Workshop note. Defining and measuring EU Competitiveness

23 May 2025, 9:30-11:30 CEST
Joint Research Centre Policy Lab CDMA Building,
21 Rue du Champ de Mars / Marsveldstraat 21, B-1050 Brussels

Building economies that deliver sustainable and inclusive wellbeing for all—now and in the future—requires complex tools. In this context, MERGE, a Horizon Europe-funded project, aims to foster science-policy exchange on developing indicators and models to strengthen policies for sustainable and inclusive wellbeing.

Through its policy stream, led by ZOE Institute for Future-fit Economies and the European Policy Centre (EPC), MERGE conducts "policy deep dives"[1] to analyse how a holistic set of metrics can enhance and monitor the implementation of key EU policies. As one of these deep dives, we explore the priority of EU competitiveness and how to achieve it in a way that helps the EU enhance its long-term resilience, prosperity and cohesion on a foundation of sustainable and inclusive wellbeing.

The workshop aims to discuss how sustainable and inclusive wellbeing metrics can help ensure that the EU's competitiveness agenda aligns with its environmental and social objectives, accounting for multidimensional and long-term aspects of competitiveness. Initiatives such as the Circular Economy Act and the Quality Jobs Roadmap serve as useful entry points to explore this, highlighting the potential for mutually reinforcing outcomes.

The workshop discussions will feed into the further development of the MERGE project, in particular for the development of case studies and a training programme for the use of a policy design toolbox.

Agenda:

9:00 – 9.30	Coffee and networking
9:30 – 9:40	Welcome and introduction: MERGE presentation
9:40 – 9:50	Impulse presentation to set the scene
09:50 – 10:25	Brainstorming session in smaller groups on framing and defining competitiveness to support sustainable and inclusive wellbeing
10:25 – 10:35	Discussion of results
10:35 – 11:05	Brainstorming session on sustainable and inclusive wellbeing indicators to measure competitiveness
11:05 – 11:15	Discussion of results
11:15 – 11:30	Wider discussion and closing

[1] Other selected topics include: the EU budget, Social Europe, the European Semester, the Clean Industrial Deal, and Governance.

Workshop discussion

The workshop provides an opportunity to assess to what extent the EU's initiatives which relate to its objective of European competitiveness, in this case focusing specifically on the Circular Economy Act and the Quality Jobs Roadmap, are underpinned by sustainable and inclusive wellbeing (SIW) indicators and identify potential areas for further integration of a holistic set of metrics.

Issue:

The 2024-2029 Commission has put a strong emphasis on European competitiveness. However, what this means in practice is not clearly defined, and in many documents outlining this priority the focus is too narrowly centred on economic growth and productivity. Some academics argue that the EU's current competitive advantage lies in its status as a world leader on social and environmental progress. As several new EU initiatives are introduced under the headline goal of competitiveness (especially those under the umbrella of the Competitiveness Compass), integrating SIW indicators in their monitoring frameworks can help ensure the EU stays on track to achieve its goals on sustainability, equity, and long-term wellbeing.

Challenges to achieving sustainability, equity and long-term wellbeing through the EU competitiveness agenda:

1. **The concept of competitiveness is limited and not clearly defined** – The Competitiveness Compass for the EU cites the EU's many assets which make it a leader in the global economy but points to a gap in productivity growth that has held it back, risking fewer opportunities, income, and welfare for people across Europe. However, the assumption that higher productivity rates automatically translate into gains for wellbeing is increasingly contested. However, the inverse relationship has been demonstrated, finding that high levels of wellbeing in a society can promote productivity growth. This shows that prioritising wellbeing can be a more effective strategy.
2. Without SIW indicators to guide and monitor implementation, **efforts to enhance the EU's competitiveness in the short term can in time harm its long-term competitiveness**, strategic autonomy, resilience and security by exacerbating:
    a. dependencies on non-renewables & climate change negative externalities
    b. social fragmentation and undermining social and regional cohesion

Framing questions for the workshop:

1. **Translating competitiveness into action:**

   Sustainable and inclusive wellbeing for both current and future generations, embedded comprehensively in policy design, 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. What exactly needs to be taken into account when we talk about being competitive? How can the EU leverage and strengthen its advanced position on socio-economic and ecological policies and practices as its competitive edge?

