MERGE
MEASURING WHAT MATTERS
Policy pathways to sustainable and inclusive wellbeing

Funded by the European Union

To: Ursula von der Leyen, President of the European Commission

European Commission

Rue de la Loi/Wetstraat 200

1049 Brussels

Belgium

Helsinki, 7 April 2025

Dear President von der Leyen,

The European Union's current competitiveness agenda risks overlooking sustainable and inclusive wellbeing as the foundation for long-term resilience, prosperity and European cohesion. The pressure from defence investments and trade tariffs further emphasises this. Economic resources directed at these challenges should acknowledge that true preparedness for external threats is built on societal trust, wellbeing and sustainable natural ecosystems.

We acknowledge the rationale and action points highlighted in the Competitiveness Compass and the other key steering documents published during the first 100 days of the new Commission. Driven by the Draghi report, the European Commission has adopted 'competitiveness' as an overarching framing for Europe, charting a course to build an economy that is not only productive but also thriving amid 21st-century challenges. But the question is, do we know what we are competing for?

Competitiveness for sustainable and inclusive wellbeing

Today, one in five Europeans are at risk of poverty or social exclusion, climate-related damages threaten economic stability, and inequalities are deepening. This poses profound risks for the resilience of European societies.

From its origins, the European Union has been built on the promise that economic vibrancy and wellbeing would go hand in hand, with the aims – enshrined in treaty-law – of *"promoting peace, its values and the wellbeing of its peoples"* (art. 3 TEU). A core focus of our institutions on social cohesion, democracy, justice, and wellbeing is instrumental in achieving this vision.

As Nobel Laureates in the Economic Sciences Acemoglu, Robinson, and Johnson underscore, a just society rooted in inclusive institutions is not a nice-to-have byproduct but forms the basis of a successful society. Europe needs to recognise that commitment to sustainable and inclusive wellbeing is a strategic 'competitive advantage' for the continent's prosperity and global leadership.

The Competitiveness Compass does not fully integrate social and ecological wellbeing into its policy framework. The Draghi and Letta reports highlight that Europe can no longer rely on an open global trade

system, cheap fossil fuels, and geopolitical stability. The Niinistö report further stresses that climate change and social fragmentation pose grave threats to our way of life, proposing a wider and more inclusive definition of security. Reducing unsustainable levels of material use and energy demand decreases the dependence on imports and thus builds strategic autonomy.

Countries all over the world are increasingly shifting to autocratic regimes with extractive institutions, exacerbating inequalities, contesting climate efforts, undermining stability and fuelling wars and human insecurity. At the same time, it is an opportunity for Europe to do better: warding off these external threats by leveraging its unique power sharing and inclusive institutions. Sustainable and inclusive wellbeing for both current and future generations, embedded comprehensively in administration and societies, should be both the driver and the outcome of European competitiveness. Thus, an advancement on that front could guarantee Europe's strategic autonomy and global leadership.

Measuring what counts for wellbeing and the future

To truly embrace sustainable and inclusive wellbeing, the EU should include societal and ecological metrics in all its measurement and accounting frameworks.

Measures of access to quality jobs, better living and working conditions, trust and solidarity resource efficiency and societal resilience are needed. Investments in social rights, including social protection, healthcare, education, and housing, as well as investments in environmental protection and climate change mitigation enjoy public support and are socio-economically sound. These should form the backbone of any competitiveness strategy, and hence should figure as visible political priorities, supported by better metrics.

The time is ripe for updating the competitiveness agenda in Europe, grounded in the wealth of knowledge that stems from the European Commission's 2023 Strategic Foresight report and the range of Horizon Europe research projects in the field of Sustainable and Inclusive Wellbeing.

We call on the Commission to actively collaborate with researchers and key stakeholders to align the competitiveness agenda with the best available knowledge on sustainable and inclusive wellbeing within two priority areas:

1. Guiding and monitoring competitiveness through sustainable and inclusive wellbeing indicators.

Research – also advanced within EU institutions – exists to create a ready-to-implement foundation for a single set of indicators to monitor that Europe's competitiveness is built on sustainability and inclusion. These indicators are needed to ensure achievement of objectives of EC's policy frameworks. For example:

- The Clean Industrial Deal implementation will benefit from indicators ensuring that industrial decarbonisation creates quality jobs and strengthens communities. A unified EU industrial

strategy would further recognise regional disparities, ensuring that all regions benefit from and contribute to the shift toward clean industries.

- The Preparedness Union ought to embed resilience-focused indicators that proactively address not only economic but also climate- and societal crises.
- The Omnibus Simplification should not weaken social and environmental safeguards through deregulation.
- The upcoming European Pillar of Social Rights (EPSR) Action Plan ought to achieve the comprehensive and effective implementation of all principles of EPSR and the EU headline targets on employment, skills and poverty reduction. To do so, the Social Scoreboard headline and secondary indicators should be revised to ensure that they extensively cover all 20 Social Pillar principles. This is necessary to properly measure the impact of policies on various groups, particularly those in vulnerable situations.

Ensuring that policies are effectively building competitiveness on sustainable and inclusive wellbeing requires attention. A milestone-based approach, similar to the Recovery and Resilience Facility, could link policy progress to tangible improvements in social and environmental outcomes, with structured, regular and meaningful involvement of regional and local authorities, civil society, and social partners in its development, implementation and evaluation.

2. Allocating resources and use of public funds based on sustainable and inclusive wellbeing

The EU should ensure that public procurement and industrial subsidies actively support sustainability, inclusion and intergenerational fairness.

Conditionalities for public use of public funds should include concrete commitments to deliver on social and environmental goals of the EU, to be included in any investment proposal and monitoring framework. There should also be attention to a fair and just approach to risk/reward sharing, which might include limitations on share buybacks. The conditionalities should be legally binding to ensure that the investments deliver on their promises. Clear social and environmental conditionalities could also guide Carbon Border Adjustment Mechanism revenue allocation, ensuring they directly fund green innovation and just transition measures.

Public procurement rules could also simplify, but not water down, sustainability and social compliance for businesses while upholding ambitious social and environmental goals. Similarly, it is key to ensure strong and binding green and social conditionalities in the next Multiannual Financial Framework to ensure it contributes to sustainable and inclusive wellbeing objectives. This requires both horizontal and thematic enabling conditions in the Common Provisions Regulation to ensure accountability and delivery on investments linked to the relevant EU frameworks, such as the European Green Deal and the European Pillar of Social Rights as well as earmarking for objectives contributing to sustainable and inclusive wellbeing in the relevant funds.

Europe's future standing on sustainable and inclusive wellbeing

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Europe's competitive advantage differs from that of the US and China due to its strong focus on sustainability, inclusion, and democratic economic governance. This means the way forward must also leverage its strengths. Rather than following extractive models, which often prioritise short-term gains and concentrate wealth and power, Europe has an opportunity to utilise its unique institutional advantages to build a future that is inclusive, sustainable, intergenerationally fair, and sovereign.

As EU-funded research projects studying an economy that promotes sustainable and inclusive wellbeing, we stand ready to support the Commission.

Sincerely,
Tuuli Hirvilammi, Coordinator of MERGE and ToBe funded by EU's Horizon Europe Program
Mario Biggeri, Coordinator of SPES funded by EU's Horizon Europe Program
Martijn Burger, Coordinator of WISER funded by EU's Horizon Europe Program
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