ecosystem Product (GEP), which summarises the value that ecosystem services provide to the economy in monetary terms. The JRC also calculates a health adjusted income index
	Transformation Performance Index (TPI) ¹¹⁸	DG-RTD created the TPI which is scoreboard that monitors and ranks countries based on 4 transitions to fair and prosperous sustainability: economic, social, environmental and governance
	GDP +3 ¹¹⁹	A preliminary study to find 3 additional indicators to complement GDP. One of the options envisaged was to have one indicator for wellbeing, inclusion and sustainability respectively.
	Quality of Life ¹²⁰ /SDG indicators ¹²¹	Eurostat publishes a dashboard on Quality of Life (wellbeing) and the Sustainable development Goals (SDGs).
	Resilience Dashboard ¹²²	The resilience dashboards aim to provide a holistic assessment of resilience (which is related to sustainability) in the EU and its Member States.
	Horizon Europe “Sister Projects”	Among others, the “sister projects” (SPES, ToBe, WISE Horizons, WISER) that collaborate in the MERGE project, have all endorsed Sustainable and Inclusive Wellbeing.

Box 1. Sustainable and Inclusive Wellbeing in Relation to Selected Frameworks

Convergence towards sustainable and inclusive wellbeing is occurring, pushed by prominent alternative paradigms that use different terminological and conceptual foundations. These differences are minor. All approaches are based on the multidimensionality of wellbeing and the need to live in harmony with nature.

Sustainable Human Development

Sustainable Human Development is built on the theoretical foundations of two development paradigms: sustainable development (SD) and human development (HD). The SD paradigm is based on the Brundtland Report, which identifies the importance of addressing together economic, social and environmental dimensions of development processes and their long-term impacts. The HD paradigm, pioneered by Mahbub ul Haq at the UNDP¹²³ and grounded on the seminal contributions of Amartya Sen¹²⁴, has been fundamental in robustly challenging a mainstream vision of development, distinguishing between the means and goals and thus questioning the vision of development, its institutions and its processes. Therefore, it proposes a fundamental shift from concentrating on the means of living to the actual opportunities of living in itself, that is human flourishing in terms of expanding the capabilities of people to live the kind of life they have reason to value (Sen, 1999). In other words, the SHD paradigm was a frontrunner in conceptualising wellbeing as “the basic objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives” (UNDP, 1990, p. 9).

Doughnut Economics

Doughnut economics, which was developed by Kate Raworth, combines planetary boundaries with a social foundation and illustrates the space in between them as a doughnut: ‘a safe and just space for humanity’. It is the space where both human wellbeing and planetary wellbeing are assured, and their interdependence is respected. Doughnut economics indicates a paradigmatic shift from a linear economy to a circular economy that is redistributive by design¹²⁵. The Doughnut Economics Action Lab was founded in 2019 with an aim to turn doughnut economics from an idea to transformative action. It works with communities, education providers, cities and places, business and government worldwide.

Wellbeing Economy

Wellbeing economy refers to an economy that pursues human and ecological wellbeing. The concept has been used to explicitly argue that the primary purpose of the economy is to enhance wellbeing instead of increasing economic profits or material production and consumption¹²⁶. The Wellbeing Economy Alliance (WEAll), founded in 2018, is a prominent network which has promoted this idea. It was also instrumental in launching the Wellbeing Alliance Governments (WEGo), which is a group of countries (New Zealand, Scotland, Finland, Iceland, Wales and Canada) working together to promote wellbeing governance and policies.

While some other regions of the world have created a long-term strategy, such as the African Union’s 2063 Agenda, the European Union is currently lacking such an overall long-term approach. Indeed, only with regards to climate change a longer-term perspective has been taken with the European Green Deal aiming to achieve climate neutrality by 2050. While the European Pillar of Social Rights does not have a set time frame, its implementing frameworks– the European Pillar of Social Rights Action Plan and its headline targets have a timeframe of four to five years for the Action Plan (2021-2024) (to be renewed for the 2024-2029 EU mandate) and nine years for the headline targets (2021-2030). Europe’s Digital Decade programme has an 8-year time-frame (2022-2030). The UN Agenda 2030 took a mid-to-long term perspective of 15 years, which will need to be renewed in time for 2030. At the latest, once these strategies run out in 2030, a comprehensive long-term strategy with medium-term implementation plans will be crucial to set a long-term agenda for achieving sustainable and inclusive wellbeing.

Overcoming Barriers and Enabling Change

Setting the goal is an important step, but not sufficient. The governance and policy transformations which are needed are fundamentally political economy problems which relate to vested interests and the ability of some stakeholders to block or reorienting reforms and investment to maintain the status quo. Some of the research projects involved in this paper have endeavoured to develop theories of change which can explain the status quo but also develop ideas on how to overcome these barriers.¹²⁷

The SPES project is working on the political economy aspects of this transformation. The framework underlines the dynamics between politics (the procedural aspects of negotiations between diverging and common interests and political views of varying provenance), polity (the institutional system forming the framework for political action) and policy (the content or material dimension of politics in terms of objectives, roles and actions) which are needed to overcome the barriers. Doing so, they support the political consensus and willingness to move towards Sustainable Human Development (SHD), being the vision underlying the overarching goal of sustainable and inclusive wellbeing. It takes into account the theoretical framing on which to build principles and directionalities for policy-making, the institutional changes required, the role and linkages between the different actors and the technical capacities in policy-making and measurement. Theoretical and technical capacities are a necessary but not sufficient condition for this change of vision, goal and narrative, which is conditioned, if not dictated, by the political will and by the interactions among all societal actors.

The WISE Horizons projects' theoretical framework aims to answer a crucial question: why does the economic growth narrative dominate in formal political institutions and how can an alternative become more prominent? The framework defines three types of formal political institutions: technical infrastructure (metrics, accounts and models), the governance level and the policy level. The framework also makes recommendations on the conceptual foundation and the technical infrastructure needed for sustainable and inclusive wellbeing.¹²⁸

Finally, a growing number of scholars and organisations are arguing that system changes for sustainable and inclusive wellbeing “hinges on integrating material interventions with consideration of the human inner dimension”¹²⁹. The technological and scientific approach to sustainability transition needs to be complemented with an internal focus on the psychological, cultural, artistic, and spiritual dimensions of human life¹³⁰. In this context, inner factors driven by the concept of “unity” (i.e., unity with the world and nature, unity with each other, and unity within ourselves¹³¹) are necessary to overcome barriers to collective action and structural transformation.

European Leadership

Overcoming political economy barriers requires time, leadership and intra- and international as well as intra and inter institutional coordination. Previously, the European Union has provided leadership in tackling important problems such as the COVID-19 pandemic. It has also initiated major steps in economic cooperation (e.g. the Euro) or the green transition (e.g. European Green Deal).

The next Commission, which is planned to start its mandate in the second half of 2024, is well positioned to provide leadership and set the stage for this proposed policy shift. We advise the next European Commission President to appoint an Executive Vice-President (EVP) for Wellbeing and Future Generations to lead this process. The rationale for the EVP and their mandate will be discussed in the remainder of this paper.

4. A EUROPEAN POLICY AGENDA FOR SUSTAINABLE AND INCLUSIVE WELLBEING

To tackle the problems that science identifies and the people and businesses of Europe want addressed, will require a special push by the new European Commission. This new agenda would have three main pillars: 1) Strengthening of a science-based policy toolkit which include metrics, accounts and models for monitoring and policy evaluation; 2) Reform of the European Semester process – the existing EU socio-economic governance framework – based on goal and target-driven governance, improved monitoring systems and funding mechanisms with stronger implementation through strengthened horizontal coordination, whole-of-society participation and enforcement mechanisms; 3) Development of specific policies which contribute to the necessary transformations for achieving sustainable and inclusive wellbeing. Of course, the three pillars are strongly interrelated. The tools developed in pillar 1 should be used to monitor and steer the implementation of the governance framework and policies of pillars 2 and 3 respectively.

To coordinate these necessary changes in European governance towards sustainable and inclusive wellbeing, we propose that an Executive Vice-President (EVP) for Wellbeing and Future Generations is appointed. An EVP could transcend policy silos and create the necessary horizontal alignment between Directorate-Generals better than a new Commissioner. The EVP would be capable of ensuring the necessary integrated governance and policy frameworks. Such a leadership position would also ensure quality and rigor, and moreover combat the tendency to de-prioritise the long-term impacts and wellbeing considerations in high-level decision-making processes.

There are ample academic and policy initiatives from the EU and beyond upon which the EVP can base the work of the European Commission to develop a wellbeing policy framework for Europe. The EVP will need to steer the further development of the policy toolkit and the reform of the European Semester process, in collaboration with other Commissioners and Directorate-Generals as well as EU agencies such as the European Environment Agency (EEA). The EVP will not be directly in charge of the development of policies but will instead ensure policy coherence within European Commission services and Commissioners' portfolios with respect to the overall goal of sustainable and inclusive wellbeing.

A. Strengthen the Science-Based Policy Toolkit

The EU will need a technical, scientific and political infrastructure to monitor societal developments and to set targets for wellbeing, inclusion and sustainability (metrics). In addition, tools are needed which take into account the trade-offs and symmetries of various policy options (accounts, forecasting models and impact assessments).

Metrics for Sustainable and Inclusive Wellbeing

Acknowledging the shortcomings of GDP¹³², the European Commission has already initiated many “Beyond-GDP” initiatives and metrics such as the dashboard on Sustainable and Inclusive Wellbeing¹³³, the Transitions Performance Index¹³⁴, GDP+3¹³⁵, Eurostat’s Quality of Life Dashboard¹³⁶, the EU SDG indicators¹³⁷ and the Resilience Dashboard¹³⁸.

Many EU Member States also have significant experience of developing metrics. Examples include the Equitable and Sustainable Wellbeing dashboard (Italy) and the Monitor of Wellbeing (The Netherlands). Hundreds of metrics have been proposed by governments or academics around the world. Among the most prominent ones are the SDG Index and dashboards, the Human Development Index, Genuine Progress Indicator and Wealth Accounting, the OECD Better Life Index, the Social Progress index, among others. There are also national initiatives beyond Europe such as the Canadian Index of Wellbeing and Living Standards Framework in New Zealand.¹³⁹

These efforts should be recognised and further developed to consolidate a science-based policy toolkit for EU. The European Commission should steer work that leads to authoritative indicators and indexes for sustainable and inclusive wellbeing. It should work together with other international institutions such as the UN, World Bank and OECD on these metrics to provide global measurement which can be used for international benchmarking of sustainable and inclusive wellbeing. When consolidating the metrics, the Commission could also consider academic and policy frameworks which have been linked to the pillars of wellbeing, inclusion and sustainability (See Figure 9).¹⁴⁰

Note that metrics have two roles: 1) to monitor progress, and 2) to set governance targets which then become part of a political evaluation process. In fact, many metrics that are not linked to targets have less influence.¹⁴¹ With many of the initiatives named above, especially the country initiatives, the dashboards have been integrated in governance and policy.