2. **Enhancing Sustainable and Inclusive Wellbeing Indicators:**
   How can socio-ecological and wellbeing dimensions, such as fighting inequality, access to green and quality jobs, environmental protection, and quality public health, be effectively integrated into the monitoring frameworks of the **Commission's initiatives aimed at European competitiveness**, namely the Quality Jobs Roadmap and Circular Economy Act, to ensure an EU that is sustainable, just, inclusive and competitive in the long term?

   How can the new **SME and Competitiveness Checks** in impact assessments take socio-ecological and wellbeing dimensions into account to ensure new EU policies are assessed for their ability to ensure an EU that is just, inclusive and competitive in the long term?

Background: European competitiveness

Making Europe's economy competitive

European Commission President Ursula von der Leyen tasked Mario Draghi with conducting a thorough analysis of Europe's competitiveness and how to improve it. He published his analysis in autumn 2024 in the form of a 400-page report. The report identified three main areas of action, which became the three flagship pillars of the Compass: closing the innovation gap, developing a joint plan for decarbonisation and competitiveness, and increasing security and reducing dependencies. The findings of this report contribute to the Commission's work on the topic of sustainable prosperity and competitiveness, which is one of the key goals set out in President von der Leyen's Political Guidelines for 2024-2029.

What does it mean to be competitive?

"A new plan for Europe's sustainable prosperity and competitiveness" is the first chapter of President von der Leyen's Political Guidelines for 2024-2029. However, it does not explicitly define what is meant by these terms. It does outline, however, the risks of depending on foreign trade partners and weaknesses in global supply chain, and the need for research and innovation, emphasising that

Europe "cannot afford to lose its competitive edge" in the race towards climate neutrality, and that the continent's strength is its "unique social market economy."

The Draghi report mentions that the core focus of a competitiveness agenda should be productivity growth but also that a European approach must ensure that productivity growth, decarbonisation and social inclusion go hand-in-hand. While the report advocates for productivity growth and innovation, it also states that the European welfare state will be critical to provide public services and protection.

This broad understanding of competitiveness resonates with the EU's foundational values that underpins all EU policies. Article 3 of the EU treaty sets out that "the Union's aim is to promote peace, its values and the wellbeing of its peoples" and that "it shall promote economic, social and territorial cohesion, and solidarity among Member States." Part of achieving the wellbeing of Europeans is economic and social cohesion, as well as protection of the environment in which they live—the European Climate Law states that the European Green Deal, a strategy "that aims to transform the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy," also aims to "protect the health and wellbeing of citizens from environment-related risks and impacts."

Therefore, Europe's advantage for long-term, sustainable competitiveness should be its commitment to sustainable and inclusive wellbeing for current and future generations. An advancement on that front could guarantee Europe's strategic autonomy and global leadership. President von der Leyen put it well herself in a recent interview:

> *"In Europe, children can go to good schools however wealthy their parents are. We have lower CO_2 emissions, we have higher life expectancy. Controversial debates are allowed at our universities. This and more are all values that must be defended, and which show that Europe is more than a union. Europe is our home. And people know that, people feel that."*

Competitiveness in action

Competitiveness compass

Introduced at the start of 2025, the Competitiveness Compass builds on the analysis of the Draghi report and provides a strategic framework for the Commission's work for the current term. It focuses on three core areas for action: innovation, decarbonisation, and security. These are complemented by five enablers the Commission sees as essential to underpin competitiveness across sectors: simplification; lowering barriers to the Single Market; financing competitiveness; promoting skills and quality jobs; and better coordination of policies and financing of investments at EU and national level. The Compass—in its introduction—also notes the importance of ensuring "sustainable prosperity" and the EU's "distinctive social model". However, beyond stating that "increasing

competitiveness and productivity will go hand in hand with empowering people", which measures will be implemented to uphold those concepts is not explicitly mentioned.