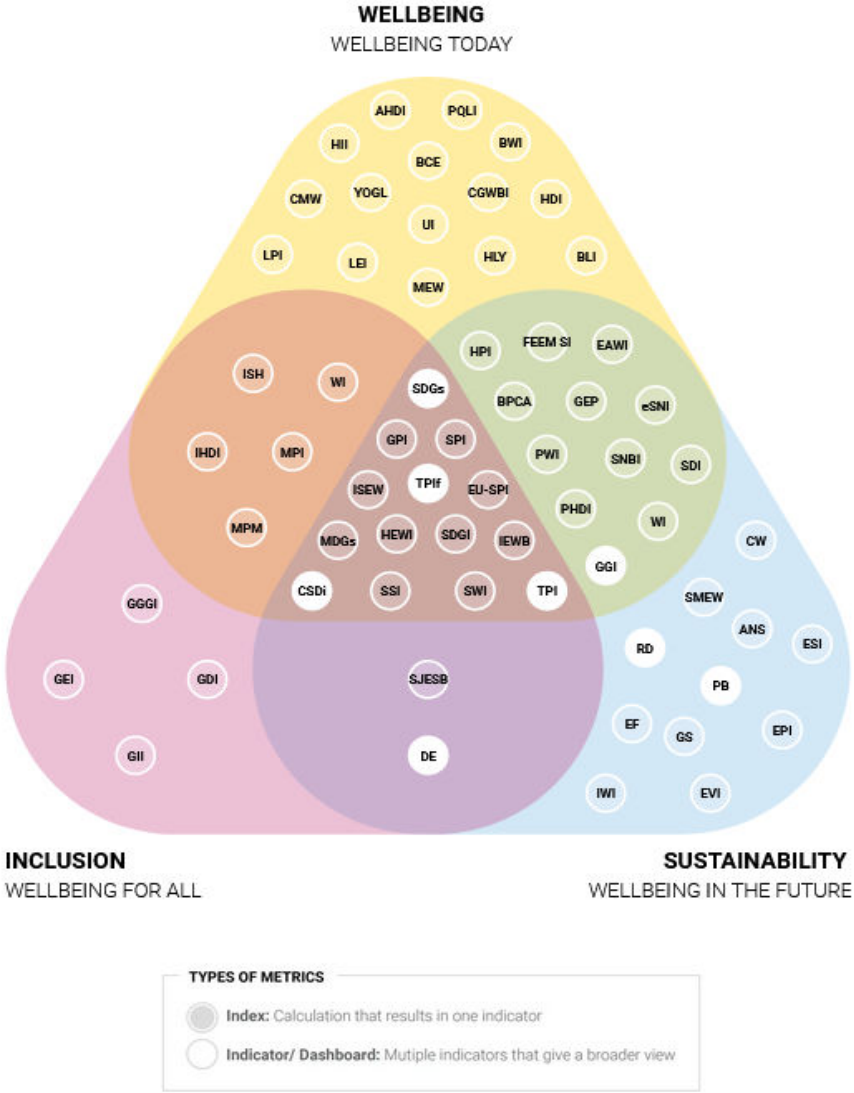


Figure 9. Beyond-GDP measurement metrics in relation to Wellbeing, Inclusion and Sustainability
Source: www.beyond-gdp.world where you can click on the acronyms for more information.

An Accounting Framework for Sustainable and Inclusive Wellbeing

Individual metrics can measure progress in a policy area or progress towards a policy target. However, it is not meant to show the trade-offs between policy areas. A positive trend (good

progress) in one domain might come at the expense of another policy area. Not understanding these trade-offs can have serious political consequences. For example, the green transition has often encountered resistance because related policies do not adequately address negative impacts on inequalities (e.g. policies that expand carbon pricing may lead to higher transport costs which can disproportionately impact poorer households)¹⁴². However, the relationship does not always need to be a negative one: synergies in one policy area might also be positively correlated with other areas. For example, shifting towards a healthy, more plant-based diet can reduce climate emissions and improve health.¹⁴³

As a first step to understanding these trade-offs and synergies, the metrics should be part of a broader accounting system for sustainable and inclusive wellbeing. This accounting system should be co-created with the other international institutions such as the UN, World Bank, IMF and OECD, which also govern the System of National Accounts (SNA). The SNA, which are the guidelines used to measure GDP and other macro-economic statistics, allowed for the development of “satellite accounts” since the 1993 edition of the SNA. These satellite accounts, which are now often referred to as extended accounts, link social or environmental phenomenon to economic information so that trade-offs and synergies can be analysed. Prominent extended accounts include the System of Environmental and Economic Accounting (SEEA), Distribution of National Income Accounts (DINA), Distribution of Wealth (DWA), KLEMS Productivity Accounts, Labor Accounts and Time Use Accounts. The SEEA is probably the most successful example, as it has been implemented in over 100 countries¹⁴⁴ and the EC has made many modules of the SEEA legally binding for Member States.

In the context of the SNA revision, which is supposed to take place in 2025, further momentum will be generated for these extended accounts. The European Commission will need to implement the SNA2025 in the EU and its Member States. The SNA2025 will also contain chapters on wellbeing and sustainability (chapters 2, 34 and 35), but the methodological foundations are currently not very specific at the moment and important concepts, such as planetary boundaries, are missing.¹⁴⁵ The European Commission should therefore steer an ambitious programme to develop an accounting system for wellbeing, inclusion and sustainability. In the latter half of 2024, the WISE Horizons project will be publishing a report on WISE accounting which summarises the current state of play. This will also include a data strategy which expands the current global economic databases by Eurostat, OECD and IMF towards these WISE accounts.^{146,147}

Forecasting Models and Impact Assessments of Sustainable and Inclusive Wellbeing

Another step towards understanding the policy trade-offs and synergies is to create policy models. These models do not describe the current and past situation (which metrics and accounts do) but are forward looking and focus on analysing hypothetical futures or future impacts of different policy interventions.¹⁴⁸ There are many types of models which are currently used in economic policy decision (see, for example, the MIDAS database for an overview¹⁴⁹). The current generation of forecasting models and impact assessments¹⁵⁰ (also known as micro-simulation models) are largely focused on economic variables including GDP, government spending and household income. Nevertheless, there have been recent attempts to incorporate sustainability and inclusion considerations into models.¹⁵¹ The European Commission also use models in its strategic foresight work.¹⁵²

Both the ToBe and WISE Horizons projects have done an analysis of various models¹⁵³ to understand whether they can be used for sustainable and inclusive wellbeing. The first findings of the ToBe project¹⁵⁴ show that existing models typically lack a broad coverage of social and environmental indicators. The best represented environmental indicators include climate change, energy use, land conversion and water use, whereas the most commonly used social indicators include jobs, income, economic development and income inequality. The ToBe project overview

further shows that an improved model should include indicators that go beyond traditional macroeconomic thinking by looking at less tangible social goals such as subjective life satisfaction and the availability of social support, and broad measures of environmental pressure like soil quality or nitrogen loading.

The WISE Horizons projects' review¹⁵⁵ showed that existing models lack feedback loops linking environmental impacts back to the society (e.g. population) and the economy. Therefore, there is a risk that fundamental ecological systems and social aspects are ignored in policy and decision-making.

To evaluate whether social and economic development is on a sustainable track, it is necessary to use models that include indicators of both biophysical impacts and social outcomes.¹⁵⁶ In particular, understanding the distributional aspects is vitally important, but poorly covered in existing models. Where this is due to data availability, there is a need to improve the availability of high-quality, accurate and comparable data sets. Researchers are currently developing improved macroeconomic models so that impact assessment tools, which are vital for policymaking, can analyse and project systemic changes and assess the outcomes of a broad range of policies.

B. Reform the European Semester process

The second part of the European policy agenda should be to strengthen the existing EU socio-economic governance framework, the European Semester process, to better support the achievement of sustainable and inclusive wellbeing.

The European Semester process was originally created to coordinate and oversee Member States' macroeconomic and fiscal policies. In recent years, it has been broadened to also include employment, social and, more recently green, climate, energy and other policy priorities. This took place as a result of the knock-on impacts of macroeconomic and fiscal policies in other policy domains and in line with an increased focus on social and then green priorities on the EU agenda. However, despite progress made, macroeconomic and fiscal priorities still strongly frame the coverage of employment, social, green and climate priorities. Indeed, the 2024 European Semester Spring Package states that “the Commission recommendations for the country-specific recommendations (CSRs) aim to strengthen Member States' competitiveness”.¹⁵⁷

In recent years, priority-setting and recommendations follow the principle of “competitive sustainability”, including first macroeconomic stability, then productivity, environmental sustainability and, finally, fairness.¹⁵⁸ However, European Commission analysis of CSR implementation highlights that “in recent years, Member States have made most progress in access to finance and financial services, followed by anti-money laundering, labour market functioning and budgetary framework and fiscal governance. On the other hand, progress has been particularly slow on taxation policy, tax administration, tax evasion and tax avoidance, non-discrimination and equal opportunities, pension systems, and housing.”¹⁵⁹ This showcases that the process continues to lead to most progress on priorities related to macroeconomic, finance and fiscal policy and least on taxation - which can help create more fiscal space for investments, for instance supporting sustainable and inclusive wellbeing – as well as social priorities.

To support a sustainable and inclusive wellbeing agenda, the European Semester must therefore continue to better integrate social, environmental and climate priorities on an equal level with macroeconomic and fiscal ones, ensure foresight and consider policy trade-offs while avoiding disproportionate negative impacts. It should strengthen its coordination function which, even following the integration of the RRF, remains underdeveloped compared to its fiscal surveillance function.¹⁶⁰ To do so, it should focus more strongly on analysing the implementation of sustainable

and inclusive wellbeing across Europe, making all necessary recommendations to Member States to support progress in this direction.

Inspiration can be taken from the work of the Wellbeing Economy Governments (WEGo), which is a group of countries (New Zealand, Scotland, Finland, Iceland, Wales and Canada) working to promote wellbeing governance and policies.

Foundational Principles Guiding the European Semester

Authors see a need to reform the European Semester to better steer and support the implementation of EU goals and targets set for instance in the European Green Deal, the European Pillar of Social Rights and the UN Sustainable Development Goals (SDGs). When implementing the goals of the Stability & Growth Pact and the reformed EU fiscal rules, it needs to ensure that this does not harm progress towards sustainable and inclusive wellbeing.

As there are varied and sometimes conflicting views of what is good for current and future generations, reforming the European Semester to support sustainable and inclusive wellbeing risks being contentious. We outline three overarching principles and three quality implementation principles to support the process that should guide the work of the European Commission and the EVP on reforming the European Semester process.

Goal and target-driven governance

The first principle of the governance framework is to strongly contribute to achieving the overall goals. As was discussed earlier, there is convergence around the ambition of sustainable and inclusive wellbeing. This must include the clear objective to protect and restore biophysical life support systems. As the economy and social systems are embedded in the biosphere that integrates all living beings, ensuring that the impacts from human activities do not lead to a transgression of planetary boundaries is the only way to safeguard a good life for all, now and in the future. Reducing social inequalities and setting minimum standards for a good life within planetary boundaries are equally crucial.

Existing goals that contribute to these objectives, such as those set in the European Green Deal, the European Pillar of Social Rights and the SDGs, need to be complemented, where necessary, and adjusted, if the underlying factors affecting sustainable and inclusive wellbeing change or become more or less important over time.

With regards to the SDGs, there is scope to translate them more strongly into CSRs. While their integration into country reports has been a step in the right direction, they nevertheless often do not feature in concrete CSRs. This is partially due to the gap analysis approach currently applied to the CSRs. Indeed, the CSRs currently do not cover all challenges and priorities at national level, instead only including new or outstanding priorities not included in National Recovery and Resilience Plans (NRRPs) under the RRF, cohesion policy programmes as well as, probably, future medium-term fiscal-structural plans to be developed under the new EU fiscal rules.

At the same time, the overall focus of EU decision-making on the implementation of the SDGs remains underdeveloped. This is due, among other reasons, to a lack of an SDG strategy at EU level which makes it difficult to define clear objectives, identify clear targets, allocate resources and coordinate actions at national and regional levels.¹⁶¹ When the UN Agenda 2030 runs its course and is renewed, it will be crucial to continue strengthening its capacity to steer sustainable and inclusive wellbeing and to translate this ambition into such a long-term EU strategy fully including the new goals.

It is imperative that set and future goals supporting sustainable and inclusive wellbeing are translated into concrete, quantifiable and enforceable policy targets, complementing or

strengthening existing targets, such as on emissions reductions and climate neutrality (European Green Deal), biodiversity (Biodiversity Strategy for 2030 and the Nature Restoration Law) on energy efficiency (Energy Efficiency Directive), on renewable energy (Renewable Energy Directive), on pollution (Zero Pollution Action Plan), on employment, skills and poverty reduction (European Pillar of Social Rights Action Plan), on social and territorial cohesion (EU Cohesion Policy).¹⁶²

Existing environmental and climate targets should be complemented with ambitious science-based targets that respect the biophysical thresholds of all the planetary boundaries. This should involve, for instance, adding a target for sufficiency or reducing material consumption, including for the wealthiest individuals¹⁶³ as well as other targets crucial for wellbeing in the future (e.g. ageing society, (green) innovation, critical raw materials).

Existing employment and social targets should be completed to support achieving minimum standards for a good life for all. Indeed, the 20 principles of the European Pillar of Social Rights cover many essential conditions for wellbeing such as healthcare, minimum income, social protection, equal opportunities and access to essential services.¹⁶⁴ However, quantitative headline targets only exist for three topic areas covered in the European Pillar of Social Rights Action Plan: employment, skills and poverty reduction. In addition, these targets do not contain qualitative aspects (e.g. re the quality of employment or skills development). New targets on other areas covered in the European Pillar of Social Rights, such as the availability of affordable housing, the quality of employment, education, health and care, access to affordable quality essential services, etc., would help support the implementation of related principles. It is also necessary to define specific binding sub-targets for vulnerable and marginalised groups. This could entail, for example, sub-targets on employment, skills and poverty reduction for specific groups, such as persons with disabilities or ethnic and racial minorities.

Comprehensive goals and clear, ambitious targets allow us to assess, in the context of the European Semester, whether existing policies and investments are effective and lead to progress in the right direction or whether further reforms and investments are needed that the process can then recommend.

Authors also see the need to rethink the current gap analysis approach applied to the European Semester (see above). There is a risk that reforms and investments that are included in NRRPs, cohesion programmes or future fiscal-structural plans but are not implemented will get overlooked in CSRs, despite a Member States' poor or worsening performance in this policy area. This reduces the capacity of the European Semester to steer sustainable and inclusive wellbeing.

Looking ahead, it is crucial that national medium-term fiscal structural plans that Member States will have to develop under the reformed EU fiscal rules balance fiscal obligations with reforms and investments supporting sustainable and inclusive wellbeing.

Improved monitoring systems and frameworks in the European Semester

To appropriately measure progress towards set goals and targets, there is a need to improve existing monitoring systems used in the European Semester, in line with our suggestions to create a science-based policy toolkit.

The Macroeconomic Imbalances Procedure (MIP) Scoreboard is used in the European Semester to identify non-fiscal macroeconomic risks in Member States, such as rising private debt, potentially damaging asset price dynamics or current account imbalances. Nevertheless, the climate perspective is currently absent in the MIP Scoreboard, despite the possibility of macroeconomic imbalances being caused by inaction towards the mitigation or adaptation to climate change (amongst other actions needed to achieve the European Green Deal). It also only contains few social

indicators: changes in house prices, unemployment rate (both long-term and youth unemployment).¹⁶⁵

Another monitoring framework used in the European Semester that should be completed is the Social Scoreboard. To properly assess progress, it requires additional headline and secondary indicators to extensively cover all 20 principles of the European Pillar of Social Rights. It must also better break down data by various factors, including gender, age, ethnicity, socio-economic status etc. This is necessary to properly measure the impact of policies on various groups, particularly those in vulnerable situations.

Additionally, the framework used in the European Semester process to monitor the implementation of the European Pillar of Social Rights in the Joint Employment Report, the traffic light systems, should be reformed to address its limitations. The traffic light approach categorising Member States' performance based on averages (into "Best performers", "Better than average", "Good but to monitor", "On average/neutral", "Weak but improving", "To watch" and "Critical situations") is problematic. If, in a certain policy area, many Member States perform poorly, this approach does not provide sufficient incentive to improve performance. Instead, performance should be compared towards set and added EU targets to increase ambition.

Finally, there remains a risk that with an assortment of individual scoreboards on offer, each assessing various aspects of Member State progress, the macroeconomic and fiscal priorities will continue to take precedence over other objectives. As such, based on the overarching goals and targets identified, an integrated, holistic scoreboard should be built to provide a top line view of progress across all areas.

Funding mechanisms

Goals and targets also steer the allocation of funding through EU funding mechanisms, especially the Multiannual Financial Framework (MFF) and the Recovery and Resilience Facility (RRF). The implementation of both funding frameworks must then be adequately monitored through the European Semester.

This is especially crucial as links between the European Semester and other governance mechanisms with impact on fiscal space, such as the reformed EU fiscal rules, are strengthened. It needs to ensure that EU funding is directed towards policy actions that – as much as possible – offer win-win solutions (e.g. when policies aimed at improving sustainability or reducing inequality may also have positive effects on health outcomes or social cohesion) or, at least, do not trigger negative consequences in other areas. CSRs should then make the relevant recommendations to guide funding in a way that supports progress towards the goals and targets.

For the next MFF, the European Commission needs to assess the design and adequacy of the EU budget to help finance the achievement of set goals and targets contributing to sustainable and inclusive wellbeing. Indeed, funds must be well used to promote progress on these priorities. Overall, the EU budget should aim to redirect investments away from policies and projects that are ecologically or socially harmful. Criteria for assessing funding decisions should be reformed and those people, groups or regions that are negatively affected by the various transformations should be compensated, where needed. This is especially crucial as research shows that cohesion funds often target the wrong (more prosperous) places and often reaches the wrong (more affluent) people, rather than targeting the most vulnerable regions and groups.¹⁶⁶ The EU could learn from existing wellbeing budgets in Wellbeing Economy Governments, including set indicators to allocate funding that supports sustainable and inclusive wellbeing. Instead of using traditional cross-cutting indicators like GDP, employment or population for determining the funding needs of Member States and regions, using issue-specific metrics would allow the EU to provide funds more effectively given

the goals at hand. Reflections are also needed to learn the lessons from the RRF and its performance-based approach of providing access to funds upon completion of milestones set by Member States in national plans and how this could be applied to the EU budget. The EU is facing massive and growing investment needs, due to increasing needs to speed up the just transformation and build a fairer and more inclusive Europe as well as fund other priorities, such as digitalisation, competitiveness, industrial policy, defence, support to Ukraine and future enlargement. In a context where the revised EU economic governance will limit fiscal space for future investments at national level, it is crucial that the EU introduces new own resources.

Therefore, cuts to the current - and possibly to the future - MFF are a major threat in this regard. In addition, ¹⁶⁷ through its financial incentives, the EU should support and encourage Member States to implement national reform and investment priorities and support implementation of CSRs identified within the European Semester. Contrary to the current RRF, a successor should set compulsory earmarking of funding for social priorities, in addition to green and digital ones. Such an instrument could take the form of a long-term EU Just Transformation Fund or a central fiscal capacity.

The EU should also engage in coordinating EU efforts on taxation. This could include a tax on extreme wealth¹⁶⁸ following the European Citizens' Initiative on the topic, a frequent flyer levy, an excess profit tax on fossil fuels and a financial transaction tax. To bolster national budgets and enhance sustainability goals, the EU should also encourage Member States to ensure more progressive taxation and implement environmental tax reforms, such as to apply the polluter-pays-principle, while guaranteeing that it does not negatively affect low-income groups in particular.

Quality Implementation Principles Guiding the European Semester

To ensure that a reformed European Semester can monitor the EU's progress towards sustainable and inclusive wellbeing and steer reforms and investments in this direction, it requires, in the authors' view, three principles to support the quality and effectiveness of the process.

Horizontal coordination and coherence

Integrated, coherent policies are needed to simultaneously progress towards sustainable and inclusive wellbeing. To develop such integrated policies, horizontal coordination at EU and national levels must be strengthened at all steps of the European Semester process to overcome silos and ensure balanced coherent progress towards these objectives. More horizontal coordination would help European Commission services adequately monitor the interdisciplinary state of play of sustainable and inclusive wellbeing in the EU via the European Semester. It would also support them in recommending a coherent policy mix that supports win-win options, avoids negative disproportionate impacts of policy decisions on other policy areas and ensures balanced progress. It is then also key to ensure horizontal coordination between national ministries when developing, implementing, monitoring and evaluating reforms and investments recommended in the European Semester process. Valuable lessons can be learned from the experience of the RRF in this regard, where national ministries and European Commission services needed to cooperate when designing the NRRPs and monitoring progress on milestones and targets.

Horizontal coordination requires structured mechanisms to enable interlinkages across institutional structures. This could mean setting up more internal structures that support horizontal coordination, such as the European Commission interservice working group on sustainable and inclusive wellbeing, interservice consultations, ad-hoc JRC policy labs etc. These mechanisms would need to take place early in the policy development process (e.g. before a first draft) to ensure cross-sector impacts are understood from the beginning.¹⁶⁹

In addition, all policy initiatives should be accompanied by a coordinated impact assessment (see above) to quantify potential effects on other domains in terms of sustainable and inclusive

wellbeing. This assessment would need to be undertaken across all DGs with the same, standardised time horizons, and include a reflection against the JRC's megatrends to ensure they do not have negative social, environmental or economic consequences based on interactions of these unfolding trends.