Still, broadening the scope of the Compass, "pursuing inclusive wellbeing over the long term, engaging in a pathway towards sustainability, and consolidating democracy" could help Europe strengthen its global role and be a key element in its long-term competitiveness, as shown in the 2023 Strategic Foresight Report.

There are many initiatives planned that fall under the umbrella of the Competitiveness Compass. To narrow down the scope of the discussion in this workshop, we will focus on two: the Quality Jobs Roadmap and the Circular Economy Act.

Quality Jobs Roadmap

Planned for Q4 2025, the Quality Jobs Roadmap will be developed through engagement with social partners to tackle challenges which impact labour market participation. It will support fair wages, good working conditions, training, and fair job transitions for workers and self-employed people. Executive Vice-President Mînzatu has recently begun a consultation process with social partners. While the Commission, through this initiative, presents quality jobs as a key enabler for competitiveness, social cohesion and just transition, it does not clearly define what constitutes 'quality' or how this will be assessed, nor how it will contribute to the transition (e.g., green vs brown jobs). SIW indicators could help define and measure progress towards these objectives.

Circular Economy Act

Planned for Q4 2026, a proposal for a Circular Economy Act will be designed to catalyse investment in recycling capacity and encourage European industry to use recycled materials. Not much more information about the Act has been communicated by the Commission at this stage. The EU's current monitoring framework on circular economy includes indicators grouped into five aspects of the circular economy: (1) production and consumption, (2) waste management, (3) secondary raw materials (4) competitiveness and innovation and (5) global sustainability and resilience. It remains to be seen whether the introduction of this new Act will link to the same indicators. SIW indicators could be added to this monitoring framework to ensure the circular economy supports SIW objectives.

Sustainable and inclusive wellbeing indicators

As EU priorities shift toward simplification and competitiveness, its monitoring frameworks should integrate broader environment and societal metrics to enable tracking progress on environmental and social standards and goals. Sustainable and inclusive wellbeing indicators offer a more holistic view of progress, emphasising wellbeing, inclusion, and sustainability—a framework increasingly recognised in research and policy.

By measuring long-term impacts on people, communities, and the environment, Sustainable and Inclusive Wellbeing (SIW) metrics can enhance policy coherence and support a just transition. MERGE research has highlighted the increase in the convergence of these metrics around three key dimensions: wellbeing, inclusion and sustainability[2] as 'Sustainable and Inclusive Wellbeing' becomes a new common ground for beyond GDP metrics, policies, and models[3].

Key dimensions include:

Current Wellbeing – Ensuring current quality of life (e.g., housing cost overburden, long-term unemployment rate, unmet needs for medical care).

Future wellbeing (sustainability) – Securing future wellbeing (e.g., participation in learning and education, projected old-age dependency ratio, circular material use rate, spending on climate change prevention).

Inclusion (Limiting wellbeing inequalities for current and future generations) – Reducing inequalities (e.g., income inequality, gender employment gap, regional dispersion of life expectancy at birth at risk of poverty or social exclusion rate)[4].

[2] Rum, I., Hoekstra, R., Jensen, A., Eastoe, J., Kubiszewski, I., Constanza, R., Kaufmann, R. & Biggeri, M. (2024). *Are Beyond-GDP metrics converging? Consolidation of the measurement of sustainable and inclusive wellbeing.* The MERGE project.
[3] Benczur, P., Boskovic, A., Cariboni, J., Chevallier, R., Le, B. J., Sandor, A.-M., & Zec, S. (2024, July 1). *Sustainable and Inclusive Wellbeing, the road forward*. JRC Publications Repository. https://doi.org/10.2760/828060
[4] Indicator examples are taken from the JRC's comprehensive Sustainable and Inclusive Well-Being dashboard.

MERGE

Measuring what matters – policy pathways to sustainable and inclusive wellbeing

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