Whole-of-society participation

The participation of relevant stakeholders in the European Semester process should be strengthened by ensuring a whole-of-society participation approach. This must involve meaningful and structured co-creation of policies with social partners, organised civil society, academia, firms, people and other relevant stakeholders, to consider the interests of diverse stakeholders.

Broad participation supports evidence-based decision-making, democratic legitimacy and expands public support for transformative policies and systemic change. Whether at the level of policymaking or implementation, people and societal actors need to be involved at every stage, not merely as beneficiaries but as active agents of change who are able to pursue and realise goals that they value. Structured and strengthened inclusive and participatory processes, including for regular, meaningful social and civil dialogue, are required to overcome current unjust social arrangements, barriers and power relations that tend to exclude or marginalise various vulnerable groups of people from accessing equal rights, opportunities and societal participation (e.g. youth, older persons, people with a migrant background, unemployed people, persons with disabilities). It also prevents stakeholders advocating for environmental and climate policies from having a voice. Their participation is needed to create a balance with vested interests focused on the use, rather than the restoration, of nature. Citizens assemblies can be an additional option for whole-of-society participation. However, it would need to be ensured that they are indeed representative, especially of vulnerable or marginalised groups who are often not reached with these assemblies. Indeed, during the EU's Conference on the Future of Europe, civil society organisations voiced significant concerns with regards to the lack of inclusivity.¹⁷⁰

The implementation of civil and social dialogue and co-creation approaches need to be strengthened in the development of future reforms and investments related to sustainable and inclusive wellbeing, such as in the upcoming national medium-term fiscal-structural plans under the reformed EU fiscal rules. Lessons need to be learned from the RRF where, due to the need for quick development of NRRPs, civil society organisations and social partners were insufficiently involved in the development of the plans. The RRF Regulation only obliged Member States to provide a summary of consultations with stakeholders but did not make quality involvement of stakeholders a criterion to approve or, in case of lack thereof, reject the national plan,¹⁷¹ which negatively impacted the quality of stakeholder involvement.¹⁷² Unfortunately, the same mistake is being repeated in the development of fiscal-structural plans. Due to the short timeframe for the development of the first set of plans, Member States are not obliged to consult stakeholders in this process. For the development of all future plans, Member States must consult stakeholders, however, yet again, no quality criteria have been set in the regulation.¹⁷³ It is crucial for the European Commission to develop clear guidance for Member States on how to structurally and meaningfully involve stakeholders in policymaking in general to fill existing gaps on the quality of their involvement.

Results of Eurobarometer surveys should also be more seriously considered in policy design as they provide a good and regular overview of the main priorities of people across Europe. Furthermore, greater involvement of the European Parliament in contrast to its relative insignificance in the RRF would increase democratic oversight.

Wales's National Conversation, "The Wales We Want", and the public engagement around Wales's constitutional future provide good examples of such whole-of-society participation. Recognising the often self-selecting nature of public participation in such processes, great efforts were made to reach those often not heard in political processes. In the former, the Welsh public were asked to

discuss the Wales they wished to leave behind for their children and grandchildren, considering the challenges, aspirations and ways to solve long-term problems to create a Wales that they want by 2050. This process then shaped the six wellbeing goals contained in the Wellbeing of Future Generations (Wales) Bill which ensures that public bodies take account of the long term in decision-making, prevent problems occurring or getting worse, take an integrated and collaborative approach, and consider and involve people of all ages and diversity. The process engaged nearly 7000 people across Wales through communities and groups (in addition to contributions via social media, postcards and online). A network of key champions and influencers was built to represent different geographical areas and communities of interest, held citizens panels, and allowed contributions from groups in different forms.¹⁷⁴ In the discussion around Wales's constitutional future, a Community Engagement Fund was set up offering funding to enable groups from more marginalised communities to gather and reflect the views of their community and groups were offered maximum flexibility in how they engaged and reported back to us, including via poetry, rap, music, creative writing, visual arts and photography, alongside more traditional written summary reports.¹⁷⁵

Enforcement

The capacity of the European Semester to support appropriate enforcement should be strengthened to incentivise governments to work towards established goals and targets related to sustainable and inclusive wellbeing. Indeed, this is crucial, as there is scope for speeding up CSR implementation: only 5% of 2019-2022 CSRs were fully implemented and substantial progress has only been achieved on 15%. In contrast, some progress has been achieved on 51% of these CSRs, limited progress has been made on 26% of them and 3% have seen no progress at all.¹⁷⁶

As highlighted above, this should involve strengthening links between the European Semester and reformed funding mechanisms to provide incentives. Currently, the MFF is based on a model where funding is paid based on agreed criteria. Using the RRF's performance-based approach would entail linking the disbursements of EU funds to achieving relevant milestones and targets set by countries in national operational programmes, among other priorities. As with the RRF, funds could be temporarily withheld in response to lack of progress in reaching milestones and targets until their achievement.

However, to also increase leverage over those Member States not accessing high levels of EU funding, non-compliance measures should also include fines as well as withheld funds. As with the Plastics Own Resource measure, Member States could make financial contributions to the EU budget depending on the extent to which they miss the respective wellbeing or sustainability target¹⁷⁷, or the sanctioned amount levied should be held in a special account and returned once compliance is restored. By ensuring that the funds return to the Member States, the political cost of sanctions would be reduced.

While most of the enforcement would be done by the Commission, this should be done in concert with independent oversight institutions in the Member States, similar to national independent fiscal institutes. These bodies should be responsible for monitoring compliance with the national medium-term fiscal-structural plans and providing independent risk assessments across fiscal, climate, environmental and social areas. As the ability of the Commission to provide in-depth surveillance is limited, it could focus its efforts on a selected number of key priorities, with particular relevance to the current political agenda or with high risk of spillovers to the rest of the EU.

While additional reporting requirements are contested by Member States, they should be pursued to enhance transparency. This should also include an enhanced scrutiny of the corporate reporting in the Corporate Sustainability Reporting Directive (CSRD) with an expanded set of companies falling under this regime. Also, auditing of the CSRD should strive to be at the same level as financial accounting.

C. Implement Policies for 5 Societal Transformations and 13 Policy Areas

A new European Commission's Policy Agenda to foster sustainable and inclusive wellbeing should start from leveraging and capitalising on the existing main policy frameworks in this field: the European Green Deal, the European Pillar of Social Rights, and the Stability & Growth Pact. These frameworks have also yielded many policy strategies and legislative initiatives such as the 8th Environmental Action Plan, the Next Generation EU and RRF, the European Pillar of Social Rights Action Plan (2021), EU Cohesion Policy, the EU Biodiversity Strategy for 2030 (2020), the Farm to Fork Strategy (2020), the Energy Poverty recommendation (2020), the Circular Economy Action Plan (2020), the Just Transition Fund (2021), the European Climate Law (2021), the Zero Pollution Action Plan (2021), the Social Economy Action Plan (2021), the Corporate Social Responsibility Directive (2022), the European Care Strategy (2022), the Net Zero Industry Act (2023), the Social Climate Fund (2023), the Nature Restoration Law (2024), the European Critical Raw Materials Act (2024), the Economic Governance Review (2024) etc.

It should also make use of political support as apparent in the Council Conclusions on the Economy of Wellbeing (2019)¹⁷⁸, the Council recommendation on ensuring a fair transition towards climate neutrality (2022)¹⁷⁹, the EC Communication "A Clean Planet for all" (2018)¹⁸⁰, the Porto Declaration(2021)¹⁸¹, the La Hulpe Declaration (2024¹⁸²), the conclusions of the Conference on the Future of Europe 2022¹⁸³, the Beyond Growth Conference 2023¹⁸⁴, among others.

Continuing on and even further enhancing these efforts will depend on the political focus of the next Commission, and the exact design of necessary policy solutions is beyond the scope of this paper. However, to illustrate what the priorities and institutional changes might look like, we have defined five societal transformations and 13 policy areas for which policies will need to be developed (see Box 2 and the visual in the executive summary).

This box shows two thematic transformations: inclusive wellbeing and sustainable wellbeing. These represent the main objectives of the EU policy agenda, as outlined throughout the paper. Three enabling transformations are also distinguished: mission economy and finance, transformative research and innovation and multilevel governance. The authors chose these three transformations as they are crucial to enable progress towards sustainable and inclusive wellbeing.

- *Inclusive wellbeing*. This thematic transformation is broadly aligned with the European Pillar of Social Rights and its three thematic chapters. To simplify the structure, access to the labour market and fair working conditions (two chapters in the EPSR) have been combined into one policy area (quality employment), while keeping the remaining structure of the EPSR chapters.
- *Sustainable Wellbeing*. This thematic transformation is focused on longer term challenges for future wellbeing. The policy areas are therefore linked to the European Green Deal, the Circular Economy Strategy, the issues of strategic autonomy, peace and demographic stability.
- *Mission Economy and Finance*. This enabling transformation covers the changes needed in the economic and financial systems, with policy areas for businesses, the finance and government.
- *Transformative Research and Innovation*. This enabling transformation covers the important role of innovation, at the public level but also in the collaboration of public-private R&I.
- *Multilevel governance*. This enabling transformation covers the changes that will be needed in terms of instituting participatory processes and global collaboration.

Box 2. Names of Suggested (Thematic and Enabling) Transformations and Policy Areas.

THEMATIC TRANSFORMATIONS

- ***Inclusive Wellbeing***
 1. Equal Opportunities
 2. Quality Employment
 3. Social Protection and Inclusion
- ***Sustainable Wellbeing***
 4. Just Green Transition and Circular Economy
 5. Strategic Autonomy
 6. Peace and Demographic Stability

ENABLING TRANSFORMATIONS

- ***Mission Economy and Finance***
 7. Resilient Industrial Policy and Sustainable Competitiveness
 8. Transformative Finance
 9. Sustainable Infrastructure and Services
- ***Transformative Research and Innovation***
 10. Public R&I
 11. Public-Private Collaboration
- ***Multi-level Governance***
 12. Participatory Democracy
 13. Global Collaboration

For each of the transformations and policy areas, a non-exhaustive list of policy suggestions has been developed (see Annex 1). These are seen as promising ways to build on existing policy initiatives or to develop new policies which would help to achieve sustainable and inclusive wellbeing.¹⁸⁵ These suggestions are also restricted by the limits of what the EU has competence to do. Many of the policy areas mentioned would fall under the full or shared competence of the EU DGs. In other cases, where the EU has limited or no competence, it could support global, national, regional or local action through non-legislative activities, such as funding, guidance, research or exchange of best practices.

On the science-based policy toolkit and the reformed European Semester, the newly appointed EVP could be in the lead to coordinate work on behalf of the Commission. However, the other Commissioners and their DGs will be in the lead to create specific policies. Each of the DGs should be clear on what role they have in supporting the overall sustainable and inclusive wellbeing policy agenda. If appointed, the EVP could assist with efforts to make sure that actions are coherent. When developing a policy intervention in one policy area, it should be analysed how it affects the other policy areas and, ultimately, contributes to the transformation to sustainable and inclusive wellbeing.

5. FINAL REMARKS

This paper suggests that, given the consequential short and long-term ecological, social and economic problems that Europe is facing, as well as the resulting uncertainty being experienced by the people and businesses of Europe, the next European Commission has a unique opportunity to intensify its policy agenda towards wellbeing. The European Commission has the opportunity to redirect policies to the sustainable and inclusive wellbeing: wellbeing for all, now and in the future.

A policy agenda towards sustainable and inclusive wellbeing policy is built on three items:

- First, there is a need to strengthen a science-based policy toolkit which include “beyond GDP” metrics, accounts and models for monitoring and policy evaluation of sustainable and inclusive wellbeing.
- Second, the European Semester process needs to be reformed to better support sustainable and inclusive wellbeing. To do so, it must include coherent goal and target-driven governance, use improved monitoring systems and frameworks and steer the allocation of EU funding. It must also ensure quality and effectiveness of the process, by ensuring horizontal coordination and coherence, whole-of-society participation and strengthened enforcement.
- Third, specific policies which contribute to the necessary transformations for achieving sustainable and inclusive wellbeing should be developed to enable concrete changes on the ground.

This policy agenda will require leadership and vision within the European Commission, for instance from an Executive Vice-President who can steer the translation of science as well as the needs of people and businesses into a concrete science-based policy toolkit, a reformed and strengthened European Semester process and horizontal coordination of specific policy proposals.

ANNEX 1. POLICY SUGGESTIONS FOR SUSTAINABLE AND INCLUSIVE WELLBEING

This annex includes a non-exhaustive list of policy suggestions for the 5 transformations and 13 policy areas identified. In many cases, the policies build on existing initiatives. Some are very specific while others are more generic and require further development, depending on the thematic policy expertise present among the authors.

Thematic Transformation–Inclusive Wellbeing

This thematic transformation is structured in line with the three chapters of the European Pillar of Social Rights (EPSR), the EU’s compass for a more social Europe. It suggests policies to enhance the wellbeing of all, including of groups in vulnerable situations. Some overarching measures would support wellbeing for all:

- Comprehensively revise the EPSR Action Plan, strengthening implementation of existing measures and suggesting new ones to implement the 20 principles of the EPSR and achieve and, ideally, exceed the EU headline targets. Identify new binding legislation to be proposed, where possible, as soft policy measures have proved ineffective to increase wellbeing and reduce social inequalities.
- Implement social, health, distributional and environmental impact assessments of reforms and investments to fully evaluate the potential consequences on the wellbeing of all people across Europe, facilitating evidence-based decision-making and identification of “win-win” options.
- Adopt a social ‘do no significant harm’ principle – based on the core principles of inclusivity, participation and transparency – to serve as a preventive measure against unintended negative social consequences of, especially, economic, environmental and climate policy decisions.
- Ensure policymaking is guided by ethical considerations, respect for human rights and dignity, and a commitment to address the root causes of inequalities and to promote the wellbeing of all members of society.

Equal Opportunities

Barriers to equal opportunities must be removed and economic, social and territorial inequalities must be addressed to reduce social fragmentation, polarisation and dissatisfaction with political institutions. Moreover, tailored measures are needed to protect the most marginalised in society, as generic calls for ‘no one left behind’ have proven insufficient. In terms of new social policies, the EU should undertake the following actions:

- Evaluate and renew, where relevant, all existing Union of Equality strategies, adding more ambitious group-specific targets and policies.
- Strengthen the focus on the situation of specific vulnerable groups in the European Semester process. Complete the Social Scoreboard by adding indicators on EPSR principles that are not - or insufficiently - covered and better disaggregate data for various characteristics such as gender, age, racial and ethnic origin, and socio-economic status.
- Strengthen and improve the allocation of cohesion funding to tackle disparities within and between Member States, expanding social, economic and cultural opportunities for people in vulnerable situations and/or living in remote or deprived areas.
- Introduce robust initiatives in the next Gender Equality Strategy to target gender-based violence, promoting reporting mechanisms and ensuring the provision of support services. Ensure that gender mainstreaming and gender budgeting are integrated into policymaking practice at EU and national levels.

Quality Employment

A ‘good jobs economy’ is crucial to create stable, formal sector, quality employment that provides core labour protections, decent wages, safe and good working conditions, collective

bargaining rights, career paths, possibilities for self-development, flexibility, learning, responsibility and fulfilment. In terms of new policies, the EU should undertake the following actions:

- Promote wage increases and support upwards convergence in incomes and working conditions, including through the introduction of a European framework to promote upward convergence on wages, and stronger action at EU level to eliminate the gender pay gap.
- Support measures to end precarious work, by encouraging legal rights to permanent contracts and full-time work. Propose a directive setting standards for internships and banning unpaid ones.
- Enhance trade unions' rights to expand collective bargaining, wage setting and working time flexibility, by putting forward a comprehensive EU framework on information, consultation and participation and fully safeguarding well-functioning collective bargaining systems.
- Ensure safety at work by expanding EU laws on occupational health, safety and psychosocial risks. Protect teleworkers' rights, including by adopting a directive on the right to disconnect, and ban invasive and disrespectful surveillance.
- Put forward a European Job Guarantee that establishes a safety net of publicly funded, quality employment including for the green transition, while reducing involuntary, long-term unemployment, supported by cohesion funds.
- Expand and embed SURE into economic governance frameworks to help protect workers, including non-standard, self-employed and precarious workers, as well as companies in employment transformations related to the just transition.
- Strengthen ESF+ funding for social enterprises prioritising quality employment and the inclusion of disadvantaged and long-term unemployed people.
- Extend the protections of the Platform Work Directive on algorithmic management to those in standard forms of employment.
- Strengthen the scope and mandate of the European Labour Authority (ELA) by including in its scope relevant EU directives, such as the Seasonal Workers Directive, the Employers Sanctions Directive and the Anti-Trafficking Directive. Give the ELA the authority to request information, investigate cases and initiate inspections and ensure better cooperation. Stronger efforts to tackle work-life crime require closer cooperation with other EU agencies such as EU-OSHA, EUROPOL, EUROJUST and EPPO.¹⁸⁶

Social Protection and Inclusion

People need to feel safe and secure. Yet, when they experience multidimensional poverty and social exclusion, human security is greatly threatened. Vulnerable groups at higher risk of poverty and social exclusion suffer from the rising costs of living, lack of freedom and exclusion from relationships with the community. Access to social, essential and universal basic services ensuring quality and affordable healthcare, child and long-term care, housing, and education is crucial to ensure social protection and inclusion, improving people's wellbeing and strengthening cohesion in our society. In terms of new policies, the EU should undertake the following actions:

- Propose an EU directive on access to social protection for atypical workers and the self-employed that sets clear definitions applicable across different national contexts, ensures access to social security systems and sets rules for the portability of social benefits. Finalise the revision of the Coordination of Social Security Regulation so that cross-border workers can contribute to and access social benefits seamlessly across EU borders.
- Support adequate social protection systems by introducing a framework directive on adequate minimum income schemes.
- Trial and introduce universal basic income schemes at national level.

- Support Member States in promoting better funded, resilient and equitable public health and care systems, including disease prevention, health promotion and active ageing policies.
- Complement the European Care Strategy 2022¹⁸⁷ by establishing a European Care Platform, supporting Member States in setting quality indicators to monitor progress in their care systems.
- Put forward a European New Deal for Affordable and Social Housing that helps ensure that the development of affordable and adequate housing can meet social, economic and territorial needs, supports the provision of housing-related support services as well as the renovation, adaptation and resilience of the European housing stock against climate change.
- Suggest an Action Plan for Social Services establishing ambitious common quality standards, increasing investment in the sector, ensuring access for vulnerable groups, and making the sector more attractive to work in by improving wages and working conditions.
- Include the objective of strengthening active citizenship (i.e., based on critical, creative and caring thinking)¹⁸⁸ and civic cohesion in EU Cohesion Policy. Enhance support for initiatives and research on the impact of civic cohesion and support pilot projects to test and refine approaches.

Thematic Transformation-Sustainable Wellbeing

The future of Europe depends on our ability to solve the environmental and climate crises we caused and we face, manage the resources we need for the clean energy transformation and enhance peace while managing politically controversial demographic issues (migration and an ageing society), all the while ensuring climate and environmental policies are sustainable and leave no one behind. Synergies between the EU Green Deal and the European Pillar of Social Rights should be strengthened to foster synergies between environmental and social goals.

Just Green Transition & Circular Economy

To battle climate change, biodiversity loss and other ecological crises, there is an urgent need for policies that bring consumption and production patterns within the limits of our planet. A just green transition must ensure wellbeing for all, including low-income and vulnerable groups disproportionately affected by both climate change and climate action. The implementation of the Green Deal will impact different stakeholders to varying degrees, but it should not put a disproportionate burden on marginalised groups (among others, see the Social Climate Fund 2023¹⁸⁹ and the Just Transition Fund 2021)¹⁹⁰. Specific measures, with adequate funding and resources, should accompany legislation to support households, social services' providers, social economy actors and SMEs to meet targets in reducing energy consumption, retrofitting buildings, reducing carbon emissions and mitigating the impact of carbon taxes, among others. The EU needs to leverage the forthcoming revision of the European Pillar of Social Rights Action Plan to ensure better access to essential services (including energy, transport, water). Principles of sustainable consumption and production should also be strengthened in the European Green Deal, emphasising the importance of reducing resource consumption, minimising waste and promoting circular economy practices (see the Circular Economy Action Plan 2020¹⁹¹), e.g. concerning waste, food, water, energy, urban regeneration, textiles, as well as for critical raw materials for which EU is highly dependent on extra EU imports (see the European Critical Raw Materials Act 2024¹⁹²). In terms of new policies, the EU should undertake the following actions:

- Ensure the inclusion of environmental and social wellbeing (e.g. of workers by ensuring the respect of workers' rights) in a future industrial policy strategy. Set compulsory environmental and social conditionalities in the use of EU funds (RRF and successor instrument/next MFF).

- Ensure environmental and social conditions within a revised Public Procurement Directive that enables public authorities to set high and ambitious standards for tenders and ensure that public funds drive social and climate progress.
- Establish a tracking methodology linked to the Social Scoreboard to analyse the employment and social impacts along with environmental impact of policies.
- With regards to policies and measures under the European Green Deal, include for all environmental legislation a socio-economic impact assessment to understand the social consequences of Green Deal policies and ensure that there are adequate measures and resources to manage the social risks.
- Support Member States in financing accelerated electrification and green hydrogen-based economic production, distribution and transport. Work with distribution network operators, hydrogen producers and potential buyers (e.g steel manufacturers and utility providers) on the synchronisation of hydrogen transportation standards and integration into existing systems.
- Steer the upcoming reform of the Common Agricultural Policy to facilitate the shift to sustainable and circular agriculture and support the just transformation of the agri-food sector. Support provided to vulnerable farmers should aim at increasing competitiveness and greening practices, such as focusing on organic farming and local food production (see the Farm to Fork Strategy 2020)¹⁹³.
- Ensure that the EU adopts all measures envisaged under the Farm to Fork Strategy, including the Sustainable Food System Law and Regulation on the Sustainable Use of Pesticides.
- Environmental taxes and resource caps have a role to play as a further development of the ETS2. However, when introduced, they need to include measures aimed at mitigating negative social consequences for people in vulnerable situations.
- Continue work on accelerating national permitting procedures for renewable energy projects and grids, focusing on modernisation, digitalisation and cross-border harmonisation with due attention paid to EU objectives such as biodiversity and nature protection.
- Provide a framework for establishing and investing in Universal Basic Services (UBS) to ensure access to low-carbon public transport, affordable clean energy (see Energy Poverty recommendation 2020)¹⁹⁴, efficient social housing and greener social services, ensuring no one is left behind in the green transformation.
- Link the principles of environmental justice and participatory governance, ensuring that civil society, local communities and the people that are directly impacted have a voice in shaping the just green transition through structured and meaningful civil dialogue at all levels.
- Establish an Advisory Group on Green and Just Crisis Management at EU level, tasked with forecasting and scenario building for social and environmental objectives and improving crisis preparedness and resilience.

Strategic Autonomy

Supply chain disruptions and energy price hikes have demonstrated the vulnerability of the EU economy to external dependencies. Moreover, the liberal free trade order is in decline. Instead, the homeshoring of supply chains, industrial policy and trade barriers are on the rise, with China and the US massively investing in their own strategic value chains in the energy transformation. Currently, Europe is largely dependent on China and countries in the global south to mine/refine (critical) raw materials. In terms of new policies, the EU should undertake the following actions:

- Develop mapping, analysis and foresight capacities on critical technologies and value chains and monitor the international flows of other competitive aspects (e.g. investments and skills).
- Complete national and European risk assessments across all vital functions – from water, food, energy and transport to digital infrastructure, financial markets and public administration.

- Perform a reset of the Single Market by returning to the foundational principle of “mutual recognition”, re-consolidating EU state aid rules and applying as the default setting, an EU-wide ‘relevant market’ competition test in economic sectors where Europe has global leadership.
- Promote sufficiency strategies that seek to lower the demand for and reliance on natural resources and critical raw materials.
- When mining is necessary, mining activities should maintain the highest environmental, social and human rights standards and avoid negative spillovers and resource exploitation in the Global South. Deep sea mining is not desirable.
- Prevent conflicts and human rights abuses related to access and control of raw materials, including by developing a rule book or guidance notes to prevent such conflicts, or cooperating with relevant international organisations on the connection between human rights and supply chains/conflicts/resource extraction.¹⁹⁵

Peace & Demographic Change

Wars and geo-political tensions are fuelling feelings of insecurity. Some countries are struggling to accommodate the arrival and integration of refugees resulting from these conflicts. In addition, the issue of ageing society is a major challenge to the design of our welfare states, impacting future wellbeing. In terms of new policies, the EU should undertake the following actions:

- Strengthen security strategies that promote protection, empowerment and solidarity on the European continent as well as in regions across the world suffering conflict. Further integrate European defence capabilities and strengthen international partnerships to promote peace and conflict resolution in major hotspots.
- Build on aspects covered in the EU demography toolbox that address the challenge of an ageing society, including through technology, migration, active and healthy ageing, social security systems, health and long-term care strategies, medicines, nutrition, family-friendly policies, as well as combating age discrimination in the labour market.

Enabling Transformation-Mission Economy and Finance

This transformation supports a strong and competitive economy that ensures Europe's long-term prosperity. This should be done by strengthening industrial policies and competitiveness and leveraging the financial system to support the necessary transformations and investment in green and social infrastructures.

Resilient Industrial Policy and Sustainable Competitiveness

The EU needs to continue reinvigorating its industrial policy¹⁹⁶ to help European businesses take up their role in the thematic transformations toward sustainable wealth-creation for the many. Through competitive industries of the future, European companies can contribute to these global transformations. More broadly, EU industrial policy need to be reoriented from targeting economic efficiency above all to focusing on the creation of shared prosperity, sustainable production and consumption, and secure quality jobs.¹⁹⁷ The EU should undertake the following actions:

- Recentre the Green Deal Industrial Plan (GDIP) around its competitive advantage, creating and regulating competitive markets for critical raw materials, clean tech products and skills for the net-zero economy (see Net Zero Industry Act 2023)¹⁹⁸. Links between the GDIP and the EPSR should be strengthened to ensure the EU's industrial agenda becomes a channel for the just transformation.
- Considering access to financing remains a major hurdle for clean tech projects, the next Commission must make ambitious reforms such as completing the banking union and advancing the capital markets union – to support private investment and innovation towards achieving goals like net zero rather than granting subsidies and loans allowing socially or environmentally harmful sectors to stay in place.

- Leverage the Corporate Sustainability Reporting Directive (CSRD) system to monitor, evaluate and stimulate investment in businesses in line with Environmental, Social, and Governance (ESG) criteria.
- Identify core sectors and technologies for the thematic transformations and stimulate those for which Europe can remain/become a global leader.
- Enhance the Carbon Border Adjustment Mechanism (CBAM) and other measures to ensure that there is no unfair competition with European business.
- Promote sustainable entrepreneurship models combining social and environmental value with profitability in line with the Social Economy Action Plan 2021 and the 2023 Council recommendation on developing social economy framework conditions¹⁹⁹. Put forward a pan-European coordinated approach to foster a cohesive, equitable and resilient industrial modernisation that leverages the economic strengths of countries and regions, while advancing the goals of the European Green Deal and the European Pillar of Social Rights, and fostering economic security in the EU.
- Foster cross-European value chains for clean tech and transformation industries, while reducing reliance on energy imports and goods of strategic importance.

Transformative Finance

Finance is a key tool to guide business strategy and investment. Financial instruments need to reflect the overall policy goals, beyond just financial profits. In terms of new policies, the EU should undertake the following actions:

- Introduce preferential interest rates for green economic activities (green targeted longer-term refinancing operations).
- Phase out fossil fuel subsidies and other funding that have negative environmental impacts.
- Encourage Member States to ensure more progressive taxation enabling a socially fair increase of tax revenue for necessary reforms and investments and improved redistribution, with a focus on people in vulnerable situations. This could entail more progressive income taxation that shifts taxation away from labour, inheritance taxation focused on the super-rich, as well as other progressive taxation options.
- Propose an EU financial transaction tax²⁰⁰ to ensure that the financial sector makes a fair and substantial contribution to public finances for strategic EU investments.
- Following the EU Citizens' Initiative on taxing great wealth, put forward a proposal for such an EU tax.²⁰¹ Work together with the US and other OECD/G7 countries to introduce a Corporate Profit Tax²⁰²
- Formulate strong targets and conditionalities on EU public funding for companies and suggest guidance for the national level. Funding should foster the most sustainable modes of production, as well as include clear social and environmental conditions such as quality job creation, respect for the right of collective bargaining and action, production with a low environmental footprint and limits on dividends.
- Strengthen the mandate of the European Central Bank in leveraging social and green investments.
- Enhance banking and finance in line with Environmental Social Governance (ESG) reporting.
- Ensure built-in evaluations of social and environmental returns of investments (in addition to economic ones) when making funding decisions..
- Adopt a social taxonomy that categorises and recognises activities with positive social impact to guide investments to social objectives, thereby improving the quality of spending, policy development, fostering consistency and ensuring that social considerations are integrated into various sectors.
- Support the financing of national level initiatives through EU funds to promote social relations (strengthening work-life balance, lowering the retirement age, supporting universal basic

income), environmental goods (green areas, natural reserves, clean air, water and soil) as well as public goods and services (high quality and free education, quality health and care, public transport), reducing income inequality through redistribution and perhaps an inheritance tax.²⁰³

Sustainable Infrastructures and Services

The thematic transformations will also require large investments in the improvement and expansion of key sustainable infrastructures and services. The EU should undertake the following actions:

- Accelerate the development of a European high-speed rail system and increase EU funding supporting an efficient system of local railways.
- Roll out electrification infrastructure, including charging for electric vehicles, including for public transport, energy storage facilities to bolster the ability of electrical infrastructure to deal with intermittent supply.
- Strengthen investment in sustainable energy projects, such as solar and wind farms.
- Support investments to achieve the requirements of the Energy Performance of Buildings Directive (EPBD), specifically targeting low-income homeowners and tenants.
- Introduce guidelines to stimulate net-zero circular building practices.

Enabling Transformation-Transformative Research and Innovation

Due to the undeniable necessity for sustainability transformations, innovation policy should be targeted towards solving environmental, social and economic challenges.

Public R&I

The importance of having public research tackling societal challenges is recognised in research.²⁰⁴ In terms of new policies, the EU should undertake the following actions:

- Identify and stimulate fundamental research in technologies and other innovations that are crucial to supporting sustainable and inclusive wellbeing.
- Evaluate all EU research programmes in terms their potential to contribute to sustainable and inclusive wellbeing and strengthen related funding streams.
- Ensure the active participation of all stakeholders in setting the research objectives of the EU research programmes, such as the –Horizon Europe, and the research funded by the framework. This requires state of the art co-creation approaches, in line with the Quintuple Helix model of innovation (see below).

Public-Private Collaboration

While publicly financed research lays an important foundation, some businesses are also at the forefront of technological advancement. The EU should make sure that these developments are also making maximum use of the public R&I and are also aligned with the EU's strategic objectives for sustainable and inclusive wellbeing. In terms of new policies, the EU should undertake the following actions:

- Introduce conditionalities for transformation plans for businesses as an accountability mechanism for public subsidies.
- Expand regulation of new technologies such as AI, social media, biotechnology, genetic engineering, Internet of Things (IoT), VR/AR, data analytics and privacy to make sure they contribute to the democratic transformation towards sustainable and inclusive wellbeing.
- Strengthen policies and regulations that promote openness, transparency and collaboration in R&I. Create a public data repository including both privately and publicly produced datasets and make them available for public research. Ensure that publicly funded knowledge, resources and ideas are shared openly and collaboratively for the benefit of society.

Enabling Transformation- Multi-level Governance

The Quintuple Helix model is already being used in several European innovation strategies and cohesion policies to make sure that government, business, academia and civil society strongly interact to promote transformative change.²⁰⁵ This should be based on multi-level governance (MLG). MLG involves interconnected actors (public, private and social) societal actors (government, social partners, civil society, academia, media) at different levels (international, EU, national, regional, local).²⁰⁶ This type of governance should be a dynamic and open-ended process with both top-down and bottom-up interactions.²⁰⁷

Deliberative Democracy

Governance should be based on deliberative processes that include government, civil society organisations, social partners and other relevant stakeholders and groups. In terms of new policies, the EU should undertake the following actions:

- Adopt a Civil Society Strategy to promote an open, safe and accessible environment for civil society, better protect activists and defenders, and increase funding for civil society actors.
- Create a Civil Dialogue Interinstitutional Agreement to create a harmonised European approach in Institutions and Member States for structured, regular and meaningful civil dialogue. This should include a Vice-President of the European Commission responsible for civil dialogue.
- Strengthen social dialogue at EU and national as well as sectoral levels, including by implementing the recommendation on strengthening social dialogue and by appointing, as a follow-up to the Val Duchesse social summit, a social dialogue envoy within the European Commission.
- Explore the use of people's assemblies but avoid this becoming a tick-the-box exercise. It must be ensured that these assemblies are not seen as a substitute to regular, meaningful and structured social and civil dialogue with social partners and organised civil society representing the rights of workers, companies as well as specific groups in vulnerable situations.
- Strengthen EU funding for active citizenship initiatives at national level to strengthen deliberative democracy and participation.
- Fight corruption, especially in government and public institutions, by strengthening the mandate of the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO)
- Follow the EU ombudsman's decision on revolving door moves, applying a more robust approach in relation to revolving door moves of the most EU institutional senior staff to private sector jobs, shortly after departure or retirement, related to matters on which they worked in the EU institutions.
- Investigate threats to local democracy which transcend local or national borders, such as organised crime and the breakdown of local journalism.

Global Collaboration

The geopolitical situations will require collaboration with partners and exchange of knowledge and cooperation on global challenges. In terms of new policies, the EU should undertake the following actions:

- Create formal working groups or a platform with countries and international organisations to exchange best practices of policy-making for sustainable and inclusive wellbeing. This includes joining and strengthening the Wellbeing Economy Governments (WEGo).
- Strengthen collaboration with international organisations – in particular the UN, OECD and the G7 – to promote global peace and wellbeing and activities related to the technical toolkit (metrics, an accounting framework and models), governance or policy development for sustainable and inclusive wellbeing.
- Ensure that the EU and Member States are adhering to its commitment for Official Development Assistance.

ENDNOTES

¹ For many decades, economic growth (measured by the increase in Gross Domestic Product (GDP)) has been the north-star for policy. This emerged and grew after World War II and was entrenched in governance frameworks, such as the European Union's Stability and Growth Pact (SGP). On the prominence of GDP/economic growth see: Coyle, D. (2014). *GDP: A brief but affectionate history*. Princeton University Press.

Fioramonti, L. (2013). *Gross Domestic Problem: The Politics Behind the World's Most Powerful Number*. Zed Books.
Hoekstra, R. (2019). *Replacing GDP by 2030: Towards a common language for the well-being and sustainability community*. Cambridge University Press.

Philipsen, D. (2015). *The Little Big Number: How GDP Came to Rule the World and What to Do about It*. Princeton University Press.

² In other words, the quality of growth matters. Indeed, there are different types of unsustainable growth: jobless growth (growth that does not create new employment opportunities with it), ruthless growth (growth that only benefits the rich, and leaves the poor in their poverty), voiceless growth (growth without improvement in democracy or social inclusion), futureless growth (growth that undermines future generations by depleting resources or destroying biodiversity), along with rootless growth (growth at the expense of cultural identity, or the loss of minority identity), peace-less growth and health-less growth, as the COVID-19 pandemic has shown. Sources:

UNDP (1996). *Human Development Report – Economic growth and human development*. United Nations Development Program, Oxford University Press, New York.

Biggeri, M., Ferrannini, A., Lodi, L., Cammeo, J., Francescutto, A. (2023). *The “winds of change”: the SPES framework on Sustainable Human Development*. SPES Working paper no. 2.1, SPES project – Sustainability Performances, Evidence and Scenarios. Florence: University of Florence.

³ [Reflection Paper Towards a Sustainable Future in 2030](#)

⁴ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS. Pathway to a Healthy Planet for All EU Action Plan: [Towards Zero Pollution for Air, Water and Soil](#)

⁵ [Fit for 55 - The EU's plan for a green transition](#)

⁶ [Regulation on the Social Climate Fund](#)

⁷ [Just Transition Fund](#)

⁸ [European Pillar of Social Rights - Building a fairer and more inclusive European Union](#)

⁹ [WEF The Global Risks Report 2024](#)

¹⁰ [EU funding programmes - European Commission \(europa.eu\)](#)

¹¹ [A deal is a deal: EU parties must stand by the European Green Deal - Club of Rome](#)

¹² [Fairness perceptions of the green transition - Eurobarometer](#)

¹³ [Getting wellbeing economy ideas on the policy table: theory, reality, pushback and next steps - Club of Rome](#)

¹⁴ Easterlin, R. A., & O'Connor, K. J. (2022). *The Easterlin paradox*. In *Handbook of Labor, Human Resources and Population Economics* (pp. 1-25). Cham: Springer International Publishing.

¹⁵ [Beyond GDP : alternative measures of economic welfare for the EU-15](#)

¹⁶ Ida Kubiszewski, Robert Costanza, Carol Franco, Philip Lawn, John Talberth, Tim Jackson, Camille Aylmer, Beyond GDP: Measuring and achieving global genuine progress, *Ecological Economics*, Volume 93, 2013, Pages 57-68, ISSN 0921-8009, <https://doi.org/10.1016/j.ecolecon.2013.04.019>.

¹⁷ *An estimate of the EU-27 is currently being developed in the ToBe project.*

¹⁸ Van der Slycken, J., & Bleys, B. (2024). *Is Europe faring well with growth? Evidence from a welfare comparison in the EU-15 (1995–2018)*. *Ecological Economics*, 217, 108054. <https://doi.org/10.1016/j.ecolecon.2023.108054>

¹⁹ The results show that BCE has been improving this period with a minor stagnation at the end in the Nordic countries. Welfare stagnated since 2000 in core EU-countries like Austria, Belgium, Germany, Spain and the UK. Welfare deteriorated throughout the period in Italy, Luxembourg and the Netherlands whereas it improved but then deteriorated after the financial crisis in Greece, Ireland and Portugal.

²⁰ [Human Development Report 2023](#) The HDI did recover in 2022 and was projected to increase further in 2023.

²¹ This includes also the so -called “deaths of despair” (alcohol, drugs and suicide proposed by Case and Deaton [Deaths of Despair and the Future of Capitalism | Princeton University Press](#)

²² UNDP (2022). *Human Development Report 2021/2022. Uncertain Times, Unsettled Lives: Shaping Our Future in a World in Transformation*. United Nations Development Programme, New York.

²³ For a global genuine progress indicator which seems to stagnate after the 1970s see Costanza, R., Kubiszewski, I., Giovannini, E., Lovins, H., McGlade, J., Pickett, K. E., Ragnarsdóttir, K. V., Roberts, D., De Vogli, R., & Wilkinson, R. (2014). *Time to leave GDP behind*. *Nature*, 505(7483), Article 7483. *aph*.

²⁴ Paulsson, A., Koch, M., & Fritz, M. (2024). *Diminishing returns of growth? Economic performance, needs satisfaction and ecological impacts of OECD welfare states*. *Critical Social Policy*, 0(0). <https://doi.org/10.1177/02610183231218971>

²⁵ Tønnessen, M. (2023). *Wasted GDP in the USA*. *Humanities and Social Sciences Communications*, 10(1), 681. <https://doi.org/10.1057/s41599-023-02210-y>

- ²⁶ Growth rates of life satisfaction (World Values Survey) and GDP per capita based on 1981–2019. Based on work of Easterlin and O'Connor (2022), graph for non-expansion countries. WVS/EVS Data, 1981–2019. Easterlin, R. A., & O'Connor, K. J. (2022). The Easterlin paradox. In *Handbook of Labor, Human Resources and Population Economics* (pp. 1-25). Cham: Springer International Publishing.
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- ²⁸ Witte, C. T., Burger, M. J., & Ianchovichina, E. (2020). Subjective well-being and peaceful uprisings. *Kyklos*, 73(1), 120-158. See also: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7732181/> and the plea of the signatories of the Berlin Summit [Berlin Summit Declaration May 2024 - Forum for a New Economy](#)
- ²⁹ [Bottom 50% national income share - US and EU](#)
- ³⁰ [Why Is Europe More Equal than the United States?](#)
- ³¹ [Bottom 50% net personal wealth share - US and EU](#)
- ³² [Top 1% net personal wealth share](#)
- ³³ [Wealth inequality dynamics in Europe and the United States](#)
- ³⁴ [Human Development Report 2023](#)
- ³⁵ [People at risk of poverty or social exclusion in 2022](#)
- ³⁶ [Social Protection Committee annual report 2023](#)
- ³⁷ [The 2022 Minimum Income Report - Volume I](#)
- ³⁸ [In-work at-risk-of-poverty rate by sex](#)
- ³⁹ [Discrimination in the European Union](#)
- ⁴⁰ The report [Being Black in the EU](#) spotlights the widespread harassment and violence faced by people of African descent. One in five respondents (21%) had experienced what they perceived as racist harassment in the 12 months prior to the survey. Nearly one in three (30%) had experienced such harassment in the previous 5 years. For all groups, the rates of hate-motivated harassment varied widely across EU Member States.
- ⁴¹ <https://europa.eu/eurobarometer/surveys/detail/2972>
- ⁴² Gender equality index: [2023 Gender Equality Index, EU gender statistics, Gender Equality in the EU](#)
- ⁴³ Source: [EU Regional Social Progress Index](#). All the EU-SPI scores are calculated based on a 0-100 scale, with 0 meaning the worst performance, 100 the best, ideal performance. This scale is determined by identifying the best and worst global (possible) performance on each indicator by any region in Europe. This type of normalisation allows the EU-SPI scores to benchmark against realistic rather than abstract measures and track absolute, not just relative, performance of the regions on each component of social progress as described by the index.
- ⁴⁴ Richardson, K., Steffen, W., Lucht, W., Bendtsen, J., Cornell, S. E., Donges, J. F., Drüke, M., Fetzer, I., Bala, G., von Bloh, W., Feulner, G., Fiedler, S., Gerten, D., Gleeson, T., Hofmann, M., Huiskamp, W., Kummu, M., Mohan, C., Nogués-Bravo, D., ... Rockström, J. (n.d.). Earth beyond six of nine planetary boundaries. *Science Advances*, 9(37), eadh2458. <https://doi.org/10.1126/sciadv.adh2458>
- ⁴⁵ [Consequences of climate change - European Commission \(europa.eu\)](#)
- ⁴⁶ [Losses from climate change in the EU: €145 billion in a decade | World Economic Forum \(weforum.org\)](#)
- ⁴⁷ [Europe Urgently Needs to Increase Its Disaster and Climate Resilience \(worldbank.org\)](#)
- ⁴⁸ [rtonz - full report embargo version 3 .pdf \(greens-efa.eu\)](#)
- ⁴⁹ <https://www.pik-potsdam.de/en/news/latest-news/38-trillion-dollars-in-damages-each-year-world-economy-already-committed-to-income-reduction-of-19-due-to-climate-change>
- ⁵⁰ Fanning, A. L., O'Neill, D. W., Hickel, J., & Roux, N. (2021). The social shortfall and ecological overshoot of nations. *Nature Sustainability*, 5(1), 26–36. <https://doi.org/10.1038/s41893-021-00799-z>
- ⁵¹ Slameršak, A., Kallis, G., O'Neill, D. W., & Hickel, J. (2024). Post-growth: A viable path to limiting global warming to 1.5°C. *One Earth*, 7(1), 44–58. <https://doi.org/10.1016/j.oneear.2023.11.004>
- ⁵² See also Biggeri, M. & Mauro, V. (2018). Towards a more 'Sustainable' Human Development Index: Integrating the environment and freedom. *Ecological Indicators*, 91: 220-231.
- ⁵³ Fanning, A. L., O'Neill, D. W., Hickel, J., & Roux, N. (2022). The social shortfall and ecological overshoot of nations. *Nature sustainability*, 5(1), 26-36.
- ⁵⁴ Chancel, L. Global carbon inequality over 1990–2019. *Nat Sustain* 5, 931–938 (2022). <https://doi.org/10.1038/s41893-022-00955-z>
- ⁵⁵ [Sufficiency-as-a-confluence-for-post-growth-streams](#)
- ⁵⁶ Source: WISE database (www.beyond-gdp.world)
- ⁵⁷ Messerli, P., Murniningtyas, E., Eloundou-Enyegue, P., Foli, E. G., Furman, E., Glassman, A., ... & van Ypersele, J. P. (2019). *Global Sustainable Development Report 2019: the Future is Now—Science for Achieving Sustainable development*. United Nations. & Chancel, L. (2022). Global carbon inequality over 1990–2019. *Nature Sustainability*, 5(11), 931-938.
- ⁵⁸ Eurostat. (2020). Ageing Europe—Looking at the lives of older people in the EU — 2020 edition. <https://ec.europa.eu/eurostat/en/web/products-statistical-books/-/ks-02-20-655>
- ⁵⁹ European Commission. (2021). [The 2021 Aging report: Economic & Budgetary Projections for the EU Member States \(2019-2070\) \(INSTITUTIONAL PAPER 148\)](#).

⁶⁰ [Fertility statistics](#)

⁶¹ [Fertility statistics](#)

⁶² [2024 Ageing Report. Economic and budgetary projections for the EU Member States \(2022-2070\)](#)

⁶³ [The 2021 Ageing Report. Economic and Budgetary Projections for the EU Member States \(2019-2070\)](#)

⁶⁴ [Welfare systems without economic growth: A review of the challenges and next steps for the field](#)

⁶⁵ [At a glance | Humanitarian Action](#)

⁶⁶ [Global health, climate change and migration: The need for recognition of “climate refugees”](#)

⁶⁷ [The 2021 Ageing Report. Economic and Budgetary Projections for the EU Member States \(2019-2070\) p. 92](#)

⁶⁸ <https://reutersinstitute.politics.ox.ac.uk/digital-news-report/2023>

⁶⁹ [Opinion Way. 2024. “En qu\[o\]i les Français ont\(ils\) confiance aujourd’hui ?” Le baromètre de la confiance politique, vague 15. February 2024. OpinionWay pour le CEVIPOF - Baromètre de la confiance en politique](#)

⁷⁰ [Investment Report 2023/2024: Transforming for competitiveness \(eib.org\)](#) p.148 This table is based on EIB staff calculations based on Patent Cooperation Treaty (PCT) patents (PATSTAT) in collaboration with the Research and Development Monitoring Research Centre (ECOOM) at KU Leuven university.

⁷¹ [Investment Report 2023/2024: Transforming for competitiveness \(eib.org\)](#) p 156

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⁷³ UNDP (2022). *New Threats to Human Security in the Anthropocene: Demanding Greater Solidarity.* United Nations Development Programme, New York

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⁷⁸ [Social Europe - April 2024 - - Eurobarometer survey \(europa.eu\)](#)

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⁸³ [New Eurobarometer survey shows a strong social Europe top priority for EU citizens](#)

⁸⁴ [Social Europe: Eurobarometer survey shows Europeans support stronger social policies and more social spending](#)

⁸⁵ [EP Autumn 2023 Survey: Six months before the 2024 European Elections - December 2023 - - Eurobarometer survey \(europa.eu\)](#)

⁸⁶ [CONFERENCE ON THE FUTURE OF EUROPE](#)

⁸⁷ [Reboot Europe](#)

⁸⁸ [Since August 2022, when the IRA was signed into law, 142 projects have been announced totaling \\$98 billion in investment dollars and more than 80,000 jobs](#)

⁸⁹ [Competing in the new zero-carbon industrial era](#)

⁹⁰ [A New Zero-Carbon Industrial Era | Strategic Perspectives](#)

⁹¹ [The recovery in business investment – drivers, opportunities, challenges and risks](#)

⁹² [EIB Investment Report 2023/2024](#)

⁹³ [Questions and Answers: Communication on SMEs relief](#)

⁹⁴ [Competitive Sustainability Index](#)

⁹⁵ [The Competitive Sustainability Index Report](#)

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- ¹³⁸ [Dashboard SpringUpdate 2024.pdf \(europa.eu\)](#)
- ¹³⁹ Dethier & Roman (2024) Report on Transformative Indicators Initiatives for a Sustainable Wellbeing Paradigm. ToBe Deliverable [D1.3-Report-on-transformative-indicators-initiatives-for-a-sustainable-wellbeing-paradigm](#)
- ¹⁴⁰ [Review-of-metrics.pdf \(wisehorizons.world\)](#)
- ¹⁴¹ [ZOE Mainstreaming-wellbeing-and-sustainability-in-policymaking-1.pdf \(zoe-institut.de\)](#)
- ¹⁴² <https://www.worldbank.org/en/topic/social-dimensions-of-climate-change>
- ¹⁴³ <https://doi.org/10.1073/pnas.1711889114>
- ¹⁴⁴ [Recent Progress and Trends in Global SEEA Implementation | System of Environmental Economic Accounting](#)
- ¹⁴⁵ [System of National Accounts](#)
- ¹⁴⁶ The respective database of the Eurostat, OECD and IMF are called FIGARO, ICIO and MARIO. The organizations also work together in the GIANT project to collaborate on data and methodologies.
- ¹⁴⁷ On the use of novel data sources about sustainability and wellbeing, see Ballerini et al. (2024). Ballerini, V., Beraldo, D., Bocci, C., Braito, L., Milana, R., Trans, M. (2024). *Report on mapping, harmonising and integrating novel data sources for research purposes*. SPES Report no. 4.1, SPES project – Sustainability Performances, Evidence and Scenarios. Florence: University of Florence.
- ¹⁴⁸ It depends. For example the tax and benefit microsimulation model, EuroMod, includes very detailed information about tax and benefits related policies, and as such is used for various different objectives, moving from ex-ante impact assessment, to ex-post evaluation and also assessment of hypothetical reforms/policies.
- ¹⁴⁹ [Modelling Inventory and Knowledge Management System of the European Commission](#)
- ¹⁵⁰ E.g. "Better assessing the distributional impact of Member States' policies". [Poverty and inequality – distributional impact assessments](#) Further information on distributional impact assessments can be found at [Distributional Impact Assessment](#)
- ¹⁵¹ European Commission, Directorate-General for Economic and Financial Affairs, Varga, J., Veld, J., Roeger, W., *E-QUEST, a multi-region sectoral dynamic general equilibrium model with energy – Model description and applications to reach the EU climate targets*, Publications Office of the European Union, 2021, <https://data.europa.eu/doi/10.2765/954483>
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- ¹⁵² https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_3624
- ¹⁵³ Such as Earth4All, LowGrow, SFC, iSDG, EXIOMOD
- ¹⁵⁴ Van Eynde, R., Horen Greenford, D., O'Neill, D. W., Demaria, F. (2023) *Report on the capacity of existing models to incorporate wellbeing and sustainability indicators*. Unpublished Deliverable.
- ¹⁵⁵ [A review of macroeconomic approaches to modelling Wellbeing, Inclusion, and Sustainability](#)
- ¹⁵⁶ An example is the ongoing work of the European Commission in the context of the DG EMPL and JRC AMEDI projects, which are about assessing and monitoring employment, social and distributional impacts of climate, energy and environmental policies and they do so by combining macro and micro-economic models (GEM-E3 and EUROMOD respectively). More information is available at: [AMED: Assessing and Monitoring Employment and Distributional Impacts](#)
- ¹⁵⁷ [2024 European Semester - Spring Package](#)
- ¹⁵⁸ [2024 European Semester - Spring Package](#)
- ¹⁵⁹ [2024 European Semester - Spring Package](#)
- ¹⁶⁰ [Embedding the Recovery and Resilience Facility into the European Semester](#)
- ¹⁶¹ [A territorial approach for the implementation of the SDGs in the EU](#)
- ¹⁶² [Defining a sustainable development target space for 2030 and 2050 - ScienceDirect](#)
- ¹⁶³ [When less is more: reducing Europe's material footprint](#)
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- ¹⁶⁴ [The European Pillar of Social Rights in 20 principles](#)

- ¹⁶⁵ [Macroeconomic imbalance procedure scoreboard](#)
- ¹⁶⁶ [Fixing Cohesion – How to Refocus Regional Policies in the EU](#)
- ¹⁶⁷ [Building Back Better economic resilience-RRF](#)
- ¹⁶⁸ [A Harmonized Net Wealth Tax in the European Union](#)
- ¹⁶⁹ [A policy cycle 2.0](#)
- ¹⁷⁰ [Civil society fear lack of inclusion and member states inaction in CoFoE](#)
- ¹⁷¹ [Parliamentary question | Involvement of civil society and local authorities in the European Semester process and the recovery and resilience plans. | E-001656/2021 | European Parliament \(europa.eu\)](#)
- ¹⁷² [Involvement of Organised Civil Society in the National Recovery and Resilience Plans](#)
- ¹⁷³ [Regulation \(EU\) 2024/1263](#)
- ¹⁷⁴ [The-Wales-We-Want-Report](#)
- ¹⁷⁵ [Independent Commission on the Constitutional Future of Wales](#)
- ¹⁷⁶ [2024 European Semester - Spring Package](#)
- ¹⁷⁷ [Mainstreaming wellbeing and sustainability in policymaking p37](#)
- ¹⁷⁸ [Council conclusions on the Economy of Wellbeing](#)
- ¹⁷⁹ [on ensuring a fair transition towards climate neutrality](#)
- ¹⁸⁰ [A Clean Planet for all](#)
- ¹⁸¹ [The-porto-declaration](#) was signed by all EU institutions as well social partners and civil society.
- ¹⁸² [La Hulpe Declaration](#)
- ¹⁸³ [Conference on the Future of Europe](#)
- ¹⁸⁴ <https://www.beyond-growth-2023.eu>
- ¹⁸⁵ www.sustainableprosperity.eu
- ¹⁸⁶ [Position on the Review of the Mandate of the European Labour Authority](#)
- ¹⁸⁷ Brussels, 7.9.2022 COM(2022) 440 final COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on the European care strategy <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0440>
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- ¹⁹⁵ [Fra-strategic-plan-2023-2028](#)
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